



Republic of the Philippines
CAVITE STATE UNIVERSITY
CCAT CAMPUS
Rosario, Cavite

MIDTERM EXAMINATION
PARTNERSHIP AND CORPORATION ACCOUNTING

I. TRUE OR FALSE. Write the word TRUE if the statement is correct and FALSE if the statement is incorrect.

1. All partnerships in a general partnership are personally liable for all debts incurred by the partnership.
2. An advantage of the partnership form of business is that each partner's potential loss is limited to the partner's investment in the partnership.
3. A partnership is a legal entity separate and apart from its owners.
4. A limited partnership normally has one or more general partners whose liability is unlimited.
5. The basis of valuation for non-cash investment should be at fair market value.
6. A partner who invests assets into a partnership retains control over those specific assets.
7. Partner's drawing accounts have normal credit balances.
8. A partnership should always be constituted in writing.
9. As long as the action is within the scope of the partnership, any partner can bind the partnership.
10. A proprietorship has a limited life whereas a partnership may have an unlimited life.
11. A partnership agreement may validly stipulate that one partner shall receive no share in profits.
12. Profits are divided equally among the partners unless the partnership agreement specifies otherwise.
13. A dormant partner is one who does not take active part in the partnership business though may be known as a partner.
14. A partnership is created by mere agreements of the partner.
15. In a limited partnership, none of the partners has unlimited liability for the business debts.
16. A partner's capital account is debited to reflect assets permanently withdrawn.
17. There is no income tax imposed on a partnership.
18. A partnership must always have two to four owners.
19. In a contract of partnership, 2-4 persons bind themselves to contribute money, property or industry to a common fund, with the intention of dividing the profits among themselves.
20. A silent partner takes active part in the business of the partnership and is not known by outsiders to be a partner.

II. COMPUTATION. Kindly show your solutions if applicable.

1. On May 1, 2017, Zack and Cody formed a partnership and agreed to share profits and losses in the ratio of 3:7, respectively. Zack contributed a parcel of land that cost P10,000. Cody contributed 40,000 cash. The land was sold for P18,000 on May 1, 2017, immediately after formation of the partnership. What amount should be recorded in Gonzaga's capital account on formation of the partnership? (5 pts.)

2. Miley, Lily and Jackson are partners. Their contributions are as follows: Miley, P600,000, Lily, P400,000 and Jackson, P200,000. Partners agreed to divide the profits in the ratio of 35:25:40 respectively. How should a profit of P100,000 be shared by the partners? (5 pts.)
3. Kenan, Kel and Katie are partners. Their contributions are as follows: Kenan, P 500,000, Kel, P300,000 and Katie, P200,000. The partners did not agree on how to divide profits or losses. If there is a profit of P200,000, how should the profit be shared by the partners? (5 pts.)
4. Cole and Dylan Partnership had a profit of P300,000 for the year ended December 31, 2016. The partnership contract provided that each partner may withdraw P5,000 on the last day of each month, both partners did so during the year. The drawings are recorded by debits to the partners' drawing accounts and shall not be considered on the division of profits or loss. It is the intention of the partners that each partners' share in the profit or loss be either credited or debited to the drawing account.

Cole invested P400,000 on Jan. 1, 2016 and an additional P100,000 on April 1. Dylan invested P800,000 on Jan. 1 and withdrew P50,000 on July 1. These transactions and events are summarized in the following capital, drawing and income summary ledger accounts.

Compute the division of profit based on the following assumption:

1. Capital Contribution (5 pts.)
2. Equally (5 pts.)
3. Beginning Capital (5 pts.)
4. Average Capital Balances (10 pts.)

“Students enjoy having the same answers,

Teachers enjoy giving the same grades”

GOD BLESS!!!