

# QB365 Question Bank Software Study Materials

## Hindu Undivided Family and Partnership Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) Who is called KARTA?

**Answer :** All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'. The Karta is the senior most male member of the family.

2) What are the two schools of Hindu law?

**Answer :** The two schools of Hindu law are:

- i. Dayabhaga
- ii. Mitakshara.

3) Who is called a Partner?

**Answer :** The Person who enters into the partnership are individually called Partners and collectively known as 'Firm'.

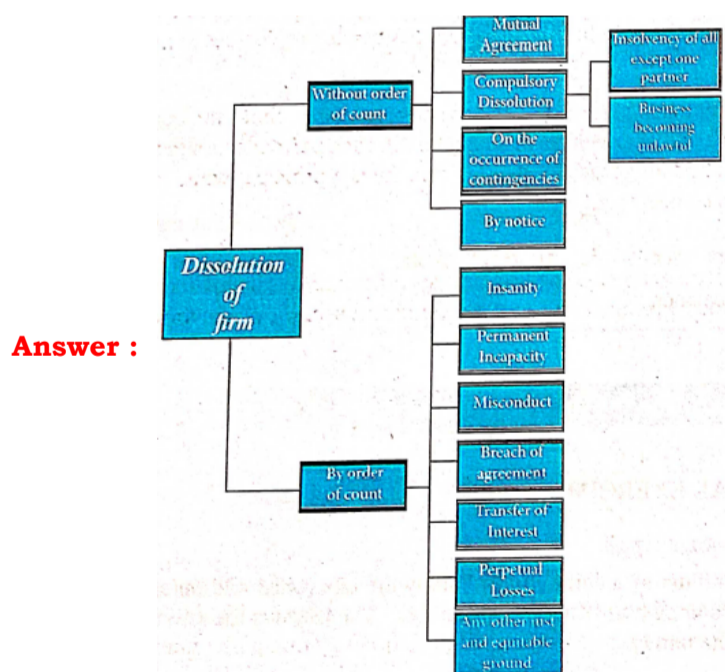
4) Who is a Sleeping partner?

**Answer :** i. Sleeping partner contributes capital and shares in the profits or losses of the firm but does not take part in the management of the business.

ii. He may not be known as a partner to the outsiders; yet he is liable to third parties to an unlimited extent as any other partner.

iii. It is also known as Dormant partner.

5) How many types of Dissolution?



6) Write any two examples of Joint Hindu Family business run in India.

**Answer :** Tata Consultancy Services and Haldiram's are the top most Joint Hindu family businesses run in India.

7) What is partnership firm?

**Answer :** The persons who enter into partnership are collectively known as 'Firm'.

8) Who is a secret partner?

**Answer :** Secret partner is one whose name is not disclosed to outsiders. The position of secret partner lies between active and sleeping partner. He can take part in the working of the business. He is not known to the public as a partner. He has the same rights and liabilities as that of other partners.

9) Explain the risk of implied authority in partnership?

**Answer :** Every partner can bind the firm and his other partners by his acts. Therefore all other partners become liable to a greater extent because of the folly and fraud committed by a fellow partner.

10) Write any two duties of partnership.

**Answer : Duty to be true:**

Every partner must be true, just and faithful to one another. There must be utmost good faith and fair dealings.

**Duty to render true accounts:**

- i. A partner is bound to keep and render true and full accounts of the partnership.
- ii. He must produce relevant vouchers for the expenses incurred by him and hand over to the firm all amounts which have come into his hands as a partner.

**3 Marks**

10 x 3 = 30

11) Write any 3 features of HUF.

**Answer : Implied Authority of Karta:**

In a joint family firm, only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the businesses of the firm.

**Minor also a co-parcener:**

In a partnership, minor cannot become co-partner though he maybe admitted to the benefit of partnership. In a Joint Hindu Family firm even a new born baby can be a co-parceners.

**Dissolution:**

The Joint Hindu Family business can be dissolved only at the will of all the members of the family. Any single member has no right to get the business dissolved.

12) What is the minimum and maximum number of members in the partnership concern?

**Answer :** Since partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two. Maximum is restricted to 10 in the case of banking business and to 20 in all other cases.

13) What is the meaning of Partnership Deed?

**Answer :** Though a partnership agreement need not necessarily be in writing, it is important to have a written agreement in order to avoid misunderstandings; it is desirable to have a written agreement. A carefully drafted partnership deed helps in ironing out differences which may develop among partners and in ensuring smooth running of the partnership business. It should be properly stamped and registered.

14) What is the meaning of Coparceners?

**Answer :** In a Joint Hindu Family firm even a new born baby can be a co-parcener.

15) Partnership is an extension of the 'Principle of Agency'-Explain.

**Answer :** There must be agent and principal relationship between the partners. Every partner is a proprietor as well as an agent of the firm. The business of the firm may be carried on by all or any of them acting for all. Partnership is, therefore, described as an extension of the 'Principle of Agency'.

16) What is dissolution of partnership?

**Answer :** Dissolution of partnership means the termination of the original partnership agreement. A partnership is dissolved by insolvency, retirement, expiry or completion of the term of partnership. The business will continue after dissolution of partnership. For example, A, B and C are partners in a business. If 'A' retires, 'B' and 'C' can continue the business which is known as dissolution of partnership.

17) List out the circumstances under which a partnership firm is dissolved.

**Answer : Circumstances under which a partnership may be dissolved:**

- (i) Dissolution by agreement (Sec.40).
- (ii) Compulsory dissolution (Sec.41).
- (iii) Dissolution on the happenings of certain contingencies (Sec.42).
- (iv) Dissolution by notice of partnership-at-will (Sec.43).
- (v) Dissolution through Court (Sec.44).

18) Explain the circumstances on which a partner has implied authority.

**Answer :** A partner has implied authority in the following cases:

- (i) Buying, selling and pledging the goods of the firm.
- (ii) Receiving payment of the debts due to the firm and issuing receipts for them.
- (iii) Settling accounts with the persons dealing with the firm.
- (iv) Engaging servants for the partnership business.
- (v) Borrowing and repaying loans for the firm.
- (vi) Drawing, accepting, endorsing bills and other negotiable instruments in the name of the firm.
- (vii) Operating the bank account on behalf of the firm in firm's name.
- (viii) Taking legal action and defending such actions on behalf of the firm.

19) Write short note on partner by estoppel.

**Answer :** In case, a person represents himself/herself by words or actions or has allowed him to be represented as a partner of the firm, even though he is not a partner, he is called partner by estoppels. Such a partner cannot deny his liability if outside party lends money to the firm supposing him to be a partner.

20) Write short note on partner in profit only.

**Answer :** When a person joins a firm as a partner on the condition that he is entitled to a specified share of the firm's profit only, he is called a partner in profits only. It means that h will not be called upon to bear any portion of the losses sustained. He will, however, be liable to third parties for all the debts of the firm like any other partner. Such partners usually do not take part in the management of the business.

**5 Marks**

5 x 5 = 25

21) What are the contents of Partnership Deed? (any 5)

**Answer :** Contents of Partnership Deed:

**a) Name:**

Name of the Firm.

**b) Nature of Business:**

Nature of the proposed business to, be carried on by the partners.

**c) Duration of Partnership:**

Duration of the partnership business whether it is to be run for a fixed period of time or whether it is to be dissolved after completing a particular venture.

**d) Capital Contribution:**

The capital is to be contributed by the partners. It must be remembered that capital contribution is not necessary to become a partner for one who contribute his organising power, business acumen, managerial skill, etc., instead of capital.

**e) Withdrawal from the Firm:**

The amount that can be withdrawn from the firm by each partner

**f) Profit/Loss Sharing:**

The ratio in which the profits or losses are to be shared. If the profit sharing ratio is not specified in the deed, all the partners must share the profits and bear the losses equally.

**g) Interest on Capital:**

Whether any interest is to be allowed on capital and if so, the rate of interest. If the deed is silent on interest on capital, the rules for interest on capital in partnership act will take effect.

**h) Rate of Interest on Drawing:**

Whether any interest is to be allowed on drawing, the rate of interest is to be specified.

**i) Loan from Partners:**

Whether loans can be accepted from the partners and if so the rate of interest payable there on.

**j) Account Keeping:**

Maintenance of accounts and audit.

**k) Salary and Commission to Partners:**

Amount of salary or commission payable to partners for their services. (Unless this is specifically provided, no partner is entitled to any salary).

**l) Retirement:**

Matters relating to retirement of a partner. The arrangement to be made for paying out the amount due to a retired or deceased partner must also be stated.

**m) Goodwill Valuation:**

Method of valuing goodwill on the admission, death or retirement of a partner.

**n) Distribution of Responsibility:**

The work that is entrusted to each partner is better stated in the deed itself.

**o) Dissolution Procedure:**

Procedure for dissolution of the firm and the mode of settlement of accounts thereafter.

**p) Arbitration of Dispute:**

Arbitration in case of disputes among partners. The deed should provide the method for settling disputes or difference of opinion. This clause will avoid costly litigations.

22) Explain the types of Dissolution of Partnership firm. (any 5)

**Answer :** Dissolution of a partnership firm is taken place in two ways.

- (a) without the order of the court and
- (b) By order of the court.

**Without the order of the court**

**a) By agreement or mutual consent:**

A firm may be dissolved when all the partners agree to close the affairs of the firm. Just as a partnership is created by contract, it can also be terminated by contract.

**b) By insolvency of all the partners but one:**

If any of the partners adjudged an insolvent (or if all the partners become insolvent) it is necessary to dissolve the firm.

**c) When the objective becomes illegal:**

When the business carried on by the partnership becomes illegal, the partnership firm is automatically dissolved.

**d) By notice of dissolution :**

In the case of partnership at will when any partner gives in writing to all the other partners indicating his intention to dissolve the firm, the firm will be dissolved.

**e) On certain contingencies:**

Dissolution of the partnership itself may involve the dissolution of the firm unless parties agree to continue it otherwise, it will take place.

- i. On the expiry of a specified period in case of partnership for a fixed term.
- ii. On the completion of a particular adventure for which it has been formed in case of particular partnership.
- iii. On the death of a partner.
- iv. On the retirement of a partner.
- v. On the insolvency of a partner.

In all the above cases if the business is not continued by the remaining partners, dissolution of the firm takes place automatically.

**Dissolution through court:**

- (a) When a partner becomes insane
- (b) Permanent incapacity of any partner
- (c) Misconduct of any partner
- (d) Breach of the agreement which makes the business impracticable
- (e) Transfer of interest to third person
- (f) Continued loss
- (g) When the court finds that it is just and equitable to dissolve the firm

- 23) Write the procedure for registration of a firm. (any 5)

**Answer : Registration of Partnership:**

The Indian Partnership Act does not make the registration of a partnership compulsory. Registration is optional. But the disabilities of non-registration virtually make it compulsory.

**Procedure for Registration:**

A statement should be prepared stating the following particulars.

- (1) Name of the firm.
- (2) The principal place of business.
- (3) Name of other places where the firm carried on business.
- (4) Names and addresses of all the partners.
- (5) The date on which each partner joined the firm.
- (6) The duration of the firm.

This statement signed by all the partners should be produced to the Registrar of Firms along with the necessary registration fee. Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.

- 24) Can a minor is admitted in the Joint Hindu Family business - Why?

**Answer :** 1. A Minor can become the member of Joint Hindu Family Business.

- 2. The membership of the family can be acquired only by birth.
- 3. As soon as a child is born in the family, that child becomes a member.
- 4. The business of the Joint Hindu Family is controlled and managed under the Hindu law.
- 5. Today Hindu Succession Act 2005 is applicable to all male and female members of a HUF.
- 6. As per the act of HUF by birth a minor can be admitted in the business.
- 7. In a Joint Hindu Family firm even a new born baby can be à Co-parcener.

25) Explain the types of Partnership.

**Answer : Partnership at will:**

Partnership formed to carry on business for an undefined period is called partnership at will. It is to be dissolved when a partner gives notice of his intention to dissolve the partnership. Thus this type of partnership continues its business activities as long as there is mutual cooperation and confidence among partners. Since it comes to an end at the will of any partner on his giving notice, it is called partnership at will.

**Partnership for a fixed term:**

Where a partnership is formed for a definite period of time, it is known as partnership for a fixed term. The partnership for a fixed term comes to an end on the expiry of the stipulated period. But if the business is continued even after the original fixed period, it automatically becomes a partnership at will. As such it will be terminated at the will of any partners, giving notice of his intention to do so.

**Particular partnership:**

When a partnership is formed to carry on a particular venture or a business of temporary nature, it is called particular partnership. Such a firm lasts so long as the business agreed upon is not completed. In other words, it comes to an end on the completion of the particular venture. If such a firm is not dissolved and it begins to undertake new activities not originally contemplated, the rights and obligations of the partners continue to be the same as in the original partnership and it will continue till a partner gives a notice of his intention to dissolve the firm.