

1.

Award: 10.00 points

Which of the following is *not* a characteristic of a partnership?

- ☐ Each partner has the power to obligate the partnership for liabilities.
- ☐ A partnership requires written Articles of Partnership.
- ☐ It is easy to form a partnership.
- ☐ Any partner can be held personally liable for all debts of the business.
- ☐ The partnership itself pays no income taxes.

2.

Award: 10.00 points

The *dissolution* of a partnership occurs

- ☐ when there is any change in the individuals who make up the partnership.
- ☐ only when a partner leaves the partnership.
- ☐ at the end of each year, when income is allocated to the partners.
- ☐ only when a new partner is admitted to the partnership.
- ☐ only when the partnership sells its assets and permanently closes its books.

3.

Award: 10.00 points

Which of the following type of organization is classified as a partnership, or similar to a partnership, for tax purposes?

- (I.) Limited Liability Company
- (II.) Limited Liability Partnership
- (III.) Subchapter S Corporation

- ☒ I, II, and III.
- ☐ II and III.
- ☐ I and II.
- ☐ II only.
- ☐ I and III.

4.

Award: 10.00 points

Jell and Dell were partners with capital balances of \$600 and \$800, and an income-sharing ratio of 2:3. They admitted Zell with a 30% interest in the partnership, and the total amount of goodwill credited to the original partners was \$700. What amount did Zell contribute to the business?

- ☐ \$630.
- ☒ \$900.
- ☐ \$560.
- ☐ \$600.
- ☐ \$590.

Jell \$600 + Dell \$800 + Goodwill \$700 = \$2,100 ÷ 70% = \$3,000 × 30% = \$900 Cash

5.

Award: 10.00 points

The *disadvantages* of the partnership form of business organization, compared to corporations, include

- ☐ unlimited liability for the partners.
- ☐ the extent of governmental regulation.
- ☐ the requirement for the partnership to pay income taxes.
- ☐ the legal requirements for formation.
- ☐ the complexity of operations.

6.

Award: 10.00 points

Partnerships have alternative legal forms including all of the following *except* which of the following?

- ☐ General Partnership.
- ☐ Subchapter S Partnership.
- ☐ Limited Partnership.
- ☐ Limited Liability Partnership.
- ☐ Limited Liability Company.

7.

Award: 10.00 points

The partnership of Clapton, Seidel, and Thomas is insolvent and will be unable to pay \$30,000 in liabilities that are currently due. What recourse is available to the partnership's creditors?

- ☐ They must present equal claims to the three partners as individuals.
- ☐ They must present their claims to the three partners in descending order based on the partners' capital account balances.
- ☐ They cannot seek remuneration from the partners as individuals.
- ☐ They may seek remuneration from any partner they choose.
- ☐ They must try to obtain payment from the partner with the largest capital account balance.

8.

Award: 10.00 points

Which of the following statements is correct regarding the admission of a new partner?

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- ☐ The right to participate in management of the business cannot be conveyed without the consent of other existing partners.
- ☐ A new partner must purchase a partnership interest directly from the business.
- ☐ The right of co-ownership in the business property cannot be transferred to a new partner without the consent of other existing partners.
- ☐ A new partner always pays book value.
- ☐ The right to share in profits and losses cannot be sold to a new partner without the consent of other existing partners.

9.

Award: 10.00 points

Cherryhill and Hace had been partners for several years, and they decided to admit Quincy to the partnership. The accountant for the partnership believed that the dissolved partnership and the newly formed partnership were two separate entities. What method would the accountant have used for recording the admission of Quincy to the partnership?

- ☐ The proportionate method.
- ☒ The goodwill method.
- ☐ The bonus method.
- ☐ The equity method.
- ☐ The cost method.

10.

Award: 10.00 points

The *advantages* of the partnership form of business organization, compared to corporations, include which of the following?

- ☐ Difficulty of formation.
- ☐ Ease of raising capital.
- ☒ Single taxation.
- ☐ Mutual agency.
- ☐ Limited liability.