

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The statutory limit on the number of partners in a non-professional business is:
A) 10. B) 30. C) 20. D) 2 or more.

Answer: C

- 2) The maximum number of persons who can become partners in an accountancy firm is:
A) 500. B) 1500. C) 1000. D) 100.

Answer: C

- 3) Partnerships are based on:
A) general (common) law. B) statute law.
C) contract law. D) all of the above.

Answer: A

- 4) An essential element of a partnership is that:
A) it is a business carried out in common with a view to profit.
B) it is registered with the appropriate state and federal departments.
C) it is a business carried out as an association.
D) the partners have equal number of shares in the business.

Answer: A

- 5) A partnership can be created by:
A) a written document.
B) an oral agreement.
C) s 140(1) of the Corporations Act 2001.
D) all of the above.
E) A and B only.

Answer: E

- 6) Which of the following business situations provides the strongest evidence that the persons involved in a business are carrying on a partnership?
A) Sharing of profits. B) Sharing of gross returns.
C) Common ownership of property. D) None of the above.

Answer: A

- 7) If A enters into a contract to provide goods to a partner, she is entitled to presume that the partner had apparent authority to legally bind the partnership if:
A) A knew or believed that the person she was dealing with was a partner.
B) the contract was connected to the business of the partnership.
C) the partner was carrying on the usual business of the partnership in the usual way.
D) All of the above are satisfied.

Answer: D

- 8) Which of the following statements is false concerning the joint liability of partners?
- A) Creditors have the right to sue all the partners or individual partners.
 - B) If creditors sue an individual partner the damages they can be awarded are limited to the percentage of liability that the creditor agreed to bear in the partnership agreement.
 - C) If creditors fail to sue one or more of the partner the ones who have been sued have the right to include the others as co-defendants.
 - D) A creditor has only one right to take legal action against the partnership.

Answer: B

- 9) In which of the following cases did the court hold that giving financial advice was within the usual scope of business of a law firm?
- A) *United Dominions Corporation Ltd v Brian Pty Ltd.*
 - B) *Keith Spicer Ltd v Mansell.*
 - C) *Mercantile Credit Co Ltd v Garrod.*
 - D) *Polkinghorne v Holland & Whittington.*

Answer: D

- 10) Which of the following statements regarding joint and several liability (JSL) of partners is true?
- A) A plaintiff has only one right to sue a partner or the partnership.
 - B) Partners have JSL for all debts of their partners even if the debts are not related to the usual business of the partnership.
 - C) If a partner has been convicted of a serious crime, the other partners are likely to be found guilty of the same offence.
 - D) Partners have JSL for torts committed by one or more of their partners.
 - E) All of the above.

Answer: D

- 11) Which of the following statements is not true?
- A) Partners may be liable for partnership debts incurred after they retire if they fail to notify all clients of the firm.
 - B) Retired partners are liable for partnership debts incurred during the time they were partners.
 - C) Retired partners may be liable for partnership debts incurred after the time they were partners, although a new partner formally agreed to be liable for any such debts.
 - D) Partners may be liable for partnership debts incurred after they retire if they fail to give adequate notice by placing a retirement notice in the government gazette.

Answer: C

- 12) Which of the following are rights of a partner?
- A) To inspect the books (accounts) of the partnership.
 - B) To purchase goods for personal use provided they do not exceed \$500.
 - C) To appoint others to receive payments or issue receipts.
 - D) To hire managers to control the running of the partnership.
 - E) All of the above.

Answer: A

13) Which of the following are rights of partners under the *Partnership Act*?

- A) To appoint a new partner. This appointment cannot be challenged unless the new partner is the son or daughter of the appointing partner.
- B) To inspect the accounts of the partnership.
- C) To be paid wages.
- D) All of the above.

Answer: B

14) P and B were partners in a travel firm. P wanted to approach their wealthy travel clients and offer to help them to invest in Australia. B said no because he thought the idea was too risky. P secretly went ahead and made a large sum of money over several years. B has found out. He is demanding his share of P's profits. What are B's legal rights?

- A) B is not entitled to a share because he said no to the opportunity and refused to take a risk.
- B) B is not entitled to a share because P has entered a separate joint venture with their travel clients
- C) B is entitled to a share because partners must share any private profits made from opportunities linked to partnership opportunities
- D) B is entitled to a share which is equal to the percentage of liability the partnership faces because of P's secret business.

Answer: C

15) Which of the following duties does a partner owe to his/her partners?

- A) To transfer the partnership assets in escrow to a professional accounting body if one or more partners become bankrupt
- B) To turn over to the partnership any profits made privately without the consent of the other partners.
- C) To bring to the notice of the partnership any technological advantage developed by a competitor.
- D) To terminate any personal financial or investment accounts.
- E) All of the above

Answer: B

16) Which of the following is not a right given to partners under *the Partnership Act*?

- A) To have an equal 'say' (voice) in the management of the partnership business.
- B) To change the nature of the partnership business provided all the partners agree to the change.
- C) To dissolve the partnership if one of the partners dies.
- D) To expel (remove) a partner if a majority of partners agree to the expulsion.

Answer: D

17) A partnership can be automatically dissolved (terminated) if:

- A) loans to individual partners are repaid.
- B) a partner demands the right to inspect the books of the partnership.
- C) a partner becomes bankrupt
- D) a partner becomes involved in divorce proceedings that could greatly reduce their assets.
- E) a very junior partner demands the right to be involved in decisions that have always been made by senior partners.

Answer: C

- 18) Courts sometimes find that a joint venture is a partnership. Which of the following would strongly indicate a business agreement between two parties is a partnership?
- A) The parties agreed to share profits and losses.
 - B) The assets were owned by the parties as 'tenants in common'.
 - C) Each party had the right to receive a share of the income and to use it for their individual benefit.
 - D) The agreement was in writing and described as a joint venture.

Answer: A

- 19) Which of the following statements are true regarding joint ventures?
- A) Creditors only have rights against the joint venturer with whom they do business.
 - B) A written agreement which is specifically described as a joint venture may be classified by a court as a partnership.
 - C) A joint venture is not a separate legal entity.
 - D) All of the above.

Answer: D

- 20) Which of the following statements is not true in relation to joint ventures?
- A) The assets of a joint venture are usually owned as a tenancy in common.
 - B) Joint venturers usually agree to share profits and losses.
 - C) Business entities, such as companies, may enter joint ventures.
 - D) A joint venture is usually a 'one off' business project.

Answer: B