

# Certified Public Accountant - Business Environment

1. Fanny and John each own and manage their own companies. Fanny's business is manufacturing freight boxes of all types, and John's business is selling freight boxes to different industries. They decide to combine their expertise and knowledge to produce and sell freight boxes specifically designed for the new airline company that just formed in their city. Which of the following best describes the business formed by the parties?

A. A general partnership.

B. A limited liability partnership.

C. A sole proprietorship.

D. A joint venture.

**Answer(s): D**

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2. A sole proprietorship would be an ideal form of business to select if:

A. The individual desired no liability beyond his capital investment.

B. The individual wanted to be able sell the business at will.

C. The individual wanted the business to be a separate entity from the sole proprietor.

D. The individual wanted the business to continue indefinitely.

**Answer(s): B**

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3. Formation of which of the following types of business does not require the filing of documents with the state?

	<u>Corporation</u>	<u>Limited Partnership</u>	<u>Sole Proprietorship</u>
A.	Need not file	Need not file	Need not file
B.	Need not file	Must file	Need not file
C.	Must file	Must file	Need not file
D.	Must file	Need not file	Must file

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): C**

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4. Which of the following forms of business can be formed with only one individual owning the business?

	<u>Sole Proprietorship</u>	<u>Limited Liability Company</u>	<u>Partnership</u>
A.	Yes	Yes	Yes
B.	Yes	Yes	No
C.	Yes	No	Yes
D.	No	No	No

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): B**

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5. ABC Corp. and XYZ Corp. are contemplating entering into an unincorporated joint venture. Such a joint venture:

A. Will be treated as a partnership in most important legal respects.

B. Must be dissolved upon the completion of a single undertaking.

C. Will be treated as an association for federal income tax purposes and taxed at the prevailing corporate rates.

D. Must file a certificate of limited partnership with the appropriate state agency.

**Answer(s): A**

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6. What term is used to describe a partnership without a specified duration?

A. A perpetual partnership.

B. A partnership by estoppel.

C. An indefinite partnership.

D. A partnership at will.

**Answer(s): D**

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7. A general partnership must:

A. Pay federal income tax.

B. Have two or more partners.

C. Have written articles of partnership.

D. Provide for apportionment of liability for partnership debts.

**Answer(s): B**

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8. When a partner in a general partnership lacks actual or apparent authority to contract on behalf of the partnership, and the party contracted with is aware of this fact, the partnership will be bound by the contract if the other partners:

	<u>Ratify the contract</u>	<u>Amend the partnership agreement</u>
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): B**

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9. On February 1, Addison, Bradley, and Carter, physicians, formed ABC Medical Partnership. Dr. Bradley was placed in charge of the partnership's financial books and records. On April 1, Dr. Addison joined the City Hospital Medical Partnership, retaining the partnership interest in ABC. On May 1, ABC received a writ of attachment from the court attaching Dr. Carter's interest in ABC. The writ resulted from Dr. Carter's failure to pay a credit card bill. On June 1, Dr. Addison was adjudicated bankrupt. On July 1, Dr. Bradley was sued by the other partners of ABC for an accounting of ABC's revenues and expenses.

Under the Revised Uniform Partnership Act, which of the preceding events resulted in the dissociation of a partner?

A. Dr. Addison joining the City Hospital Medical Partnership.

B. Dr. Carter's interest in the partnership being attached by the court.

C. Dr. Addison being adjudicated bankrupt.

D. Dr. Bradley being sued for an accounting by the other partners of ABC.

**Answer(s): C**

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**10.** When parties intend to create a partnership that will be recognized under the Revised Uniform Partnership Act, they must agree to:

	<u>Conduct a business for profit</u>	<u>Share gross receipts from a business</u>
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): B**

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**11.** Park and Graham entered into a written partnership agreement to operate a retail store. Their agreement was silent as to the duration of the partnership. Park wishes to dissociate from the partnership. Which of the following statements is correct?

A. Park may dissociate from the partnership at any time.

B. Unless Graham consents to the dissociation, Park must apply to a court and obtain a decree ordering the dissociation.

C. Park may not dissociate from the partnership unless Graham consents.

D. Park may dissociate from the partnership only after notice of the proposed dissolution is given to all partnership creditors.

**Answer(s): A**

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12. The partners of College Assoc., a general partnership, decided to dissolve the partnership and agreed that none of the partners would continue to use the partnership name. Under the Revised Uniform Partnership Act, which of the following events will occur on dissolution of the partnership?

	<i>Each partner's existing liability would be discharged</i>	<i>Each partner's apparent authority would continue</i>
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

A. Option A

B. Option B

C. Option C

D. Option D

**Answer(s): C**

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13. Which of the following requirements must be met to have a valid partnership exist?

I). Co-ownership of all property used in a business.

II). Co-ownership of a business for profit.

A. I only.

B. II only.

C. Both I and II.

D. Neither I nor II.

**Answer(s): B**

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14. Locke and Vorst were general partners in a kitchen equipment business. On behalf of the partnership, Locke contracted to purchase 15 stoves from Gage. Unknown to Gage, Locke was not authorized by the partnership agreement to make such contracts. Vorst refused to allow the partnership to accept delivery of the stoves and Gage sought to enforce the contract. Gage will:

A. Lose, because Locke's action was not authorized by the partnership agreement.

B. Lose, because Locke was not an agent of the partnership.

C. Win, because Locke had express authority to bind the partnership.

D. Win, because Locke had apparent authority to bind the partnership.

**Answer(s): D**

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**15.** In a general partnership, the authorization of all partners is required for an individual partner to bind the partnership in a business transaction to:

A. Purchase inventory.

B. Hire employees.

C. Sell goodwill.

D. Sign advertising contracts.

**Answer(s): C**

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**16.** On dissolution of a general partnership, distributions will be made on account of:

I). Partners' capital accounts.

II). Amounts owed partners with respect to profits.

III). Amounts owed partners for loans to the partnership.

In the following order:

A. III, I, and II.

B. I, II, and III.

C. II, III, and I.

D. III, II, and I.

**Answer(s): A**

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**17.** Which of the following is not necessary to create an express partnership?

A. Execution of a written partnership agreement.

B. Agreement to share ownership of the partnership.

C. Intention to conduct a business for profit.

D. Intention to create a relationship recognized as a partnership.

**Answer(s): A**

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**18.** Eller, Fort, and Owens do business as Venture Associates, a general partnership. ABC Corp. brought a breach of contract suit against Venture and Eller individually. ABC won the suit and filed a judgment against both Venture and Eller. ABC will generally be able to collect the judgment from:

A. Partnership assets only.

B. The personal assets of Eller, Fort, and Owens only.

C. Eller's personal assets only after partnership assets are exhausted.

D. Eller's personal assets only.

**Answer(s): C**

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**19.** Heather, Erika, and Shelby are members in ABC LLC. Heather works 40 hours per week and Erika and Shelby work 20 hours per week. Heather contributed \$30,000 to the LLC and Erika and Shelby contributed \$60,000 each. Erika and Shelby have each originated 45% of the LLC's business and Heather has originated the other 10%.

If ABC were a general partnership, who controls management?

A. Heather, because she works the most.



B. Erika and Shelby equally because they contributed the most.

C. Heather, Erika, and Shelby equally because of state law.

D. Erika and Shelby, because they originate most of the work.

**Answer(s): C**

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**20.** Rivers and Lee want to form a partnership. For the partnership agreement to be enforceable, it must be in writing if:

A. Rivers and Lee reside in different states.

B. The agreement cannot be completed within one year from the date on which it will be entered into.

C. Either Rivers or Lee is to contribute more than \$500 in capital.

D. The partnership intends to buy and sell real estate.

**Answer(s): B**

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