

1. CPA-02971

A joint venture is a (an):

- a. Association limited to no more than two persons in business for profit.
- b. Enterprise of numerous co-owners in a nonprofit undertaking.
- c. Corporate enterprise for a single undertaking of limited duration.
- d. Association of persons engaged as co-owners in a single undertaking for profit.

CPA-02971

Choice "d" is correct. A joint venture is an association of persons engaged as co-owners in a single (special transaction) undertaking for profit. A joint venture is treated as a partnership for most important legal respects.

Choice "a" is incorrect. A joint venture may include more than two persons.

Choice "b" is incorrect. A joint venture must have a profit motive.

Choice "c" is incorrect. A joint venture is treated as a partnership and not as a corporate enterprise.

2. CPA-02996

In a general partnership, which of the following acts must be approved by all the partners?

- a. Dissolution of the partnership.
- b. Admission of a partner.
- c. Authorization of a partnership capital expenditure.
- d. Conveyance of real property owned by the partnership.

CPA-02996

Choice "b" is correct. As a general rule, decisions regarding matters within the ordinary course of the partnership's business may be controlled by majority vote. Matters outside the ordinary course of the partnership's business require the consent of all the partners. Admitting a new partner is an extraordinary event. Thus, unanimous consent is required.

Choice "a" is incorrect. Although dissolution is an extraordinary act, in a general partnership not for a term of years, any one partner may cause a dissolution by giving notice of the intent to withdraw.

Choice "c" is incorrect. A capital expenditure could well be within the ordinary scope of partnership business and thus would require only a majority vote.

Choice "d" is incorrect. The sale of partnership real property could easily be within the ordinary scope of partnership business (e.g., a partnership can be formed for the purpose of buying and selling real property) and thus would require only a majority vote.

3. CPA-03015

Which of the following statements is correct regarding the apparent authority of a partner to bind the partnership in dealings with third parties? The apparent authority:

- a. Must be derived from the express powers and purposes contained in the partnership agreement.
- b. Will be effectively limited by a formal resolution of the partners of which third parties are unaware.
- c. May allow a partner to bind the partnership to representations made in connection with the sale of goods.
- d. Would permit a partner to submit a claim against the partnership to arbitration.

CPA-03015

Choice "c" is correct. Apparent authority of one partner arises from the actions or statements of the partnership or another partner indicating to a third party that the first partner has authority. Moreover, a partner automatically has apparent authority to enter into any transaction apparently carrying on in the usual way the business of the partnership. Thus, if the partnership regularly sells goods, a partner would have apparent authority to make representations about the goods.

Choice "a" is incorrect. Apparent authority can result from any statement made by the partnership to a third party indicating that the partner has authority. Authority arising from express powers and purposes contained in the partnership agreement is actual authority, not apparent authority.

Choice "b" is incorrect. Statements, resolutions, or agreements attempting to limit a partner's apparent authority are not binding on the third party if the third party is unaware of them.

Choice "d" is incorrect. Apparent authority of the partner does not, by itself, allow the partner to submit a claim to arbitration. A partner has apparent authority only to carry on ordinary business, and submitting a claim to arbitration is an extraordinary event.

4. CPA-03126

The partnership agreement for Owen Associates, a general partnership, provided that profits be paid to the partners in the ratio of their financial contribution to the partnership. Moore contributed \$10,000, Noon contributed \$30,000, and Kale contributed \$50,000. For the year ended December 31, 1993, Owen had losses of \$180,000. What amount of the losses should be allocated to Kale?

- a. \$40,000
- b. \$60,000
- c. \$90,000
- d. \$100,000

CPA-03126

Choice "d" is correct.

Rule: When the partnership agreement is silent as to how losses will be shared, they are shared in the same manner as profits.

Rule: Here, the partnership agreement provided that profits were to be split among Moore, Noon, and Kale 1:3:5, respectively. Thus, Kale's share of the loss is \$100,000 [$5 \times (1/9 \times 180,000)$].

Choices "a", "b", and "c" are incorrect, per the above rule.

5. CPA-03224

Which of the following statements best describes the effect of the assignment of an interest in a general partnership?

- a. The assignee becomes a partner.
- b. The assignee is responsible for a proportionate share of past and future partnership debts.
- c. The assignment automatically dissolves the partnership.
- d. The assignment transfers the assignor's interest in partnership profits and surplus.

CPA-03224

Choice "d" is correct. The assignee of an interest in a partnership receives the assignor's rights to profits and surplus.

Choice "a" is incorrect. An assignee may become a partner only with the consent of all of the existing partners; a mere assignment by one partner of his or her interest is not enough.

Choice "b" is incorrect. An assignee of an interest in a partnership does not become liable for partnership debts – the assignee gets the assignor's rights to profits but the assignment does not include a delegation of the assignor's duties to pay partnership obligations.

Choice "c" is incorrect. An assignment does not dissolve the partnership.

6. CPA-03165

Under the Revised Uniform Partnership Act, which of the following statements concerning the powers and duties of partners in a general partnership is (are) correct?

- I. Each partner is an agent of every other partner and acts as both a principal and an agent in any business transaction within the scope of the partnership agreement.
 - II. Each partner is subject to joint and several liability on partnership debt and contracts.
- a. I only.
 - b. II only.
 - c. Both I and II.
 - d. Neither I nor II.

CPA-03165

Choice "c" is correct.

Rule: Partners are agents of the other partners of a partnership, and thus act as both an agent and principal (for the actions of other partners) in authorized partnership transactions. All partners are subject to joint and several liability on partnership debts and contracts under the Revised Act.

Choices "a", "b", and "d" are incorrect, per the above rule.

7. CPA-03220

Which of the following statements is (are) usually correct regarding general partners' liability?

- I. All general partners are jointly and severally liable for partnership torts.
 - II. All general partners are liable only for those partnership obligations they actually authorized.
- a. I only.
 - b. II only.
 - c. Both I and II.
 - d. Neither I nor II.

CPA-03220

Choice "a" is correct.

Rule: Partners are jointly and severally liable for partnership torts. Moreover, partners are liable for all partnership obligations, whether or not they personally authorized the obligation.

Choices "b", "c", and "d" are incorrect, per the above rule.

8. CPA-03089

Which of the following statements is correct concerning the similarities between a limited partnership and a corporation?

- a. Each is created under a statute and must file a copy of its certificate with the proper state authorities.
- b. All corporate stockholders and all partners in a limited partnership have limited liability.
- c. Both are recognized for federal income tax purposes as taxable entities.
- d. Both are allowed statutorily to have perpetual existence.

CPA-03089

Choice "a" is correct. Both a corporation and a limited partnership can be formed only by filing with state authorities.

Choice "b" is incorrect. A general partner in a limited partnership does not have limited liability but is personally liable for all partnership obligations.

Choice "c" is incorrect. Limited partnerships are not recognized as taxable entities. They need only file informational returns.

Choice "d" is incorrect. The certificate of limited partnership must state the latest date on which it is to dissolve.