

35 Lecture - MGT101

Important Subjective

- 1. What is meant by mark-up on capital and how is it calculated?**
Answer: Mark-up on capital is the percentage increase in the original capital amount. It is calculated by dividing the increase in capital by the original capital and then multiplying by 100.
- 2. Explain the difference between mark-up on capital and interest on capital.**
Answer: Mark-up on capital is a percentage increase in the original capital amount, while interest on capital is the amount of money paid to the partner for the use of their capital. Mark-up on capital is a distribution of profit, while interest on capital is an expense.
- 3. How are drawings treated in the calculation of mark-up on capital?**
Answer: Drawings are not taken into account in the calculation of mark-up on capital. Only the increase in the original capital amount is considered.
- 4. What is the purpose of charging mark-up on capital?**
Answer: The purpose of charging mark-up on capital is to compensate the partners for their investment in the partnership and to provide a return on their investment.
- 5. Can mark-up on capital be negative? If so, what does it indicate?**
Answer: Yes, mark-up on capital can be negative. A negative mark-up on capital indicates that the partnership has suffered a loss and the capital amount has decreased.
- 6. How is the mark-up on capital distributed among the partners?**
Answer: The mark-up on capital is distributed among the partners in proportion to their capital contributions.
- 7. What is the difference between mark-up on capital and share of profit?**
Answer: Mark-up on capital is a distribution of profit based on the partner's capital contribution, while the share of profit is based on the partner's share in the partnership profits.
- 8. What is the impact of mark-up on capital on the balance sheet?**
Answer: Mark-up on capital increases the value of the capital on the balance sheet.
- 9. How is mark-up on capital treated in the income statement?**
Answer: Mark-up on capital is treated as a distribution of profit and is deducted from the partnership's net profit in the income statement.
- 10. Can mark-up on capital be used to calculate interest on drawings? Why or why not?**
Answer: No, mark-up on capital cannot be used to calculate interest on drawings as it is a distribution of profit and not an expense. Interest on drawings is calculated separately based on the agreed rate of interest.