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.