



INDIAN SCHOOL DARSAIT

DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Fundamentals of Partnership	Date of Issue: __/__/2017 Worksheet No.1
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Name of the Student : _____	Class & Division : XII ____	Roll Number : ____

- Trevor and Randall are partners in a firm. Their capital contribution were ₹1,60,000 and ₹1,20,000 respectively. The terms of the Partnership agreement are as follows.

 - 20% of the profit should be transferred to General Reserve.
 - Interest on capital @ 12% p.a and Interest on drawings @ 10% p.a.
 - Trevor and Randall to get a monthly salary of ₹2,000 and ₹3,000 respectively.
 - Trevor is entitled to a commission of ₹7,000
 - Sharing profits and losses will be in the capital ratio.

The profit for the year ended 31st March ,2015 before making above appropriations was ₹1,25,375/-. The drawings of Trevor and Randall were ₹40,000 and ₹50,000 respectively. Give necessary journal entries, Prepare Profit and loss appropriation account and Capital account When Capitals are Fluctuating.
- Arul and Viral are partners in a firm. Their capital contribution were ₹6,00,000 and ₹4,00,000 respectively. The terms of the Partnership agreement are as follows.

 - 10% of the profit should be transferred to General Reserve.
 - Interest on capital @ 10% p.a and Interest on drawings @ 12% p.a.
 - Arul and Viral to get a monthly salary of ₹1,000 and ₹2,000 respectively.
 - Arul is entitled to a commission of ₹10,000
 - Sharing profits and losses will be in the capital ratio.

The profit for the year ended 31st March ,2015 before making above appropriations was ₹3,80,000/-. The drawings of Arul and Viral were ₹36,000 and ₹24,000 respectively. Give necessary journal entries, Prepare Profit and loss appropriation account and Capital account When Capitals are Fluctuating.
- Kaku and Polu started a Partnership business on 1st April, 2014. They contributed ₹80,000 and ₹60,000 respectively, as their capitals. The terms of the partnership agreement are as under.

 - Interest on Capital and Interest on drawings @ 12% p.a.
 - Kaku and Polu to get a monthly salary of ₹2,000 and ₹3,000 respectively.
 - Sharing profits and losses in the ratio 3:2

The profit for the year ended 31st March 2015, before making the above appropriation, was ₹1,00,300. The drawings of Kaku and Polu were ₹40,000 and ₹50,000 respectively. Interest on drawings amounted to ₹2,000 for Kaku and ₹2,500 for Polu. Prepare Profit and loss appropriation .a/c and partners Capital accounts assuming that their capitals are fluctuating.
- Kamala and Sumaya started a Partnership business on 1st April, 2014. They contributed ₹1,20,000 and ₹1,80,000 respectively, as their capitals. The terms of the partnership agreement are as under.

 - Interest on Capital and Interest on drawings @ 12% p.a.
 - Kamala and Sumaya to get a monthly salary of ₹4,000 and ₹6000 respectively.
 - Sharing profits and losses in the Capital ratio 7:3

The profit for the year ended 31st March 2015, before making the above appropriation, was ₹2,00,000. The drawings of Kamala and Sumaya were ₹60,000 and ₹80,000 respectively. Interest on drawings amounted to ₹4,000 for Kamala and ₹3,500 for Sumaya. Prepare Profit and loss appropriation a/c and partners' Capital accounts assuming that their capitals are fluctuating.



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5. A, B and C were partners in a firm having capitals of ₹ 80,000, 80,000 and 1,40,000 respectively. According to partnership deed the partners were entitled to interest on capital @ 5% p.a B was also entitled annual salary of ₹ 6,000. The profits were to be divided as follows:
(i) The first 30,000 in proportion to capitals of partners
(ii) Next ₹ 30,000 in the ratio of 5:3:2.
(iii) Remaining profits to be shared equally.
During the year the firm made a profit of ₹ 1,56,000 before charging any of the above items. Prepare the profit & loss appropriation A/c.
6. A, B and C were partners in a firm having capitals of ₹ 1,00,000, 1,00,000 and 2,00,000 respectively. According to partnership deed the partners were entitled to interest on capital @ 10% p.a. B was also entitled annual salary of ₹ 10,000. The profits were to be divided as follows:
(i) The first 40,000 in proportion to capitals of partners
(ii) Remaining profits to be shared equally.
During the year the firm made a profit of ₹ 1,89,000 before charging any of the above items. Prepare the profit & loss appropriation A/c.
7. A, B and C are in partnership with respective capitals of ₹40,000, ₹30,000 and ₹20,000. B and C are entitled to annual salaries of ₹2,000 and ₹3,000 respectively payable before division of profits. Interest on capital is allowed @5% p.a but interest is not charged on drawings. Of the first ₹12,000 divisible as profit in any year A is entitled to 50%, B 30% and C 20% respectively. Annual profits in excess of ₹12,000 are divisible equally. The profit for the year ended 31st March 2015 was ₹20,100 after debiting partners Salaries but before charging Interest on Capital. Prepare Profit and loss Appropriation account.
8. On 1st July 2014 A and B entered into partnership contributing ₹1,20,000 and ₹90,000 respectively. They agreed to share profits and losses in the ratio 3:2. B is allowed a salary of ₹12,000 p.a. Interest on capital is to be allowed @10%p.a. During the year A withdrew ₹18,000 and B ₹36,000 as drawings. Interest on drawings of A and B was ₹ 300 and ₹420 respectively. Profit as on 31st March 2015 before the adjustment was ₹70,000. Prepare profit and loss Appropriation Account and Capital account of partners
9. On 1st July 2014 A and B entered into partnership contributing ₹2,00,000 and ₹1,50,000 respectively. They agreed to share profits and losses in the ratio 3:2. B is allowed a salary of ₹3,000 per quarter. Interest on capital is to be allowed @10%p.a. During the year A withdrew ₹18,000 and B ₹36,000 as drawings. Interest on drawings of A and B was ₹ 600 and ₹1,200 respectively. Profit as on 31st March 2015 before the adjustment was ₹1,25,000. Prepare profit and loss Appropriation Account and Capital account of partners
10. What entries will you pass to record the following transactions in the books of the firm A and B before distributing the profits earned?
(a) Commission of ₹25,000 payable to B
(b) Interest on capital: A ₹8,000 and B ₹5,000.
(c) Interest on drawings A ₹1,900 and B ₹2,000.
(d) Salary payable to A ₹1,500 per month.
(e) Transfer to General Reserve ₹22,000.
11. A and B are partners in a firm. A is to get a commission of 10% of net profit before charging any commission. B is to get a commission of 10% on net profit after charging all commission. Net profit before charging any commission was ₹1,65,000. Find out the Commission of A and B
12. A is a partner in a firm. A has withdrawn ₹12,000 during the year 2014-15.
(a) Calculate interest on drawings @12% when period is not given.
(b) Calculate interest on drawings @12% irrespective of the period.



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- (c) Calculate interest on drawings @12% when A has withdrawn the money on 1st December 2014.
- (d) Calculate interest on drawings @12% when A has withdrawn the money on 15th February 2015.

13. A is a partner in a firm. A's drawings during the year 2014 were:

1	1 st March	₹ 1,000	2	1 st May	₹ 750
3	30 th June	₹1,250	4	31 st August	₹ 500
5	1 st November	₹ 500	6	31 st December	₹1,000

Interest on drawings is charged @10% p.a. Calculate interest on drawings of A. Accounts are Closed on 31st December every year.

14. B is a partner in a firm. B's drawings during the year 2014-2015 were:

1	31 st May	₹ 5,000	4	31 st Dec.	₹ 4,000
2	1 st June	₹2,000	5	28 Feb. 2015	₹ 8,000
3	31 st Aug	Rs3,000	6	31 st March 2015	₹ 9,000

Interest on drawings is charged @12% p.a. Calculate interest on drawings of B. Accounts are closed on 31st March every year.

15. A is a partner in a firm. A has withdrawn ₹4,000 per month during the year 2014.

Calculate interest on drawings @12% p.a in the following cases:

- (a) If A withdraws the money on the last day of every month
(b) If A withdraws the money on the first day of every month
(c) If A withdraws the money on the 15th of every month.

16. A is a partner in a firm. He withdraws ₹700 per month for 6 months.

Calculate interest on drawings @12% p.a in the following cases:

- (a) If A withdraws the money on the last day of every month
(b) If A withdraws the money on the first day of every month
(c) If A withdraws the money on the 15th of every month

17. M and N are partners in a firm. M has given a loan of ₹8,000 to the firm on 1st July, 2014. The partnership deed is silent upon the question of provision of interest on partner's loan. Compute the amount of interest payable on the loan advanced by M to the firm assuming the books are closed on 31st March every year.

18. A and B started business on 1.4.2014 with capitals of ₹60,000 and ₹40,000 respectively. During the year, A introduced ₹10,000 to the firm as additional capital on 1.10.2014. They withdrew ₹500 per month for the house hold expenses in lieu of profit. Interest on capital is to be allowed @ 10% p.a. Calculate interest on capital payable to A and B for the year ending 31.3.2015.

19. A and B contribute ₹40,000 and ₹20,000 respectively. They decide to allow interest on capital @6% p.a. Their respective share of profits is 2:3 and the business profit before interest on Capital for the year is ₹1,500. Show the distribution of profit (a) Where there is agreement except for Interest on Capitals, and (b) Where there is a clear agreement that the interest on capitals will be allowed even if it involves the firm in loss.

20. A and B contribute ₹80,000 and ₹40,000 respectively. They decide to allow interest on capital @6% p.a. Their respective share of profits is 2:3 and the business profit before interest on Capital for the year is ₹3,000. Show the distribution of profit (a) Where there is agreement except for Interest on Capitals, and (b) Where there is a clear agreement that the interest on capitals will be allowed even if it involves the firm in loss.

21. X and Y are partners sharing profits and losses in the ratio 3:2. X being a non-working partner Contributes ₹20,00,000 as his capital. Y being a working partner agreed to work for the firm.



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The partnership deed provides for interest on capital @ 8% and salary to every working partner @ ₹8,000 per month. The net profit before providing for interest on capital and partner's salary for the year ended 31st March 2015 was ₹80,000. Show the distribution of profit.

22. X and Y are partners sharing profits and losses in the ratio 3:2. X being a non-working partner contributes ₹10,00,000 as his capital. Y being a working partner agreed to work for the firm.

The partnership deed provides for interest on capital @ 8% and salary to every working partner @ ₹4,000 per month. The net profit before providing for interest on capital and partner's salary for the year ended 31st March 2015 was ₹40,000. Show the distribution of profit.

23. A and B entered into a partnership on 1st July 2014. They contributed ₹2,00,000 and ₹1,00,000 respectively. Interest on capital allowed @ 5% p.a. and interest on drawings charged @ 12% p.a. A withdrew ₹3,000 per quarter in the beginning of every quarter and B withdrew ₹2,000 at the end of every month. The profit for the year ending 31st March 2015 amounted to ₹1,80,000. Prepare Profit and Loss Appropriation account.

24. On 1st April 2014, Anu and Binu commenced business with an initial capital of ₹2,00,000 and ₹3,00,000 in their respective accounts. The terms of the partnership agreement are:

- (i) Profits and losses will be shared in the ratio 2:3
- (ii) Interest on capital @ 6% p.a.
- (iii) Interest on drawings shall be charged @ 8% p.a.

During the year ended 31st March 2015, the firm made a profit of ₹1,92,800 before the adjustment of interest on capital and interest on drawings. The partners withdrew during the year ₹30,000 each at the end of every quarter commencing from 30th June, 2014. Prepare Profit and Loss appropriation a/c and the capital account.

25. A and B are partners sharing profits in proportion of 3:2 with capitals of ₹ 80,000 and ₹60,000 respectively. Interest on capital is agreed at 5%p.a. B is to be allowed an annual salary of ₹6,000 which has not been withdrawn. During 2014-15, the profits for the year prior to calculation of interest on capital but after charging B's salary amounted to ₹24,000. A provision of 5% of this amount is to be made in respect of commission to the manager. Prepare P&L Appropriation a/c.

26. A and B are partners sharing profits in proportion of 3:2 with capitals of ₹ 1,60,000 and ₹1,20,000 respectively. Interest on capital is agreed at 5%p.a. B is to be allowed an annual salary of ₹12,000 which has not been withdrawn. During 2014-15, the profits for the year prior to calculation of interest on capital but after charging B's salary amounted to ₹48,000. A provision of 5% of Net profit is to be made in respect of commission to the manager. Prepare P&L Appropriation a/c.

27. A and B are partners with capitals of ₹90,000 and ₹30,000 respectively on 1st April 2014. The trading profit (before taking into account the provisions of the deed) for the year 2014-15 was ₹36,000. Interest on capital is to be allowed at 6% p.a. B is entitled to a salary of ₹750 per month. The drawings of the partners were 9,000 and ₹6,000; the interest on drawings for A ₹300 and B ₹150. Prepare Profit and loss appropriation account and Partners capital account when Capitals are Fluctuating.

28. A and B are partners sharing profits and losses in the ratio 3:2 with capitals of ₹75,000 and ₹50,000 respectively. For the year ending 31st March, 2015 they made a profit of ₹66,000 before allowing interest on capital @ 10% p.a., interest on drawings at 12% p.a. irrespective of the period and salary to A at ₹500 per month. Their drawings during the year were A ₹12,000 and B ₹6,000 respectively. The current account balance of partners were A (Dr) ₹1,200 and B (Cr) ₹3,000. Prepare Profit and loss appropriation account and Capital Account when capitals are Fixed.



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29. A and B are partners sharing profits and losses in the ratio 3:2 with capitals of ₹1,50,000 and ₹1,00,000 respectively. For the year ending 31st March, 2015 they made a profit of ₹1,32,000 before allowing interest on capital @ 10% p.a, interest on drawings at 12% p.a. irrespective of the period and salary to A at ₹1,000 per month. Their drawings during the year were A ₹24,000 and B ₹12,000 respectively. The current account balance of partners were A (Dr) ₹2400 and B (Cr) ₹6,000. Prepare Profit and loss appropriation account and Capital Account when capitals are Fixed.
30. A and B are partners in a firm. Their fixed capitals as on 1st April 2014 were ₹2,20,000 and ₹80,000 respectively. They share profits in the ratio 2:1. On 1st August 2014, they decided that their capitals should be readjusted according to their profit sharing ratio. The necessary adjustments in the capitals were made by withdrawing and introducing cash. Interest is allowed on capital @ 12%p.a. Prepare Fixed Capital Account and Compute interest on capital for the year 2014-15.
31. A and B are partners in a firm. Their fixed capitals as on 1st April 2014 were ₹4,00,000 and ₹1,80,000 respectively. They share profits in the ratio 3:2. On 1st July 2014, they decided that their capitals should be fixed at ₹6,00,000 in the profit sharing ratio. The necessary adjustments in the capitals were made by withdrawing and introducing cash. Interest is allowed on capital @ 10%p.a. Prepare Fixed Capital Account and Compute interest on capital for the year 2014-15.
32. Ajay and Vijay were partners in a firm sharing profits in the ratio of 3:2. On 1st April 2014 their
Fixed capitals were ₹1,00,000 and ₹1,50,000 respectively. On 30th June, 2014 they decided that their total fixed capital should be ₹3,00,000. It was further decided that the capital (fixed) should be in their profit sharing ratio.
Accordingly they introduced or withdrew the necessary capital. The partnership deed provided the following:
(i) Interest on capital @12% p.a
(ii) Interest on drawings @18% p.a
(iii) Monthly salary to Ajay @ ₹2,000 per month and Vijay @ ₹3,000 per month.
The drawings of Ajay and Vijay during the year were as follows:
- | Date | Ajay | Vijay |
|---------------------|---------|---------|
| 2014, October 1st | ₹10,000 | ₹12,000 |
| 2014, December 31st | ₹15,000 | ₹12,000 |
- The profit earned by the firm for the year ended 31-3-2015 was ₹2,00,000. 10% of this profit was to be kept in a reserve. You are required to Prepare:
- (i) Profit and loss Appropriation Account
(ii) Capital Accounts of Ajay and Vijay, and
(iii) Current accounts of Ajay and Vijay.
33. A and B are equal partners their capitals are ₹14,000 and ₹28,000 respectively. After the accounts for the year are prepared, it is discovered that interest at 10% p.a as provided in the partnership deed has not been credited before distribution of profits. Pass necessary adjusting entry.
34. P,Q and R are partners in a firm sharing profits and losses in the ratio of 2:5:3. Their fixed capitals were ₹2,00,000, ₹3,00,000 and ₹3,00,000 respectively. For the year 2016 interest on capital was credited to them @12% instead of 10% . Pass the necessary adjustment entry.
35. P and Q are partners sharing profits and losses in the ratio 7:3 ratio. Their fixed capitals were ₹5,00,000 and ₹8,00,000 respectively. For the year 2016 interest on capital credited to them @5% instead of 6%. Pass an adjustment entry.



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36. X, Y and Z are partners sharing profits and losses in the ratio 3:2:1 with capitals of ₹30,000, ₹20,000 and ₹10,000 respectively. After the final accounts have been prepared, it was discovered that Interest on Capital @10%p.a and Interest on drawings ₹250, ₹180 and ₹100 respectively have been ignored. Pass necessary journal entry.
37. The Capitals of A, B and C stood at ₹60,000, ₹40,000 and ₹30,000 respectively after the necessary adjustment in respect of Drawings and Net profits. Subsequently it was discovered that interest on capital @ 10% p.a and interest on drawings ₹130, ₹90 and ₹50 respectively have been ignored. Profits for the year ₹20,000 was already adjusted. The drawings of the partners were ₹1,500, ₹1,000 and ₹500 respectively. They share profits and losses in the ratio 2:1:2. Give necessary adjustment journal entry and prepare Profit and Loss adjustment account.
38. A, B and C were partners in a firm. On 1st Jan.2015 their capital stood at ₹50,000, ₹25,000 and ₹25,000 respectively. As per the provisions of the deed:
- C was entitled for a salary of ₹1000 per month.
 - Partners were entitled to interest on Capital@ 5% p.a.
 - Profits were to be shared in the ratio of Capital.
- The net profits for the year 2002 of ₹33,000 was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above errors
39. A, B and C were partners in a firm. On 1st Jan.2015 their capital stood at ₹1,00,000, ₹50,000 and ₹50,000 respectively. As per the provisions of the deed:
- C was entitled for a salary of ₹2000 per month.
 - Partners were entitled to interest on Capital@ 10% p.a.
 - Profits were to be shared in the ratio of Capital.
- The net profits for the year 2002 of ₹90,000 was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above errors
40. The following is the Balance sheet of X and Y as on 31st December 2015. You are required to pass an adjustment entry for the omission of interest on capital @5% p.a.

Balance sheet as at 31-12-2015

Liabilities	₹	Assets	₹
X's Capital	10,000	Sundry Assets	21,000
Y's Capital	8,000	X's Drawings	1,000
Profit and Loss Appn.-2015	4,000		
	22,000		22,000

During the Year 2015, X's drawings were ₹1,000 and Y's drawings were ₹3,000. Profit during the year 2015 were ₹6,000.

41. The following is the Balance sheet of X and Y as on 31st December 2015. You are required to pass an adjustment entry for the omission of interest on capital @10% p.a.

Balance sheet as at 31-12-2015

Liabilities	₹	Assets	₹
X's Capital	20,000	Sundry Assets	41,000
Y's Capital	16,000	X's Drawings	2,000
Profit and Loss Appn.-2015	8,000	Y's drawings	1,000
	44,000		44,000

During the Year 2015, X's drawings were ₹5,000 and Y's drawings were ₹3,000. Profit during the year 2015 were ₹12,000.



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42. A and B are partners sharing profits and losses in the ratio 3:2. The following is the Balance sheet as on 31st December 2015.

Balance sheet as at 31-12-2015

Liabilities	₹	Assets	₹
A's Capital	60,000	Sundry Assets	80,000
B's Capital	20,000		
	80,000		80,000

Profit during the year 2015 ₹16,000 was divided between the partners without allowing interest on capital @5% and salary to A ₹500 p.m. You are required to pass an adjustment entry.

43. A, B and C are sharing profits in the ratio of 3:2:1 respectively. C wants that profits be shared equally and it should be applicable retrospectively for the last three years. Other partners have no objection to this. Profits for the last three years were ₹1,20,000, ₹94,000 and ₹1,10,000 respectively. Record adjustment by means of a journal entry and show the working notes.
44. A, B and C are sharing profits in the ratio of 3:2:1 respectively. C wants that profits be shared equally and it should be applicable retrospectively for the last three years. Other partners have no objection to this. Profits for the last three years were ₹3,60,000, ₹2,82,000 and ₹3,30,000 respectively. Record adjustment by means of a journal entry and show the working notes.
45. X, Y and Z are partners. They have omitted interest on capital @10% p.a for three years ended 31st Dec. 2015. Their fixed capitals on which interest was calculated were X ₹60,000, Y ₹48,000 and Z ₹42,000. Their profit sharing ratio were 2013-1:2:2, 2014- 5:3:2, and in 2015- 4:5:1. Give the necessary adjusting entry.
46. A, B and C are partners. They have omitted interest on capital @12% p.a for three years ended 31st Dec. 2009. Their fixed capitals on which interest was calculated were X ₹90,000, Y ₹60,000 and Z ₹30,000. Their profit sharing ratio was 5:3:2. Give the necessary adjusting entry.
47. A, B and C are partners. They have omitted interest on capital @12% p.a for three years ended 31st Dec. 2015. Their fixed capitals on which interest was calculated were X ₹3,00,000, Y ₹2,00,000 and Z ₹1,00,000. Their profit sharing ratio was in 2013(5:3:2.), in 2014 (3:1:1) and in 2015 (2:2:1) Give the necessary adjusting entry.
48. A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of ₹450 p.m. C had deposited ₹12,000 on which interest was payable @9% p.a. At the end of 2015 after division of the year's profit, it was decided that C should be treated as a partner w.e.f 1st Jan. 2012 with 1/6th share of profits, his deposit being considered as capital carrying interest @ 6% p.a like capitals of other partners. The firm's profits and losses after allowing interest on capital were 2012 ₹35,400, 2013 Loss ₹2,400, 2014 Profit ₹37,560, 2015 Profit ₹46,800. Record the necessary journal entry to give an effect to the above.
49. A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of ₹6,000 p.a. C had deposited ₹15,000 on which interest was payable @12% p.a. At the end of 2010 after division of the year's profit, it was decided that C should be treated as a partner w.e.f 1st Jan. 2015 with 1/3rd share of profits and ₹5,000 p.a as salary and his deposit being considered as capital carrying interest @ 10% p.a like capitals of other partners. The firm's profits and losses after allowing interest on capital were 2013 Profit ₹40,000, 2014 Loss ₹13,900, 2015 Profit ₹45,000. Record the necessary journal entry to give an effect to the above.



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50. A, B and C are partners sharing profits and losses in the ratio of 3:2:1 respectively with a minimum profit of ₹20,000 for C. The profit for the year ended 31st March 2015 amounted to ₹90,000. Pass journal entries and prepare Profit and Loss Appropriation account.
51. P, Q and R are partners in a firm. Their profit sharing ratio is 3:2:1. However R is guaranteed a minimum amount of ₹10,000 as share of profit every year. Any deficiency arising on that account shall be met by P and Q in the ratio of 4:1. The profits for two years ending 31st December 2014 and 2015 were ₹45,000 and ₹75,000 respectively. Prepare profit and loss appropriation account.
52. A, B and C entered into partnership on 1st Jan 2002 to share profits and losses in the ratio of 4:3:3. A however, personally guaranteed that C's share of profit after charging interest on capital @ 5 % p.a. would not be less than ₹40,000 in any year. The capital contributions were : A-₹3,00,000, B ₹2,00,000 and C ₹1,50,000. The profits for the year ended 31st December 2002 were ₹1,60,000. Show the Profit and loss appropriation account.
53. A, B and C entered into partnership on 1st Jan 2015 to share profits and losses in the ratio 5:3:2. A however, personally guaranteed that C's share of profits, after charging interest on capital @ 5 % p.a would not less than ₹15,000 in any year.

The capital was provided as follows:

A	₹1,60,000
B	₹1,00,000
C	₹ 80,000

The profit for the year ended 31st Dec.2015 amounted to ₹77,000. before providing interest on capital. Show Profit and Loss appropriation account.

54. The partners of a firm distributed the profits for the year ended 31st March , 2015 ₹ 3,00,000 equally without providing for the following adjustments:
- (i) A and C were entitled to a salary of ₹ 10,000 each per annum .
 - (ii) B was entitled to a commission of ₹ 10,000
 - (iii) A and C had guaranteed a minimum profit of ₹ 1,20,000 p.a. to B.
 - (iv) Profits were to be shared in the ratio of 2:2:1.
- Pass necessary journal entries for the above adjustments in the books of the firm and Prepare Profit and Loss appropriation Account.
55. Three chartered Accountants X, Y and Z form a partnership, sharing profits and losses in the ratio 3:2:1 subject to the following conditions:
- (i) Z's share of profit is guaranteed to be not less than ₹30,000.
 - (ii) Y gives a guarantee to the effect that the gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the preceding five years when he was carrying on the profession alone. (The average of which works out at ₹50,000).

The profits for the first year ended 31st March 2013 of the partnership are ₹1,50,000. The gross fee earned by Y for the firm are ₹32,000. Prepare Profit and loss appropriation account.

56. A, B C and D are partners sharing profits and losses in the ratio 4:3:2:1. Their capitals as at 1st April 2015 were ₹3,00,000, ₹2,50,000, ₹1,50,000 and ₹1,00,000 respectively.
- D's share of profit excluding interest on capital has been guaranteed by the firm to be not less than ₹2,50,000. C's share of profits including interest on capital and salary guaranteed by A is not less than ₹2,60,000.

The profits for the year ended 31st March 2016 were ₹9,00,000 before interest on capital @10% and salary to C @ ₹10,000 per month. Prepare Profit and Loss appropriation account.

57. Archana, Suresh and Deepak are partners in a firm. On 1st April, 2011, the balance in their capital accounts stood at ₹6,00,000, ₹5,00,000 and ₹4,00,000 respectively. They share profits in the proportion 4:2:3. Partners are entitled to interest on capital @7% p.a and salary



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to Suresh @ ₹10,000 per quarter and a commission of ₹2,000 p.m to Depak as per the provisions of the deed.

Suresh's share of profit excluding interest on capital and including salary is guaranteed at ₹30,000 p.a. Depak's share of profit including interest on capital but excluding commission is guaranteed at ₹60,000p.a.

Any deficiency arising on that account shall be met by Archana. The profits of the firm for the year ended 31st March, 2012 amounted to ₹2,59,000. Prepare profit and Loss Appropriation account.

58. Asha, Nisha and Jagat are partners in a firm. On 1st April, 2011, the balance in their capital accounts stood at ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively. They share profits in the proportion 3:2:1. Partners are entitled to interest on capital @6% p.a and salary to Asha @ ₹4,000 per month and a commission of ₹6,000 per quarter to Jagat as per the provisions of the deed.

Asha's share of profit excluding interest on capital and including salary is guaranteed at ₹60,000 p.a. Jagat's share of profit including interest on capital but excluding Commission is guaranteed at ₹50,000 p.a.

Any deficiency arising on that account shall be met by Nisha. The profits of the firm for the year ended 31st March, 2012 amounted to ₹3,00,000. Prepare profit and Loss Appropriation account.

59. A and B were into Partnership sharing profits and losses in the ratio 3:2. They admit C for 1/5th share of profit. C is guaranteed a minimum profit of ₹.2,00,000 for the year Any deficiency is C's share is to be borne by A and B in the ratio 4:1. Losses for the year were ₹. 10,00,000. Pass the necessary journal entries.

60. A,B and C are partners in a firm. A and B sharing profits in the ratio of 5:3 and C receiving a salary of ₹150 per month, plus a commission of 5% on the profits after charging such salary and commission, or 1/5th of the profits of the firm, whichever is larger. Any excess of the latter over the former is, under the Partnership agreement, to be borne personally by A. The profit for the year ended 31st March, 2009 amounted to ₹10,710 after charging C's Salary. Prepare Profit and Loss appropriation a/c.

61. A,B and C are partners in a firm. A and B sharing profits in the ratio of 5:3 and C receiving a salary of ₹300 per month, plus a commission of 5% on the profits after charging such salary and commission, or 1/5th of the profits of the firm, whichever is larger. Any excess of the latter over the former is, under the Partnership agreement, to be borne personally by B. The profit for the year ended 31st March, 2009 amounted to ₹21,420 after charging C's Salary. Prepare Profit and Loss appropriation a/c.

62. Abdul, Kadir and Kasim were partners in a firm supplying food items. They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April, 2012 were ₹1,00,000, ₹1,50,000 and ₹3,00,000 respectively. After the floods in Uttaranchal, all partners decide to personally help the flood victims. For this abdul withdrew ₹20,000 from the firm on 1st September 2012, Kadir instead of withdrawing cash from the firm took some food items amounting to ₹24,000 from the firm and distributed to the flood victims. On the other hand , Kassim withdrew ₹1,00,000 from his capital on 1st January 2013 and provided a Medical van for medical facilities in the flood affected areas.

The Partnership deed provides for charging interest on drawings @6% p.a. After the final accounts were prepared, it was discovered that interest on drawings had not been charged. Give two values that the partners wanted to communicate to the society. Pass adjusting journal entry.

63. After completing their graduation, Ram and Rahim decided to sell ISI marked electronic goods to economically weaker sections of the society at low rates. For this, they decided to form a partnership business as per the provisions of the Partnership Act, 1932. They further decided to include Julie who has completed her graduation five years ago but still



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unemployed as a third partner without contributing any capital. On 1.4.2011 all of them formed a partnership on the following terms:

- (i) Ram will contribute ₹ 2,00,000 and Rahim-₹1,00,000.
- (ii) They will share the profits in the ratio of 1:1:1.
- (iii) Interest on capitals will be allowed @6% p.a.

The profit of the firm for the year ended 31st March 2012 was ₹ 3,18,000.

- (a) Identify four values which according to you motivated them to form a partnership firm.
- (b) Prepare Profit and Loss Appropriation Account of the firm for the year ending 31st March 2012.

(Values: Secularism, Responsibility, Empathy and empowering women entrepreneurship)

64. Salman Khan from west Bengal, Honey Singh from Punjab, Rajanikant from Chennai and Merry from Goa formed a partnership without any partnership deed. They contributed Rs 5,00,000 ₹ 6,00,000 ₹ 7,00,000 and ₹ 8,00,000 as their respective capitals. During the year, 2011-12 Honey had used his personal car for marketing purposes for which he has charged nothing. The profits for the year ending 31st March 2012 was ₹3,00,00.

- (i) Honey Singh shall be given commission @ 10% on profit before charging his commission.
- (ii) Profits shall be distributed equally.

Identify two values which according to you motivated them to form a partnership firm.

Prepare profit and Loss Appropriation Account.

{Values (i) Acceptance/tolerance (ii) (ii) Secularism: (iii) Respect for law and order}

65. A and B are partners with a profit sharing ratio 7:3. Their capital contributions are ₹3,60,000 and ₹1,80,000 respectively. They made a profit of ₹86,000 during the year ended 31st December 2014. After the allocation of profits, it was discovered that the following items have been ignored:

- i) Outstanding salary of manager of ₹8,000 and
- ii) Accrued interest on investment of ₹6,000.

Pass necessary Journal Entries.

(Ans)

Accrued interest Dr.6,000

A 's Capital a/c Dr.1,400

B 's Capital a/c Dr. 600

To Outstanding Salary A/c 8,000

66. Ram and Mohan are partners in a firm. They admitted Rakhi as a partner without capital for 1/3rd share in profits of the firm. She is blind by birth but having good management qualities. The new partnership agreement provides for the following:

- (i) 10% of the trading profit will be donated to Prime Minister's Relief Fund.
- (ii) 5% of the trading profit will be donated to the National Blind Relief Fund.
- (iii) Products will be sold at a discount of 15% on Maximum Retail price to the people living below poverty line.
- (iv) New retail shops will be opened in the Naxal affected areas of the country.
- (v) New jobs of salespersons will be reserved for the girls belonging to Scheduled Castes and Scheduled Tribes.

The trading profit of the firm for the year ended 31.3.2012 was Rs.10,00,000.

Identify any four values considered by Ram, Mohan and Rakhi while preparing the new partnership deed and prepare the 'Profit & Loss Appropriation Account' of Ram, Mohan and Rakhi for the year ended 31.3.2012.

Values (a) social responsibility, b) upliftment of backward and down trodden c) women empowerment d) equality and harmony among various castes and their upliftment)

67. A, B and C enter into partnership without any partnership deed. They each contributed ₹2,00,000 in respect of their share capitals. In addition to this B has also given loan of ₹3,50,000 on 01.04.2014. After the accounts for the year 2014-15 have been closed, it was noticed that the profits of ₹6,00,000 has been divided in the ratio of 3:2:1. Interest on B's loan has also not been provided. Pass necessary journal entry to rectify the error.



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IMPORTANT THEORY QUESTIONS & ANSWERS



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- 1. What is meant by Partnership? / Define Partnership.**
Ans. According to Section 4 of Indian Partnership Act 1932, "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".
 - 2. What is the status of partnership firm from an accounting viewpoint?**
Ans. From the accounting view point, Partnership is a separate business entity from the partners.
 - 3. What is the maximum number of Partners in a firm? Which Act specified the number of partners in Partnership?**
Ans. Minimum 2 and Maximum 50. Rule 10 of Companies (Miscellaneous) Rules, 2014
 - 4. Name the Act under which partnership is governed?**
Ans. Partnership Act, 1932.
 - 5. What is a legal status of a firm?**
Ans. A firm is not a legal person it is merely a collection of partners.
 - 6. Mention two items that are recorded in Partners Fixed Capital Account.**
Ans. i) Capital Withdrawal ii) Fresh Capital Introduced.
 - 7. What are the circumstances under which the balance of the 'Fixed capitals Accounts' may change?**
Ans. i) Additional capital Introduced. ii) Capital Withdrawn.
 - 8. Would a "Charitable Dispensary" run by 8 members be deemed a Partnership Firm? Give reason in support of your answer.**
Ans. Charitable Dispensary run by 8 members cannot be deemed a Partnership firm because:
(i) In Partnership, there must be a business;
(ii) There must be sharing of profits from such business among the partners.
 - 9. Why is it preferable to have a written agreement between the partners?**
Ans. To avoid all kinds of misunderstanding and disputes among the partners.
 - 10. Why is that the Fixed Capital Account of a partner does not show "Debit Balance" in spite of regular and Consistent losses year after year?**
Ans. When the capitals are fixed, the Capital Account of a partner will never show debit balance since, all Transactions between the firm and the partner are recorded in Current Account.
 - 11. A & B are two working partners whereas B is sleeping partner in the firm. B wants to inspect books of Accounts but A denies. What shall be done?**
Ans. A is wrong, he cannot deny as B holds the right to inspect the accounts.
 - 12. Under fixed capital method, partner's drawings are shown in which account?**
Ans. Partners Current A/cs.
 - 13. Debit balance of Partners Current A/Cs is shown on which side of the balance sheet?**
Ans. Assets side.
 - 14. Give the journal entry of P & L credit balance.**
Ans. Profit and Loss A/c Dr



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To Profit and Loss Appropriation A/c.

15. If the partners' capitals account are fixed where will you record drawings of partners?

Ans. Debit side of partners current A/c.

16. How will you calculate interest on drawings when date of withdrawal is not given?

Ans. It will be calculated on the average basis of 6 months.

17. In which account interest on partners loan is debited and why?

Ans. It is debited to Profit and Loss Account because it is a charge against the profit.

18. A and B are partners in a firm sharing profit in the ratio of 3:2. They had advanced to the firm a sum of Rs. 30,000 as a loan in their profits sharing ratio on 1st Oct. 2014. The partnership deed is silent on the question of interest on loan for partners. Compute the interest payable by the firm to the partners, assuming the firm closes its books on 31st March.

Ans. A- Rs.540 B- Rs. 360. (Note: In the absence of Partnership deed, 6% p.a will be allowed as Interest on Loan)

19. In the absence of Partnership deed, how are mutual relations of partners governed?

Ans. In the absence of Partnership deed, mutual relations are governed by The Indian partnership Act 1932.

20. A,B and C are partners and decided that no interest on drawings is to be charged from any Partner. But after one Year 'C' wants that interest on drawings should be charged from every partner. State how 'C' can do this?

Ans. He can do so only by changing the Partnership deed with the consent of all partners.

21. Can a Partner be exempted from sharing the losses in a firm? If yes, under what circumstances?

Ans. Yes, if Partnership Deed provides so.

22. What share of profits would a "sleeping partner" who has contributed 75% of the total Capital get in the absence of Partnership Deed?

Ans. In the absence of Partnership Deed, a sleeping partner will get equal share of profits.