

Chapter 2 FUNDAMENTALS OF PARTNERSHIP ACCOUNTS

COMMON ERRORS

1. Interest on loan is charged on profit and loss to be shown in profit and loss A/c Children tend to show it in the profit and loss appropriation A/c
2. When time period for drawings is given then we tend to consider that Drawings have been made evenly during the year and hence interest is charged for 6 months.
3. When interest on Capital have to be calculated then we have to first find out the opening capital and then work out the interest on opening capital . Children must be alert and check whether the opening capital or closing capital have been given in the question
4. Students should in case of past adjustment or guarantee problem check whether the firm is following fixed capital account system or fluctuating capital system and accordingly entry has to be passed through current account or capital account.
5. When no profit sharing ratio is given then it is taken as a case of silent partnership deed and profit sharing ratio is considered to be equal.
6. Rent paid to a partner is also charge against profit and hence should be debited to Profit and loss A/c children tend to show it in debit side of profit and loss Appropriation A/c.
7. Transfer to Reserve is an appropriation of profit and shown in profit and loss appropriation A/c before distribution of profit.
8. Interest on Capital is an appropriation of profit and has to be provided in case of profit .In case of loss no interest on capital is provided to partners unless it is treated as a charge against profit.
9. Commission paid to partner can be on the following basis
 - (i) As a direct percentage of net profit
 - (ii) As a percentage of divisible profit before charging such commission.
 - (iii) As a percentage of divisible profit after charging such commission.

A student has to understand the basis before calculating the commission which is also an appropriation of profit.

10. While doing the guarantee question one has to keep in mind as to who is giving the guarantee the firm or a partner.
11. Maximum number of partners that a partnership firm can have is 50 and the act which deals with is companies Act ,2013.Children generally writes partnership act 1932.

Interest on partner's loan is an income of concerned partner as a lender of the money. Hence interest on partner's loan is credited to Partner's loan A/c not to his capital A/c. Children tends to transfer interest on partner's loan in partner's Capital A/c.

QUESTIONS 1 MARKS:

Q1. A partnership firm has 50 members. All the Partners have agreed to admit Ram and Mohan as new partners. Can Ram and Mohan be admitted? Give reason.

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Q 2. A and B jointly purchased a plot of land. Will they be called partners?

Q3. Would a 'Charitable dispensary' run by 8 members be deemed a partnership firm? Give reason in support of your answer.

Q4. What is the maximum number of partners that a partnership firm can have? Name the act that provides for the maximum number of partners in a partnership firm.

Q5. A and B are Partners in a firm having a capital balance of Rs 1,20,000 and Rs 80,000 respectively. They agree for interest on Capital @5% p.a. At the end they suffer a loss of Rs 20,000. What amount of interest will be given to the partners?

Q6 What is unlimited liability of a Partner?

Q7. Give the average period in months for charging interest on drawings for the same amount withdrawn in the beginning of each quarter.

Q8. Why is it necessary to have Partnership Deed?

Q9. Why is it that the capital account of a partner does not show a debit balance in spite of regular and consistent losses year after year?

Q10. Distinguish between 'Fixed and Fluctuating Capital A/C on the basis of credit balance.

Q11. State the provision of partnership act 1932 in the absence of partnership deed regarding

- (i) Interest on Partner's drawings (ii) Interest on advances other than Capital

Q12. What share of profit would a "Sleeping Partner" who has contributed 75% of total capital would get in absence of partnership deed?

Q13 Why is rent paid to a partner is debited to profit and loss A/c not in Profit and Loss appropriation A/c

Q14. Can a partner be exempted from sharing the losses in the firm? If yes under what Circumstances?

Q15. A partnership deed provides for the payment of interest on capital but there was a loss instead of profit during the year. At what rate the interest of capital be allowed?

Q16. A and B are Partners. A wants to introduce his son C into the business' objects to it. What is your opinion?

Q17. List two items that may appear on the credit side of a partner fixed Capital account.

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Q18. How will you calculate interest on drawings when partner withdraws different amount at different intervals/

Q19. When the partner's capital are fixed, where will the drawings made by the partner be recorded?

Q20. Does a partnership firm have a separate legal identity?

Q21. Give two items which may appear on the debit side of a Partner's Current Account.

Q22. 'X' is a partner who used the stock of the firm worth Rs. 10,000 and suffered a loss of Rs. 2,000. He wants the firm to bear the loss. How much 'x' is liable to pay to firm.

Q23. Rajesh and Rakesh two partners draw for private use Rs 1,28,000 and Rs 86,000. Interest is changeable at 6% per annum on drawings. What is the interest?

Q24. A, B and C shared the profit of Rs. 9,00,000 in the ratio of 2:2:1 without providing for interest on B's loan, B granted a loan of Rs. 4,00,000 in the beginning of accounting year. Whereas the partnership deed is silent on the interest on loan and the profit sharing ratio. Give your opinion

Q25. Differentiate between drawings out of capital and drawings out of profits.

Q26. What is the status of partnership from legal point of view?

Q27. Mr Ashok is a chartered accountant and Mr Mahesh a trader of school uniforms. They intend to start a new venture of manufacturing school bags and divide the profits and losses. Do you advise them to have a partnership deed? Give reasons.

Q28. Under what circumstances Interest on capital is recorded in Profit and loss a/c only?

Q29. In which account will the rent paid to a partner for the use of his premises be recorded? Why?

Q30. Mr Shivam of 40 years, Mr Shrinivaas of 42 years and Mr Shyam of 38 years are running a partnership business of mobile accessories. The profits of the business is shared by Shivam and Shrinivaas equally, however Shyam is not entitled to any profits. Will Shyam be termed as a partner? Why?

(3MARK QUESTIONS)

Q1. Sohan and Mohan are partners sharing profits and losses in the ratio of 2:3 with the capitals of Rs 5,00,000 and Rs 6,00,000 respectively. On 1st Jan 2006 Sohan and Mohan

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granted loans of Rs. 20,000 and Rs 10,000 respectively to the firm. Show the distribution of profit and losses for the year ended 31st March 2006 if the loss before interest for the year amounted to Rs 2,500

Q.2 Ramesh and Dinesh are partners sharing the profits and losses in the ratio of 2:3 with capital of Rs. 4,00,000 and Rs 6,00,000 respectively. Show the distribution of profit /Loss for the year ended 31st March, 2006, by preparing the relevant account if the partnership deed provides for interest on capital @6% p.a and loss for the year is as Rs. 15,000

Q3. A,B and C shared the profits of Rs 15,00,000 in the ratio of 2:2:1 without providing for interest on B's loan . B granted a loan of Rs 10,00,000 in the beginning of accounting year whereas the partnership deed is silent on interest on loan and the profit sharing ratio. Give necessary adjusting entries.

Q 4. Verma and Kaul are partners in a firm. The partnership deed provides that interest on drawings should be charged @ 6% p.a. Verma withdraws Rs 2,000 per month at the beginning of each month starting from 1st April 2017 to 31st March 2018 . Kaul withdraws Rs 3,000 per quarter, starting from 1st April 2017. Calculate interest on Partner's Drawings.

Q5. Mr X and Mr Y started business on 1st July 2017 with capitals of 5,00,000 and Rs 3,00,000 respectively. Calculate the interest on Drawings of Mr X @10%p.a for the year ended 31st March 2018 :

- (a) During the first three months he withdrew Rs. 2,000 in the beginning of every month.
- (b) During the next three months he withdrew Rs. 2,000 at the end of every month.
- (c) During the remaining months he withdrew Rs. 2,000 p.m.

Q6. On 31st march 2012.after closing of books of accounts, the capital account of A,B and C stood as Rs 24,000;rs 20,000 and Rs 12,000 respectively. The profit for the year 36,000 was distributed equally. Subsequently it was discovered that interest on capital @ 5% p.a had been omitted. The profit sharing ratio was 2 : 2: 1. Pass an adjustment journal entry.

Q7. Malti , Paro and Arti are Partner's in a firm having fixed capital of Rs 80,000; Rs Rs 40,000 and Rs 50,000 respectively sharing profits as 7:6:4. The rate of interest on capital was agreed at 10% p.a , but wrongly credited to them as 12% p.a.. Give the necessary adjustment entry

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Q8. Preeti, Mona and Nisha shared profits in the ratio of 3: 2:1. The profits of the last three years were Rs 1,40,000, Rs 84,000 and Rs 1,06,000 respectively. These profits were by mistake shared equally for all the years. It is now decided to correct the error. Give necessary journal entry for the same.

Q9. A, B and C started partnership on 1st January 2018 with a capital of Rs 1,00,000, Rs 80,000, Rs 60,000 respectively. On 1st April they decided to have their Capital as Rs 80,000 each.

Profits for the year 2018 was Rs 48,000. You are required to apportion the profit of the firm in capital ratio.

Q10. A, B and C are partners in a firm sharing profit and losses in the ratio of 2 : 2 : 1. C is allowed a salary of Rs 4,00 p.a and B is allowed commission of 3% on sales which is Rs 2,00,000. A is also entitled to get 10% commission on profit after charging salary to partners and all commission. During the accounting year, firm earned profit of 16% on sales.

Prepare Profit and loss appropriation A/c

(4 MARK QUESTIONS)

Q11. Calculate the interest on drawings of Ramesh @ 10% p.a for the year ended 31st Dec 2018 in each of the following alternative cases.

- (i) if he withdraw Rs 6,000 in the beginning of each quarter.
- (ii) If he withdraw Rs 6,000 at the end of each quarter.
- (iii) If he withdraw Rs 6,000 during the middle of each quarter.
- (iv) If he withdraw Rs. 6,000 per quarter.

Q12. A, B and C are partners sharing profits in the ratio of 3:2:1. On 1st April 2012 their capital balances were as follows: A : Rs 6,00,000; B: Rs 4,00,000 and C: Rs 2,00,000. Interest on capital was provided @ 5% p.a. On 1st January 2013 C had advanced a loan of Rs 1,20,000 to the firm. Net trading profits of the firm for the year ended 31st March 2013 were Rs 49,800. Show the further distribution of profits.

Q13. A and B are partners with capital of Rs 5,00,000 ; Rs 3,00,000 respectively. The profit for the year ended 31st March 2005 was Rs 3,46,000 before allowing interest on partner's loan. Show the distribution of profit after taking the following into consideration.

- (i) Interest on A's loan of Rs 1,50,000 to the firm.
- (ii) Interest on capital to be allowed @ 5% p.a.
- (iii) Interest on Drawings @ 6% . Drawings were A Rs 60,000 and B Rs 40,000.

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- (iv) B is to be allowed a commission of 2% on sales. Sales for the year were Rs 30,00,000 .
- (v) 10% of the divisible profit is to be kept in a Reserve Account.

Q14. P,Q and R started a partnership firm . P contributed Rs 60,000 for the whole year , Q contributed Rs 50,000 and after 6 months further introduced Rs 20,000 as Capital , R invested Rs 80,000 but withdrew Rs 20,000 at the end of 8 th month.

Profit of the firm for the year was Rs 29,000. You are required to apportion the profit of the firm in their capital ratio.

Q15. *Anil and Surinder and Ravinder entered into partnership* on 1st January ,2018 to share profits in the ratio of 2 :1 :1. It was provided in the deed that Ravinder's Share of profit will not be less than rs 70,000 p.a. the losses for the year ended 31st December 2018 were Rs 2,00,000 before allowing interest Rs 9,000 on Anil's loan which is due for the current year.

Prepare Profit and loss appropriation A/C for the year ended 31st December 2018.

Q16. The partners of the firm distributed the profit for the year ended 31st march 2018 Rs 1,40,000 without providing for the following adjustments:

- (i) A and B were entitled to a salary of Rs 1500 per quarter.
- (ii) C was entitled to a commission of Rs 8,000
- (iii) A and C had guaranteed a minimum profit of Rs 50,000 p.a to B
- (iv) Profits were to be shared in the ratio of 3 : 3 : 2.

Pass necessary journal entry for the above adjustments.

Q17. A and B started a Partnership firm on 1st April ,2018 with capital of Rs 2,00,000 and Rs 1,50,000 respectively . On 1st July they further introduced capital of Rs 50,000 and Rs 30,000 respectively. B however, withdrew Rs 20,000 out of his capital on 1st February 2019.

Compute interest on capital for the year ended 31st march 2019 assuming rate of interest on capital as 8% p.a

Q18. Anmol and Bharat are partners sharing profits in the ratio of 3:2, with capital of Rs 3,00,000 and Rs 2,00,000 respectively.

- (a) Interest on capital is agreed @ 6% p.a.

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- (b) Bharat is to be allowed an annual salary of Rs 30,000.
 - (c) During the year 2016-17, the net profit prior to the calculation of interest on capital and salary amounted to Rs 1,90,000. A provision of 10% of net profit is to be made in respect of commission to the manager.
- Prepare Profit and Loss Appropriation account for the year ended 31st March 2017.

Q19. Q A and B were partners in a firm sharing profit and losses in the ratio of 3:2. Their capital were : A;Rs 3,00,000 and B Rs 2,00,000. The profit for the year ended 31.03.2017 was Rs 40,000 which was wrongly distributed in the ratio of 3:1, without providing for interest on B's loan had given a loan of Rs 2,00,000 in the beginning of financial year. Pass an adjustment entry.

(6 MARK QUESTIONS)

Q20. A and B are Partners having capital of Rs 3,00,000 and Rs 2,00,000 respectively. Current account balances on April 1,;A Rs 20,000(Cr) B Rs 10,000(Cr). Their deed provided that;

- (a) A withdrew Rs 5,000 per quarter at the end of each quarter and B withdrew Rs 2,500 per month on the 1st day of 2016 every month.
- (b) Interest on capital is to be allowed @ 5% p.a.
- (c) Interest on Drawings is to be charged @ 6% .
- (d) B is entitled to salary of Rs 25,000.
- (e) A is entitled for commission @ 10% on net profit after charging B's salary, interest on capital and his own commission.
- (f) Of the first Rs 50,000 divisible as profit in any year, A is entitled to 70% and B 30%. Annual profits in excess of Rs 50,000 divisible equally.
- (g) The profit for the year ended 31st March, 2017 was Rs 2,70,000.. Prepare Profit and Loss appropriation account and Partner's Current account and capital account for the year ended 31st March 2017.

Q21. Mita , Rita and Sandra were partners in a firm sharing profit and losses in the ratio of 2:2:1. Mita had personally guaranteed that in any year Sandra's share of profit after allowing interest on capital to all the partners @ 5% p.a. and charging interest on drawings @ 4% p.a. , would not be less than Rs 10,000.

The Capital of the partners on 1st April 2015 was:

. Mita Rs 80,000 , Rita Rs 50,000, and Sandra Rs 30,000.

The net profit for the year ended 31st March, 2016, before allowing or charging any interest amounted to Rs 40,000. Mita had withdrawn Rs 4,000 on 1st April, 2015 , while Sandra has

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withdrawn Rs 5,000 during the year. You are required to prepare profit and loss appropriation Account for the year ended 2015-16.

Q22. Amit and Sumit are partners with a capital of Rs 2,00,000 and Rs 1,50,000 respectively. The net profit for the year ending 31st March, 2017 amounted to 2,51,750 before considering the followings :

- (i) Amit advanced loan to the firm amounting Rs1,00,000.
- (ii) Interest on capital be allowed at 5% p.a.
- (iii) Interest on drawings be allowed at 5% p.a. Drawings of Amit was Rs 40,000 and of Sumit Was Rs.30,000.
- (iv) Amit was allowed commission at 2% on sales which was Rs.15,00,000 while Sumit was allowed commission at 10% on distributable profit before charging his commission but after charging Amit's commission.
- (v) It was also decided to keep 10% of divisible profit to Reserve Account.

Prepare Profit and Loss Appropriation Account.

Q 23. The net profit of a firm for the year ended 31st March, 2017, was Rs.30, 000, which has been duly distributed amongst its partners A, B and C in their agreed proportions of 3:1:1 respectively .It was discovered on 10th April, 2017 that the under mentioned transaction were not passed through the books of accounts of the firm for the year ended 31st March, 2017, which stood duly closed on that date:

- (a) Interest on capital at 10%p.a.
- (b) Interest on drawings: A Rs 350; B Rs250; C Rs150.
- (c) Salary of Rs 5,000 to A and Rs 7,500 to B.
- (d) Commission due to SA on as special transaction, Rs3,000

The capital account of the partners on 1st April 2016 were : A Rs 25,000; B Rs 20,000 ; C Rs 15,000.

Pass a rectifying journal entry.

Q24. . P and Q are partners in a firm with capital of Rs 3,00,000 and Rs 2,00,000 respectively . P gave a loan of Rs 1,50,000 to the firm . The profit of the firm before allowing interest on loan amounted to Rs 75,000 for the year ended 31st March 2017. Show distribution of profit by preparing profit and loss appropriation account and Partner's Capital Account after considering the following.

- (1) Interest on capital be allowed @ 5% p.a.

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- (2) Interest on drawings is charged @ 6% p.a. Drawing of P and Q during the year were Rs 50,000 and Rs 40,000 respectively.
- (3) P is allowed commission @ 15 on sale which is Rs 3,00,000.
- (4) Q is entitled to commission @ 5% of net profit after charging commission of p and his own.

10% of divisible profit be transferred to Reserve Account.

Q25. A and B are partners in a firm sharing profits in the ratio of 3:1 contributing Rs

1, 10,000 each as their capital on 1st April 2016. The partnership deed provides the following:

- (i) Partners are allowed interest on capital @5%p.a and are charged interest on drawings @6%p.a.
- (ii) A is entitled to remuneration of 10% of net profit for securing contracts from customers.
- (iii) B is also entitled to a commission of 10% of net profit after charging clause (ii) of deed.
- (iv) A is entitled to rent of Rs1, 000 per month for the use of his premises by the firm.
- (v) During the year A withdrew Rs350 at the beginning of every month and B withdrew Rs 550 at the end of every month.

The profit of the firm during 2016-17 before making above adjustments was Rs1,11,000. Prepare profit and loss appropriation account for the year 2016-17.

Q26. A, B and C were partners in a firm. They had no [partnership deed. They had been in business for 4 years and their P & L for this period was: year ending March 2014 Rs.39, 000; March 2015 Rs.54, 000; March 2016 Rs18, 000(loss) and March 2017 Rs.75, 000. During 2017-18, they agreed to share profits and losses in the ratio 2:2:1 with retrospective effect from the year 2013-14. It was also decided that interest be provided on capital @ 5% p.a (fixed). Their capitals were Rs.80, 000; Rs.60, 000 and Rs 60,000 respectively. Pass a single entry to adjust the capital accounts of the partners.

Q27. A , B and C are partners sharing profits equally. Their capitals on 1st April 2013 were Rs 60,000; Rs 40,000 and Rs 30,000 respectively. Partnership deed provides the following:

- (a) Interest on capital @12% p.a.

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- (b) They have a right to withdraw Rs 8,000, Rs 6,000 and Rs 4,000 respectively for personal use. Any drawings in excess of above limits are charged interest @15% p.a.
- (c) Firm charges interest on loan given to partners @15% p.a.
- (d) A is entitled to a commission of 10% of profits after charging his commission but before any distribution among partners.

During the year ended 31st March 2014, firm earned a profit of Rs53,100. Partners drawings were A Rs12,000 (on 1st July 2013), B Rs 9,000 (on 1st October 2013) and C Rs4,000 (during the year). Firm gave a loan to C on 1st April 2013. Prepare Profit and loss appropriation a/c.

Q28. Rohit, Shobhit and Mohit are partners sharing profits in the ratio of 5:3:2 with fixed capital of Rs4,00,000; Rs3,00,000 and Rs3,00,000 respectively. After the distribution of profits of 2013 they discovered the following discrepancies:

- a. Interest on capital @6% was not allowed
- b. Interest on drawing already charged were Rs4,000, Rs6,000 and Rs2,000 respectively whereas there was no such provision in the deed.
- c. Mohit was given a salary of Rs72,000 instead of Rs48,000 as provided in the deed.
- d. Rohit was given a commission of Rs84,000 instead of Rs96,000 as provided in the deed.

You are required to pass a single adjusting entry to rectify the above errors.

Q29. The Capitals of R and S stood at Rs4,000 and Rs3,000 respectively after adjustment in respect of drawings and net profits for the year ending 31st December 2012. It was subsequently ascertained that 12% p.a interest each on capital and drawings were omitted to be recorded. Salary allowable to R Rs1200 p.a was also not taken into account in arriving at the net profits.. Net profits was also divided in the ratio of 1:1 instead of 3:1. R withdrew regularly Rs100 p.m in the beginning and S withdrew regularly Rs100 p.m at the end of every month as drawings. The profits for the year already divided amounted to Rs3,000. Pass necessary adjusting entry.

Q30. .Anita, Mitali and Ranjana were partners in a firm trading in blankets .They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April 2013 were ` 12,00,000;

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`20,00,000 and ` 28,00,000 respectively. After the flood in Uttarakhand all partners decided to help the flood victims personally.

For this Anita withdrew Rs1,20,000 from the firm on 1st August 2013. Mitali instead of withdrawing cash took blankets worth Rs1,00,000 from the firm and distributed those to the flood victims. On the other hand Ranjana withdrew Rs6,00,000 from his capital on 1st December 2013 and provided necessary items of daily use to the victims.

The partnership deed provides for charging interest on drawings @6%p.a. and interest on capital @10% p.a. After the final accounts were prepared it was discovered that both interest on capital and interest on drawings were omitted. Give necessary adjusting journal entry and show your workings clearly.

Q31 . X Y and Z are partners in a firm sharing profits in the ratio of 4:3:1 with opening capital of Rs 50,000; Rs40,000 and Rs20,000 respectively. On 1st January 2013. During the year X introduced an additional capital of Rs15,000 on 1st January , withdrew Rs10,000 on 1st July 2013 out of his capital. Partnership deed provides the following :

- a. Interest on capital @15% p.a on Opening capitals only.
- b. For working in the firm, X is allowed a salary of RS750 p.m. Due to illness he could work for eight months only.
- c. Z is also entitled to 1% commission on sales. Sales amounted to RS4,39,800.
- d. Interest on drawings @15%p.a. X draws Rs400 p.m. in the beginning of each month. Y draws Rs 200 p.m at the end of each month, while Z draws Rs100 p.m in the middle of each month.

Firm earned a profit of Rs 43050 during the year ended on 31st December 2013 before charging commission. Manager is to be paid commission of 5% on net profit before charging his commission.

Prepare Profit and loss appropriation a/c and partners' capital accounts when (i) Capitals are fluctuating (ii) capitals are fixed

Q32. Gabbar and Mogambo were partners sharing profits in the ratio of 3:1. Shaakal was their manager receiving a monthly salary of RS2,000 p.m. and a commission of 5% of net profits

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after charging his salary and commission. On 1st April 2013 Shaakal was admitted as a partner for $\frac{1}{5}$ th share. It was also agreed that if amount receivable by Shakaal as a partner exceeds the amount receivable by him as a manager, such excess will be borne by Gabbar alone. Profits for the year ended 31st March 2013 was RS1,92,525 before charging anything due to Gabbar, Mogambo and Shakaal. Prepare Profit and loss appropriation a/c.

Q33. Amit and Sumit are partners sharing profits and losses in the ratio of 3:2. Firm pays Rs 1,000 per month as salary to their manager, Neha who has graduated and who deposited Rs30,000 with the firm carrying interest at 8% p.a. On 1st January, 2016, it was decided to treat Neha as their partner w.e.f. 1st January 2012 at $\frac{1}{5}$ th share in profit. It was decided to treat her deposit as capital carrying interest at 6% p.a. like capital of other partners. The firm's profits and losses after above adjustments were as under:

2012- Profit	Rs. 60,000
2013- Loss	Rs.15,000
2014- Profit	Rs.80,000
2015 – Profit	Rs.91,000

(A) Record the necessary journal entries

Q34. On March 31st, 2014 the balances in the capital a/c of Saroj, Mahindra and Umar after making adjustments of Profits and Drawings etc. were Rs 80,000 Rs 60,000 and Rs 40,000 respectively. Subsequently it was discovered that the interest on capital and drawings has been omitted.

- (a) The profit for the year ended 31st March, 2014 was Rs 80,000
- (b) During the year Saroj and Mahindra each withdrew a sum of Rs 24,000 in equal instalment in the end of each month and Umar withdrew Rs 36,000.
- (c) The Interest on Drawing has to be charged @ 5% p.a. and interest on capital is to be allowed @ 10% p.a.
- (d) The profit sharing ratio among partners was 4 : 3 : 1

Showing your working clearly, Pass the rectifying entry.

Q35. A, B, C and D are Partners having capital of Rs 2,00,000; Rs 1,50,000; Rs 1,00,000 and Rs 50,000 respectively. They share profit and losses in the ratio of 3:2:2:1. They have agreed upon the following terms.

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- (1) Partners are entitled to interest on capital @ 8% p.a.
- (2) C will get salary @ Rs 5,000 per month.
- (3) B's share of profit excluding interest on capital has been guaranteed to be not less than Rs 2,60,000.
- (4) D's share of profits including interest on capital has been guaranteed by a to be not less than Rs 1,10,000.

The profit for the year ended 31st March, 2017 were Rs 9,00,000 before any appropriation. Prepare the Profit and Loss appropriation a/c.

FILL IN THE BLANKS QUESTIONS

Q1. The Partners of the firm distributed the profits for the year ended 31st March 2017, Rs 60,000 in the ratio of 2 : 2 : 1 without providing for the following adjustments:

- (i) A and B were entitled to a salary of Rs 750 each per quarter.
- (ii) C was entitled to a commission of Rs 3,000.
- (iii) A and C had guaranteed a minimum profit of Rs 24,000 p.a to B
- (iv) Profits were to be shared in the ratio of 4 : 3 : 2.

The accountant of the firm left some figures and entries incomplete while passing the adjustment entries. You are required to fill the missing figures and entries.

Adjustment Entry

Date	Particular	L.F	Dr	Cr
.....	..... Dr		.....
.....	To (Being adjustment entry made)			.....

Table Showing Adjustment

Particulars	A	B	C	Total
Salary (Cr)	6,000
Commission (Cr)	-	-	3,000	3,000
Profit guaranteed to B (Cr)		24,000		24,000
Remaining profit will be divided between A and C in 4:2 (Cr)
(Rs 60,000 - Rs

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6,000-Rs 3,000-Rs 24,000= Rs27,000) Less profit already distributed (Rs 60,000 2 : 2 :1(Dr)
Net Effect	.....	.....	.....	.....

Ans. A's Capital (Dr) 3,000; B's Capital (Cr) Rs 3,000

Q 2.A and B are Partners in a firm with Capital Of Rs 50,000 and Rs 30,000 respectively. Their accountant has left some entries and figure unposted. Profit and Loss Account, Profit and loss Appropriation Account and Partner's Capital A/c are given below. You are required to complete the entries and figures:

Dr Profit and loss Account Cr

Particular	Rs	Particular	Rs
To Depreciation	1,000	By Gross Profit b/d	.....
To bad debts A/c	500		
To manager's Commission	.....	
16,500X10/100			
To .....	.....	
	18,000		18,000

Dr Profit and loss appropriation Account Cr

Particular	Rs	Particular	Rs
To Interest on Capital		By P& l a/c	15,000.
A			
B .....	.....	
To B's salary a/c	3,000		
To profit transferred to partner's capital a/c			
A 2,400			
B 1,600	4,000		
	15,000		15,000

Partner's Capital a/c

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Particulars	A	B	Particular	A	B
To Drawings A/c	By
To balance c/d	51,400	By Interest on capital	5,000	3,000
		31,600	By B's salary	.....	.....
			By profit and loss appropriation A/c	.....	.....
	57,400	37,600		57,400	37,600

HINTS AND ANSWERS

Ans 1. Loss of Sohan Rs 1180 and Mohan Rs 1770

Ans 2. Loss tfd. to Ramesh Rs 6000 and Dinesh Rs 9000

Ans 3 . A's capital A/c (Dr) Rs 1,20,000.; B's capital A/c (Dr) Rs 1,20,000.; C's capital A/c (Cr)Rs 1,80,000 ; B's Loan A/c (Cr) 60,000

Ans 4. Verma- Rs 780 Kaul- Rs 450

Ans 5. Rs 675. (product method)

Ans 6. Debit C-5,000,Credit A-Rs 2,600 and B Rs 2,400

Ans 7. Debit Malti –Rs 200, Arti Rs 200 and Credit Paro Rs 400

Ans 8. Debit Nisha's Capital A/c Rs 55,000,Credit Preeti's Capital A/c Rs 55,000

Ans 9. Capital ratio is 17: 16 :15

Ans 10. A's Commission Rs 2,000; Divisible profit is Rs 20,000 in ratio 2:2:1

Ans 11. (i) Rs 1,500 (ii) Rs 1,500 (iii)Rs 1,200 (iv) Rs 900

Ans 12: Interest on loan Rs1800; Interest on capital : A Rs 24,000; B Rs16,000 and C Rs8,000.

Ans13 . N.P Rs 3,37,000, A's Profit Rs 1,08,000, B's Profit Rs 1,08,000

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Ans14. P-Rs 9,000 ; Q- Rs 9,000 ; R – Rs 11,000

Ans 15. Net loss tfd to Anil's cap-1,86,000; Sunil's Cap –Rs 93,000

Ans 16. A's Capital A/c (Dr) Rs 8,000; B's Capital A/c(Cr) Rs 8,000

Ans17. A Rs 19,000; B, Rs 13,533

Ans 18.Profit of Anmol Rs 66,600;Bharat-Rs 44,400

Ans 19. A's Capital (Dr) 13,200;B's Capital (Cr)1,200;B's loan A/c (Cr) 12,000

Ans 20. Profit tfd. To A's current Account-1,11,500; B's Current A/c 91,500

Ans 21.Mita's Profit - 9,356 Rita's Profit- 12,904 Sandra's Profit -10,000

Ans 22. Profit Amit –Rs 81,000 Profit Sumit –Rs 81,000

Ans 23. A's Capital A/c (Dr) 2,300; C's Capital a/c (Dr) 2,800 ; B's capital A/c (Cr) 5,100

Ans 24. Profit of P and Q Rs 16,965 each Capital A/c P- Rs 2,83,465 Q –Rs 1,86,965

Ans25. Profit of A Rs 52,131; Profit of B Rs 17,377

Ans26 . C's current A/c (Dr) 17,000 ;A's Current A/c (Cr) 10,000 B's Current A/c (Cr) 7,000

Ans27. A's commission Rs 5,100; Interest on drawings : A: Rs300 and B Rs 225. Profits : 35,925.

Ans 28. Mohit(Dr) Rs16,000; Rohit (Cr) Rs10,000 and Shobhit (Cr) 6,000

Ans 29. S capital a/c(Dr) 918; R Capital a/c (Cr) 918

Ans 30. : Anita Dr : 1,70,900; Mitali Cr : Rs25340 and Ranjana Cr : Rs 1,45,560.

Ans.31. Profit: Rs 17994;Capital balance when fluctuating: X Rs 15782; Y Rs -8964;

C Rs-7751; When Fixed Cap bal: X 65,000; Y Rs30,000 and Z Rs20,000; Current a/c bal: X Rs-80,782; B Rs-38,964; C Rs-27,751

Ans.32. Excess payable to Shakaal Rs6,480 will be borne by Gabbar. Final distribution of profits: Gabbar: Rs1,13,895; Mogambo Rs40,125 and Shakaal Rs38,505

Ans 33. Amit's Capital A/c (Dr).900 Sumit's Capital A/c (Dr).600 Neha's Capital A/c (cr)1,500

Ans34. Saroj's cap (Dr) 2,350; Mahindra Cap (Dr) 1,300 ; Umar's Cap (Cr) 3,650

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Ans 35. Profit tfd. To A's Capital-2,54,000;B's capital Rs 2,60,000;C's capital -1,80,000;D's capital-1,06,000