Q. 5. *A* and *B* started a partnership business on 1st April, 2021. They contributed ₹6,00,000 and ₹4,00,000 respectively, as their capitals. The terms of the partnership agreement are as under :

(*i*) Interest on capital and drawings @ 6% per annum.

(*ii*) *B* is to get a monthly salary of ₹2,500.

(*iii*) Sharing of profit or loss will be in the ratio of their capital contribution.

The profit for the year ended 31st March, 2022, before making above appropriations was ₹2,07,400. The drawings of *A* and *B* were ₹48,000 and ₹40,000 respectively. Interest on drawings amounted to ₹1,500 for *A* and ₹1,100 for *B*.

Prepare profit and loss appropriation account and partner's capital accounts assuming that their capitals are fluctuating.

[**Ans.** Divisible Profits ₹1,20,000; *A*'s Capital Balance ₹6,58,500 and *B*'s Capital Balance ₹4,60,900.]

Q. 6. *X* and *Y* are partners with capitals of ₹1,00,000 and ₹80,000 respectively on 1st April, 2022 and their profit sharing ratio is 2 : 1. Interest on capital is agreed @ 12% p.a. *Y* is to be allowed an annual salary of ₹6,000. The profit for the year ended

31st March, 2023 amounted to ₹ 50,000. Manager is entitled to a commission of 10% of the profits.

Prepare Profit and Loss Appropriation Account and Capital Accounts.

[**Ans.** Divisible Profit ₹17,400; Commission to manager is 10% of ₹50,000, *i.e.*, ₹5,000. Balances of Capital Accounts : *X* ₹1,23,600 and *Y* ₹1,01,400.]

Q. 8. *A* and *B* are partners in a firm sharing profits or losses in the ratio of 2 : 3 with capitals of ₹4,00,000 and ₹8,00,000 respectively on 1st April, 2022. Each partner is entitled to 10% p.a. interest on his capital. *B* is entitled a commission of 10% on net profit remaining after deducting interest on capital but before charging any commission. *A* is entitled a commission of 8% of net profit remaining after deducting interest on capital and after charging all commissions. The profit for the year ended 31st March, 2023 prior to calculation of interest on capital was ₹6,00,000.

Prepare Profit and Loss Appropriation Account.

[**Ans.** Share of Profit *A* ₹1,60,000 and *B* ₹2,40,000; Commission to *B* ₹48,000 and to *A* ₹32,000.]

will be shared equally.

Q. 10. *A*, *B* and *C* were partners in a firm having capitals of ₹2,00,000; ₹2,00,000 and ₹80,000 respectively on 1st April, 2022. Their Current Account balances were *A* : ₹20,000; *B* : ₹10,000 and *C* : ₹5,000 (Dr.). According to the partnership deed the partners were entitled to interest on capital @ 10% p.a. *B* being the working partner was also entitled to a salary of ₹6,000 per quarter. The profits were to be divided as follows :

(*a*) The first ₹60,000 in proportion to their capitals.

(*b*) Next ₹1,00,000 in the ratio of 4 : 3 : 1.

(*c*) Remaining profits to be shared equally.

The firm made a profit of ₹2,80,000 for the year ended 31st March, 2023 before charging any of the above items. Prepare the Profit & Loss Appropriation Account and pass necessary journal entry for apportionment of profits.

[**Ans.** Share of Profit : *A* ₹91,000; *B* ₹78,500 and *C* ₹38,500.]

Q. 12. Lata and Mamta are partners with capitals of ₹3,00,000 and ₹2,00,000 respectively sharing profits as Lata 70% and Mamta 30%. During the year ended 31st March 2023 they earned a profit of ₹2,26,440 before allowing interest on partner's loan. The terms of partnership are as follows:

(*i*) Interest on Capital is to be allowed @ 7% p.a.

(*ii*) Lata to get a salary of ₹2,500 per month.

(*iii*) Interest on Mamta's Loan account of ₹80,000 for the whole year.

(*iv*) Interest on drawings of partners at 8% per annum. Drawings being Lata ₹36,000 and Mamta ₹48,000.

(*v*) 1/10th of the distributable profit should be transferred to General Reserve.

Prepare the Profit and Loss Appropriation Account.

[**Ans.** Share of Profit : Lata ₹1,00,800 and Mamta ₹43,200.]

Hints : (*i*) Interest on Loan will be calculated at 6% p.a.

(*ii*) Interest on Drawings will be calculated for an average period of 6 months.

(*iii*) Transfer to General Reserve will be 10% of net profit, *i.e.*, 10% of 1,60,000 = ₹16,000.

Q. 17. *P* and *Q* are partners sharing profits and losses in the ratio of 60 : 40. On 1st April, 2022, their capitals were : *P* — ₹5,00,000 and *Q* — ₹3,00,000. During the year ended 31st March, 2023, they earned a profit of ₹7,60,000 before taking into account any of the following terms of partnership :

(*i*) Interest on the capital is to be charged @ 8% p.a.

(*ii*) *P* will get commisson @ 3% on turnover.

(*iii*) *Q* will get a salary of ₹5,000 per month.

(*iv*) *Q* will get commission of 5% on profits after deduction of interest, salary and commission (including his own commission).

(*v*) *P* is entitled to a rent of ₹20,000 per month for the use of his premises by the firm.

Partner's drawings for the year were : *P* — ₹40,000 and *Q* — ₹30,000. Turnover for the year was ₹20,00,000. After considering the above factors, you are required to prepare the Profit and loss Appropriation Account and the Capital Accounts of the Partners.

[**Ans.** Share of Profit *P* ₹1,92,000 and *Q* ₹1,28,000. Balance of Capital A/cs *P* ₹7,52,000 and *Q* ₹4,98,000.]

Hints : (*i*) Net Profit Credited to P & L Appropriation A/c : ₹7,60,000 – Rent ₹2,40,000 = ₹5,20,000

(*ii*) *Q*'s Commission $\frac{5}{105}$ of ₹3,36,000

(*iii*) Rent will be credited to Rent Payable Account.

Q. 18. A and B are partners sharing profits and loss in the ratio of their capitals which were ₹6,00,000 and ₹4,00,000 respectively on 1st April 2021. The partnership deed provides that:

(*i*) Both partners will get monthly salary of ₹20,000 each;

(*ii*) Interest on capital will be allowed @ 8% p.a.;

(*iii*) A will get a quarterly rent of ₹24,000 for the use of his property by the firm.

On 1st July, 2021 *A* and *B* granted loans of ₹1,00,000 and ₹50,000 respectively to the firm. During the year ended 31st March 2022, the firm incurred a loss of ₹17,250 before any adjustment is made as per partnership deed.

Prepare an account showing the distribution of profit/loss.

[**Ans.** Share of Loss : *A* ₹72,000 and *B* ₹48,000.]

Hint : Salary to Partners and interest on capitals will not be provided and P & L App. A/c will not be prepared since the firm has sufferred loss.

Q. 19. *A* and *B* are partners in a firm sharing profits in the ratio of 1 : 2. Their capitals on 1st April 2021 were ₹4,00,000 and ₹6,00,000 respectively. As per partnership deed, *A* is to get a monthly salary of ₹15,000 and interest on capitals is to be provided @ 10% p.a. and charged on drawings @ 12% p.a. During the year *A* withdrew ₹30,000 and *B* withdrew ₹50,000.

The firm incurred a loss of ₹60,000 during the year ended 31st March, 2022 before above adjustments. You are required to prepare an account showing the distribution of profit/loss.

[**Ans.** Share of Loss *A* ₹18,400 and *B* ₹36,800.]

Note : Although Profit & Loss Appropriation A/c is not prepared in case of loss, it will be prepared in this question because interest on drawings is to be credited to this account.

Q. 23. Calculate the interest on drawings of Mr. Aditya @ 8% p.a. for the year ended 31st March, 2021, in each of the following alternative cases :

Case (*i*) If he withdrew ₹5,000 in the beginning of each quarter.

(*ii*) If he withdrew ₹6,000 at the end of each quarter.

(*iii*) If he withdrew ₹10,000 during the middle of each quarter.

[**Ans.** Case (*i*) ₹1,000; Case (*ii*) ₹720; Case (*iii*) ₹1,600.]

Q. 24. Calculate the interest on drawings of Sh. Ganesh @ 9% p.a. for the year ended 31st March, 2021, in each of the following alternative cases :

Case (*i*) If he withdrew ₹4,000 p.m. in the beginning of every month;

(*ii*) If he withdrew ₹5,000 p.m. at the end of every month.;

(*iii*) If he withdrew ₹6,000 p.m;

(*iv*) If he withdrew ₹72,000 during the year;

(*v*) If he withdrew as follows :

	₹
30th April, 2020	10,000
1st July, 2020	15,000
1st Oct., 2020	18,000
30th Nov., 2020	12,000
31st March, 2021	20,000

(*vi*) If he withdrew ₹12,000 in the beginning of each quarter;

(*vii*) If he withdrew ₹18,000 at the end of each quarter;

(*viii*) If he withdrew ₹18,000 during the middle of each quarter.

[**Ans.** Case (*i*) ₹2,340; Case (*ii*) ₹2,475; Case (*iii*) ₹3,240; Case (*iv*) ₹ 3,240; Case (*v*) ₹3,008; Case (*vi*) ₹2,700; Case (*vii*) ₹2,430; Case (*viii*) ₹3,240.]

Q. 25 (A). Gupta is a partner in a firm. He drew regularly ₹800 at the beginning of every month for the six months ending 31st March, 2022. Calculate interest on drawings at 15% p.a.

[**Ans.** Interest on Drawings ₹210.]

Q. 25 (B). Gupta is a partner in a firm. He drew regularly ₹800 at the end of every month for the six months ending 31st March, 2022. Calculate interest on drawings at 15% p.a.

[**Ans.** Interest on Drawings ₹150.]

Q. 25 (C). *A*, *B* and *C* are partners in a firm. For six months ending 31st March, 2022 :

A drew regularly ₹15,000 in the beginning of every month. *B* drew regularly ₹20,000 at the end of every month and *C* drew regularly ₹25,000 in the middle of every month.

Calculate interest on drawings @ 10% p.a. for six months ending 31st March, 2018.

[**Ans.** Interest on Drawings : *A* ₹2,625; *B* ₹2,500 and *C* ₹3,750.]

Q. 26. Calculate interest on *A*'s drawings :

(*i*) If he has withdrawn ₹60,000 on 1st October, 2022 and rate of interest on drawings is 8% per annum.

(*ii*) If he has withdrawn ₹60,000 on 1st October, 2022 and rate of interest on drawings is 8%.

Books are closed on 31st March, 2023.

[**Ans.** Case (*i*) ₹2,400; Case (*ii*) ₹4,800.]

Q. 28. Calculate the amount of Era's monthly drawings for the year ended 31st March, 2023 in the following cases when interest is charged on drawings @ 10% p.a.

(*i*) When she withdrew a fixed amount in the beginning of each month and interest on drawings is ₹5,200.

(*ii*) When she withdrew a fixed amount at the end of each month and interest on drawings is ₹6,600.

[**Ans.** Case (*i*) ₹8,000 per month; Case (*ii*) ₹12,000 per month.]

Q. 31. *P*, *Q* and *R* were partners and the balance of their capital accounts on 1st April 2022 were ₹8,00,000 (Credit); ₹5,00,000 (Credit) and ₹20,000 (Debit) respectively. As per the terms of partnership agreement interest on capitals is to be allowed @ 10% p.a. and is to be charged on drawings @ 12% p.a.

Partners withdrew as follows :

(*i*) *P* withdrew ₹10,000 p.m. at the end of each month;

(*ii*) *Q* withdrew ₹1,20,000 out of capital on 1st January 2023;

(*iii*) *R* withdrew ₹1,20,000 during the year.

The profit for the year ended 31st March, 2023 amounted to ₹4,30,000.

You are required to prepare journal entries and partner's capital accounts.

[**Ans.** Share of Profit ₹1,05,600 each. Balance of Capital Accounts *P* ₹8,59,000 (Cr.); *Q* ₹5,32,600 (Cr.); and *R* ₹41,600 (Dr.).]

Hint : Interest on Drawings *P* ₹6,600 and *R* ₹7,200.

Interest on Capital

Q. 33. *X* and *Y* are partners sharing the profits and losses in the ratio of 2 : 1 with capitals of ₹50,000 and ₹30,000 respectively. Show the distribution of profits in each of the following alternative cases :

(*i*) If the partnership deed is silent as to the Interest on Capital and the profits for the year are ₹9,000.

(*ii*) If the partnership deed provides for Interest on Capital @ 6% p.a. and the losses for the year are ₹6,000.

(*iii*) If the partnership deed provides for Interest on Capital @ 6% p.a. and the profits for the year are ₹9,000.

(*iv*) If the partnership deed provides for Interest on Capital @ 6% p.a. and the profits for the year are ₹3,000.

(*v*) If the partnership deed provides for Interest on Capital @ 6% p.a. even if it involves the firm in loss and the profits for the year are ₹3,000.

[Ans. Case (*i*) Profit *X* ₹6,000, *Y* ₹3,000; Case (*ii*) Loss *X* ₹4,000, *Y* ₹2,000; Case (*iii*) Profit *X* ₹2,800, *Y* ₹1,400; Case (*iv*) Interest on Capital *X* ₹1,875, *Y* ₹1,125; Case (*v*) Loss *X* ₹1,200, *Y* ₹600.]

Q. 42. *A*, *B* and *C* are partners sharing profits and losses in the ratio of 1 : 2 : 3. They have omitted interest on capital @ 8% p.a. for two years ended 31st March, 2023. Their fixed capitals were ₹4,00,000, ₹6,00,000 and ₹8,00,000 respectively. Pass the necessary adjusting entry.

[**Ans.**	*C*'s Current A/c	Dr.	16,000	
	To *A*'s Current A/c			16,000]

Q. 46. *A* and *B* were partners sharing profits in 2 : 1 ratio. During the year ended 31st March, 2023, *A*'s drawings were ₹50,000 per month drawn in the beginning of every month and *B*'s drawings were ₹25,000 per month drawn at the end of every month. After the preparation of final accounts, it was discovered that interest on *A*'s drawings @ 12% p.a. was not taken into consideration. Give the necessary adjusting entry on 1st April, 2021.

[**Ans.**	*A*'s Capital A/c	Dr.	13,000	
	To *B*'s Capital A/c			13,000]

Q. 49 (A). On 1st April, 2022 the Capitals of *A* and *B* were ₹4,00,000 and ₹2,00,000 respectively. They divided profits in their capital ratio. Profits for the year ended 31st March, 2023 were ₹3,00,000 which have been duly distributed among the partners, but the following transactions were not passed through the books :—

(*a*) Interest on Capitals @ 12% p.a.

(*b*) Interest on Drawings *A* ₹12,000; *B* ₹10,000.

(*c*) Commission due to *B* ₹20,000 on a special transaction.

(*d*) *A* is to be paid a salary of ₹50,000.

You are required to pass a journal entry on 10th April, 2023 which will not affect the P & L A/c of the firm and at the same time will rectify the errors.

[**Ans.**	*B*'s Capital A/c	Dr.	6,000	
	To *A*'s Capital A/c			6,000]

Q. 50. *A*, *B* and *C* are partners sharing profits in the ratio of 2 : 2 : 1. Their fixed capitals were ₹4,00,000, ₹2,50,000 and ₹1,00,000 respectively. Net profit for the year ending 31st March, 2023 amounted to ₹2,20,000 which was distributed without providing for the following :

(*i*) Salary to *B* ₹5,000 p.m. and to *C* ₹10,000 per quarter.

(*ii*) Interest on capital @6% p.a.

(*iii*) Commission to Manager @10% after charging such commission.

Pass necessary rectifying entry.

[**Ans.**	*A*'s Current A/c	Dr.	42,000	
	To *B*'s Current A/c			9,000
	To *C*'s Current A/c			13,000
	To Manager's Commission Outstanding A/c			20,000]

Q. 51. Suresh and Ramesh were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals were : Suresh ₹9,00,000 and Ramesh ₹6,00,000. The partnership deed provided for the following :

(*i*) Interest on capital @ 5% per annum.

(*ii*) ₹60,000 per annum salary to Suresh and salary ₹2,000 per month to Ramesh. The profit earned by the firm for the year ended 31-3-2022 was ₹2,34,000.

The profits were divided equally without providing for the above.

Pass adjustment entry

[**Ans.**	Ramesh's Current A/c	Dr.	33,000	
	To Suresh's Current A/c			33,000]

Q. 56. *A*, *B* and *C* are partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. Their fixed capitals were ₹1,00,000, ₹2,00,000 and ₹3,00,000 respectively. For the year ended 31st March, 2022 interest on capital was credited to them @ 10% instead of 9% p.a. Pass the necessary adjusting journal entry.

[**Ans.**	*B*'s Current A/c	Dr.	200	
	C's Current A/c	Dr.	1,200	
	To *A*'s Current A/c			1,400]

Note : Since the capitals are fixed, Current Accounts will be debited or credited.

Q. 60 (A). Mohan, Vijay and Anil are partners, their capitals being ₹30,000, ₹25,000 and ₹20,000 respectively. In arriving at these figures, the drawings and profits for the year ended, 31st March, 2021 ₹24,000 has already been credited to the partners in the proportion in which they share profits. Their drawings were ₹5,000 (Mohan); ₹4,000 (Vijay) and ₹3,000 (Anil) for the year ending 31st March, 2021. Subsequently the following omissions were noticed and it was decided to bring them into Account.

(*i*) Interest on Capital at 10% p.a.
(*ii*) Interest on Drawings Mohan ₹250, Vijay ₹200 and Anil ₹150.

Make the necessary journal entry and prepare Capital Accounts of Partner's.

[**Ans.** Opening Capitals — Mohan ₹27,000, Vijay ₹21,000, Anil ₹15,000; Dr. Anil's Capital by ₹550 and Cr. Mohan's Capital by ₹550. Adjusted Capital accounts balances Mohan ₹30,550; Vijay ₹25,000; Anil ₹19,450.]

Q. 71. *A*, *B* and *C* were partners sharing profits and losses in the ratio of 3 : 2 : 1. Their capitals on 1st April, 2021 were :

A ₹5,00,000; *B* ₹3,00,000 and *C* ₹2,00,000.

A had personally guaranteed that in any year *C*'s share of profit after allowing interest on capital to all partners @8% p.a. and charging interest on drawings @10% p.a. will not be less than ₹1,00,000.

The net profit for the year ended 31st March, 2022, before allowing or charging any interest amounted to ₹4,32,000.

A has withdrawn ₹5,000 at the end of every month.

B has withdrawn ₹15,000 at the end of every quarter.

C has withdrawn ₹60,000 during the year.

Prepare Profit and Loss Appropriation Account for the year 2021-22.

[**Ans.** Share of Profit *A* ₹1,40,000; *B* ₹1,20,000 and *C* ₹1,00,000.]

Q. 73. The partners of a firm distributed the profits for the year ended 31st March, 2021, ₹1,50,000 in the ratio of 2 : 2 : 1 without providing for the following adjustments:

(*i*) *A* and *B* were entitled to a salary of ₹1,500 per quarter.

(*ii*) *C* was entitled to a commission of ₹18,000.

(*iii*) *A* and *C* had guaranteed a minimum profit of ₹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 in the books of the firm.

[**Ans.**	*A*'s Capital A/c	Dr.	12,000	
	B's Capital A/c	Dr.	4,000	
	To *C*'s Capital A/c			16,000]

Q. 74. *A*, *B* and *C* were in partnership sharing profits in the ratio of 1 : 2 : 3. Their fixed capitals on 1st April, 2021 were : *A* ₹3,00,000; *B* ₹4,50,000 and *C* ₹10,00,000. Their partnership deed provided for the following :

(*i*) *A* provides his personal office to the firm for business use charging yearly rent of ₹1,50,000.

(*ii*) Interest on capital @ 8% p.a. and interest on drawings @ 10% p.a.

(*iii*) *A* was allowed salary @ ₹10,000 per month.

(*iv*) *B* was allowed a commission of 10% of net profit as shown by Profit & Loss Account, after charging such commission.

(*v*) *C* was guaranteed a profit of ₹3,00,000 after making all the adjustments.

The net profit of the firm for the year ended 31st March, 2022 was ₹10,30,000 before making above adjustments.

You are informed that *A* has withdrawn ₹5,000 at the beginning of each month, *B* has withdrawn ₹5,000 at the end of each month and *C* has withdrawn ₹24,000 at the beginning of each quarter.

Prepare Profit and Loss Appropriation Account and Partner's Current Accounts.

[**Ans.** Divisible Profit ₹5,52,000; Share of Profit *A* ₹84,000; *B* ₹1,68,000 and *C* ₹3,00,000. Balances of Current Accounts : *A* ₹1,64,750; *B* ₹2,21,250 and *C* ₹2,78,000.]

Hints : (*i*) Commission to *B* ₹80,000; (*ii*) Total Interest on Drawings ₹12,000.