"	Lucky's Capital A/c Dr. Paras's Capital A/c Dr. Palak's Capital A/c Dr. To Profit & Loss A/c (Net loss transferred to partners equally)		10,000 10,000 10,000	30,000
"	Lucky's Capital A/c Dr. Paras's Capital A/c Dr. To Palak's Capital A/c (Shortfall in Palak's share of profit met by Lucky and Paras equally)		25,000 25,000	50,000

Notes:

(*i*) If profit sharing ratio is not given in the question, it is assumed to be equal.

(*ii*) Palak is guaranteed a minimum profit of ₹40,000 whereas share of loss debited to her capital account is ₹10,000 (*i.e.* $\frac{1}{3}$ of ₹30,000). Hence, she will be credited by ₹50,000 which is borne by Lucky and Paras equally.

(*iii*) Since firm incurred loss, salary is not allowed to Paras.

COMPETENCY FOCUSED QUESTIONS

Q. 1. *A* and *B* were partners is a firm. Their capital account balances on 1st April, 2025 were ₹3,00,000 and 1,00,000, respectively, while current accounts show nil balances. On 1st August, 2025, *A* withdrew, goods worth ₹10,000 and cash ₹15,000 for his personal use. *B* paid firm's rent of ₹60,000 from his personal bank account on 1st October, 2025.

As per partnership deed, Interest on capital at the rate of 6% p.a. is allowed to partners.

Find out the amount of interest on capitals payable for 2025-26 and pass *Adjusting* Entry for Interest on Capital.

[**Ans.** Interest on capital, *A* ₹18,000; *B* ₹7,800]

Q. 2. *X* and *Y* entered into a partnership business on 1st June, 2025 with profit sharing ratio of 2 : 1.

As per their partnership deed interest on drawings is to be charged @ 6% p.a.

X withdrew ₹5,000 per month for 6 months starting from 1st August in the beginning of every month.

Y withdrew ₹8,000 per month at the end of every month starting from 31st August, 2025.

Pass adjusting and closing entries for Interest on Drawings.

[**Ans.** Interest on Drawings *X* ₹825; *Y* ₹1,120.]

(*i*) The value of stock of March 31, 2024 was ₹64,000.

(*ii*) Charge depreciation on Buildings at 10%.

(*iii*) Provide for outstanding rent ₹2,400.

(*iv*) Partners are entitled to interest on Capital @ 5% and *X* is entitled to a salary of ₹48,000 p.a.

[**Ans.** Gross Profit ₹3,95,800; Net Profit as per Profit & Loss A/c ₹1,96,000; Profit transferred to Capital Accounts as per Profit & Loss Appropriation A/c ₹1,20,000; Capitals *X* ₹4,24,000 and *Y* ₹2,60,000; Total of Balance Sheet ₹7,61,900.]

Q. 3. Girish and Satish are partners in a firm. Their Capitals on April 1, 2023 were ₹5,60,000 and ₹4,75,000 respectively. On August 1, 2023 they decided that their Capitals should be ₹5,00,000 each. The necessary adjustment in the Capitals were made by introducing or withdrawing cash. Interest on Capital is allowed at 6% p.a. You are required to compute interest on Capital for the year ending March 31, 2024.

[**Ans.** Interest on Capitals: Girish ₹31,200 and Satish ₹29,500.]

Fluctuating Capitals

Th **Q. 4.** **(A)** On 1st April, 2025 *A* and *B* commenced business with Capitals of ₹6,00,000 and ₹2,00,000 respectively. On 31st March, 2026 the net profit (before taking into account the provisions of deed) was ₹2,40,000. Interest on capitals is to be allowed at 6% p.a. *B* was entitled to a salary of ₹60,000 p.a.

The drawings of the partners *A* and *B* were ₹60,000 and ₹40,000 respectively. The interest on Drawings for *A* being ₹2,000 and *B* ₹1,000. Assuming that *A* and *B* are equal partners, prepare the Profit & Loss Appropriation A/c and Partners' Capital Accounts as at 31st March, 2026.

[**Ans.** Divisible Profits ₹1,35,000; Capitals *A* ₹6,41,500 and *B* ₹2,98,500.]

Note: In the absence of information, Capitals will be treated fluctuating.

Th **Q. 4.** **(B)** Anubha and Kajal entered into partnership sharing profits and losses in the ratio of 2 : 1. Their capitals were ₹90,000 and ₹60,000. The profit during the year were ₹45,000. According to partnership deed, both partners are allowed salary, ₹700 per month to Anubha and ₹500 per month to Kajal. Interest is allowed on capital @ 5% p.a. The drawings during the period were ₹8,500 for Anubha and ₹6,500 for Kajal. Interest is to be charged @ 5% p.a. on drawings. Prepare partners capital accounts, assuming that the capital accounts are fluctuating.

[**Ans.** Divisible Profit ₹23,476; Capital Account balance : Anubha ₹1,09,838 and Kajal ₹70,162. Interest on Drawings : Anubha ₹213 and Kajal ₹163.]

Hint: Interest on Drawings will be charged for six months.

Q. 5. *X* and *Y* are partners with capitals of ₹1,00,000 and ₹80,000 respectively on 1st April, 2025 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, 2026 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. 6. Asha and Lata are partners sharing profits in the ratio of 1 : 2. Asha is entitled to a salary of ₹2,00,000 p.a. and a commission of 8% of net profit before charging any commission. Lata is entitled to a commission of 8% of net profit after charging her commission. Net Profit for the year ended 31st March, 2024 amounted to ₹5,40,000.

Prepare Profit & Loss Appropriation Account.

[**Ans.** Share of Profit : Asha ₹85,600 and Lata ₹1,71,200.]

Im **Q. 7.** *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, 2023. Each partner is entitled to 10% p.a. interest on his capital. *B* is entitled a commission of 10% on net profit before charging any commission. *A* is entitled a commission of 8% of net profit after charging all commissions. Net profit for the year ended 31st March, 2024 was ₹4,80,000.

Prepare Profit and Loss Appropriation Account.

[**Ans.** Share of Profit *A* ₹1,12,000 and *B* ₹1,68,000; Commission to *B* ₹48,000 and to *A* ₹32,000.]

Fixed Capitals

Q. 8. *Y* and *Z* are partners with capitals of ₹2,50,000 and ₹1,50,000 respectively on 1st April, 2023. Each partner is entitled to 9% p.a. interest on his capital. *Z* is entitled to a salary of ₹60,000 p.a. together with a commission of 6% of Net Profit after charging his commission. Net profit for the year ended 31st March, 2024 amount to ₹2,12,000. Prepare Partner's Capital Accounts: (*i*) when capitals are fixed, and (*ii*) when capitals are fluctuating.

[**Ans.** Divisible Profits ₹1,04,000; Commission to *Z* ₹12,000.

(*i*) When capitals are fixed:

Current A/c balances : *Y* ₹74,500 (Cr.); *Z* ₹1,37,500 (Cr.)

Capital A/c balances : *Y* ₹2,50,000 (Cr.); *Z* ₹1,50,000 (Cr.)

(*ii*) When capitals are fluctuating:

Capital A/c balances : *Y* ₹3,24,500 (Cr.); *Z* ₹2,87,500 (Cr.)

Hint: When the profit sharing ratio of the partners is not given in the question, the profits will be shared equally.

Q. 9. *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, 2025. 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 a salary of ₹6,000 per quarter. The profits were to be divided as follo

(*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, 20 before charging any of the above items.

Prepare the Profit & Loss Appropriation Account and Partners' Curre Accounts.

[**Ans.** Share of Profit : *A* ₹91,000; *B* ₹78,500 and *C* ₹38,500.
Closing balance of current accounts: *A* ₹1,31,000; *B* ₹1,32,500 an *C* ₹41,500]

Interest on Loan by Partner to the Firm

Q. 10. Aru and Esha are partners sharing profits equally. Esha had given loan of ₹4,00,000 to the firm on 1st October 2023 and it was agreed that interest will be paid @ 9% p.a. Interest on Esha's Loan upto February 2024 was paid by cheque on 2nd March 2024 and balance was yet to be paid. Pass Journal entries for interest on loan for the year ended 31st March, 2024.

[**Ans.** Interest paid on Loan by Esha upto February 2024 ₹15,000; Interest transferred to Profit & Loss A/c ₹18,000.]

Q. 11. 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 2024 they earned a profit of ₹2,54,800 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 Loan by Mamta to the Firm of ₹80,000 for the whole year.

(*iv*) Interest on drawings of partners at 8% per annum. Drawings being Lata ₹50,000 and Mamta ₹75,000.

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

Prepare the Profit and Loss Appropriation Account.

[**Ans.** Share of Profit : Lata ₹1,15,500 and Mamta ₹49,500.]

Hint: (*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 2,50,000 = ₹25,000.

Q. 12. *A*, *B* and *C* are partners sharing the profits and losses in the ratio of 2 : 3 : 5. On 1st July, 2023, *A* and *B* granted loans of ₹2,00,000 and

₹1,00,000 respectively to the firm. Show the distribution of profits/losses for the year ended 31st March, 2024, in the following cases:

Case (*a*) If the profits before interest for the year amounted to ₹7,500.

(*b*) If the loss before interest for the year amounted to ₹7,500.

[**Ans.** Case (*a*) Share of Loss *A* ₹1,200; *B* ₹1,800 and *C* ₹3,000;
Case (*b*) Share of Loss *A* ₹4,200; *B* ₹6,300 and *C* ₹10,500]

Q. 13. Raj, Mehak and Divya were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. Their respective capitals were: ₹6,00,000, ₹4,00,000 and ₹2,00,000. The partnership deed provided for the following:

(*a*) Interest on capital @ 8% per annum.

(*b*) Interest on drawings @ 6% per annum.

(*c*) Interest on partner's loan to the firm @ 5% per annum.

During the year, Raj had withdrawn ₹12,000 on 1st October, 2021, while Mehak withdrew ₹60,000 on 1st December, 2021.

On 1st January, 2022, Divya had given a loan of ₹1,20,000 to the firm.

Pass the necessary journal entries in the books of the firm for the following transactions for the year ended 31st March, 2022:

(*i*) Allowing interest on Raj's capital.

(*ii*) Charging interest on Mehak's drawings.

(*iii*) Providing interest on loan given to the firm by Divya.

Also pass transfer entries in the Profit and Loss Account/Profit and Loss Appropriation Account, as the case may be. *(C.B.S.E. 2023, Kerala, M.P.)*

[**Ans.** Interest on Raj's Capital ₹48,000; Interest on Mehak's Drawings ₹1,200 and Interest on Divya's Loan ₹1,500.]

Interest on Loan by the Firm to Partner

Q. 14. *A*, *B* and *C* are partners in a firm sharing profits and losses equally. On 1st April, 2023 their fixed capitals were ₹8,00,000, ₹6,00,000 and ₹6,00,000 respectively. On 1st October 2023, *A* advanced ₹1,00,000 to the firm whereas *C* took a loan of ₹1,50,000 from the firm on the same date. It was agreed among the partners that *C* will pay interest @ 10% p.a. Profit for the year ended 31st March, 2024 amounted to ₹4,20,000 before allowing or charging interest on loans. Pass journal entries for interest or loans and prepare Current Accounts of the partners.

[**Ans.** Divisible Profit ₹4,24,500; Current Account Balances : *A* ₹1,41,500 (Cr.) *B* ₹1,41,500 (Cr.) and *C* ₹1,34,000 (Cr.)]

Hint: Interest on Loan by *A* will not be credited to his Current Account. It will b credited to his Loan A/c.

Q. 15. Hemant and Sameer are partners in a firm. On 1st December 2023, Hema gave a loan to the firm of ₹5,00,000. On the same date, the firm gave loan of ₹2,00,000 to Sameer. They do not have an agreement as to intere Firm earned a profit of ₹3,70,000 (before any interest) for the year end

31st March 2024. Pass journal entries for interest on loans and distribution of profit for the year ended 31st March, 2024.

[**Ans.** Share of Profit ₹1,80,000 each.]

Hint: (*i*) Interest on Loan by Hemant will be provided @ 6% p.a.

(*ii*) Interest on Loan to Sameer will not be charged.

Rent Paid or Payable to a Partner

Q. 16. Kia and Siya are partners in a firm sharing profits equally. Siya has given her property on rent to the firm on a monthly rent of ₹25,000. The firm paid her rent from April 2023 to January 2024 by cheque on 10th February 2024. Rent for the month of February and March was yet to be paid.

Pass the journal entries for the above transactions for the year ended 31st March, 2024.

[**Ans.** Rent paid upto January 2024 ₹2,50,000; Rent A/c transferred to Profit & Loss A/c ₹3,00,000.]

Q. 17. Radha and Rukmani are partners in a firm with fixed capitals of ₹2,00,000 and ₹3,00,000 respectively.

They share profits in the ratio of 1 : 2. Both partners are entitled to interest on capitals @ 8% per annum. In addition, Rukmani is entitled to a salary of ₹20,000 per month. Business is being carried from the property owned by Radha on a yearly rent of ₹1,20,000. Net Profit for the year ended 31st March 2024 before providing for rent was ₹5,50,000.

You are required to draw Profit & Loss Appropriation Account for the year ended 31st March, 2024.

[**Ans.** Share of Profit transferred to Radha's Current A/c ₹50,000 and Rukmani's Current A/c ₹1,00,000.]

Q. 18. Divyanshi and Bhawna entered into a partnership firm on 1st July, 2025, with capitals of ₹6,50,000 and ₹2,70,000 respectively sharing profits in the ratio of 2 : 1.

The terms of Partnership Deed were as follows:

(*i*) Interest on capital to be allowed @ 6% p.a.

(*ii*) 4% of the Net Profit to be provided as commission to Bhawna before charging such commission.

(*iii*) Bhawna is entitled to a rent of ₹5,000 p.m. for allowing the firm to carry on the business in her premises.

(*iv*) Interest on loan advanced by a partner to the firm @ 10% p.a.

Divyanshi advanced a loan of ₹3,00,000 to the firm on 1st January, 2026.

The firm earned a net profit of ₹2,40,000 after considering all charges against profits.

Pass Journal Entries for the year ended 31st March, 2026.

[**Ans.** Divisible Profit ₹1,89,000]

Hint: *Since net profit of ₹2,40,000 is given after considering all charges against profit, this amount will be transferred from Profit & Loss A/c to Profit & Loss Appropriation A/c.*

In Case of Loss to Firm

Q. 19. *A* and *B* are partners sharing profits and losses in the ratio of their capitals which were ₹6,00,000 and ₹4,00,000 respectively on 1st April, 2023. 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, 2023 *A* and *B* granted loans of ₹1,00,000 and ₹50,000 respectively to the firm. During the year ended 31st March 2024, 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. 20. *A* and *B* are partners in a firm sharing profits in the ratio of 1 : 2. Their capitals on 1st April 2023 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, 2024 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.

When Appropriation are more than Available Profit

Q. 21. Parul and Rajul were partners in a firm, sharing profits and losses in the ratio of 5 : 3. The balance in their fixed capital accounts on 1st April, 2023 were: Parul ₹6,00,000 and Rajul ₹8,00,000. The partnership deed provided for allowing interest on capital at 12% per annum.

The net profit of the firm for the year ended 31st March, 2024 was ₹1,26,000.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. Show your working clearly. *(CBSE 2025, U.P., Rajasthan)*

[**Ans.** Interest on capital allowed to Parul ₹54,000 and Rajul ₹72,000.]

Interest on Drawings

Q. 22. (A) Mr. Ashok Gupta is a partner in a firm. He withdrew the following amounts during the year ended 31st March, 2024:

		₹
April	30	8,000
June	30	6,000
Sept.	30	5,000
Dec.	31	12,000
Jan.	31	10,000

Calculate interest on drawings @ 9% p.a. for the year ended on 31st March, 2024.

[**Ans.** Interest on Drawings ₹1,710.]

Q. 22. (B) *A* is a partner in a firm. During the year ended 31st March, 2024, *A*'s drawings were:

	₹
1st June	1,000
1st August	750
1st October	1,250
1st December	500
1st February	500

Interest on drawings is charged @ 10% per annum. Calculate interest on drawings of *A* for the year ended 31st March, 2024.

[**Ans.** Interest on Drawings ₹221.]

Q. 23. As per partnership deed, interest on drawings is to be charged @ 7% p.a. Sohan, a partner of the firm withdrew the following amounts during the year ended 31st March, 2025.

Date	*6th August 2024*	*22nd November, 2024*	*14th January 2025*	*10th March 2025*
Amount (₹)	12,000	10,000	18,000	27,000

Calculate the amount of interest on Sohan's drawings and pass necessary Journal Entries for the same.

[**Ans.** Interest on Drawings ₹1,177.]

Q. 24. (A) Gopal is a partner in a firm. He withdrew ₹1,000 p.m. regularly on the first day of every month during the year ended 31st March, 2024 for personal expenses. If interest on drawings is charged @ 15% p.a. Calculate the interest on the drawings of Gopal.

[**Ans.** Interest on Drawings ₹975.]

Q. 24. (B) *X, Y* and *Z* are partners in a firm. You are informed that (*i*) *X* draws ₹4,000 from the firm at the beginning of every month, (*ii*) *Y* draws ₹4,000 from the firm at the end of every month, and (*iii*) *Z* draws ₹4,000 from the firm in the middle of every month. Interest on drawings is to be charged @ 9% p.a. Calculate interest on partners' drawings.

[**Ans.** Interest on Drawings *X* ₹2,340; *Y* ₹1,980 and *Z* ₹2,160.]

Q. 25. Calculate the interest on drawings of Mr. Aditya @ 8% p.a. for the year ended 31st March, 2024, 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. 26. Calculate the interest on drawings of Sh. Ganesh @ 9% p.a. for the year ended 31st March, 2024, 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, 2023	10,000
1st July, 2023	15,000
1st Oct., 2023	18,000
30th Nov., 2023	12,000
31st March, 2024	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. 27. **(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, 2024. Calculate interest on drawings at 15% p.a.

[**Ans.** Interest on Drawings ₹210.]

Q. 27. **(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, 2024. Calculate interest on drawings at 15% p.a.

[**Ans.** Interest on Drawings ₹150.]

Q. 27. **(C)** *A*, *B* and *C* are partners in a firm. For six months ending 31st March, 2024: 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, 2024.

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

Q. 28. Gargi withdrew ₹15,000 p.m. for six months ended 30th September, 2024. Calculate interest on drawings @8% p.a. in the following cases for the year ended 31st March, 2025.

(*a*) When she withdrew the amount in the beginning of every month.

(*b*) When she withdrew the amount in the middle of every month.

(*c*) When she withdrew the amount at the end of every month.

[**Ans.** Interest on Drawings : Case (*i*) ₹ 5,700; Case (*ii*) ₹ 5,400 and Case (*iii*) ₹ 5,100.]

Q. 29. 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. 30. Calculate the amount of Era's monthly drawings for the year ended 31st March, 2026 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. Sneha is a partner in a firm. Calculate the amount of Sneha's quarterly drawings for the year ended 31st March, 2026, in the following cases when interest is charged @ 10% p.a.

(*i*) When she withdrew a fixed amount in the beginning of each quarter and interest on drawings is ₹ 3,750.

(*ii*) When she withdrew a fixed amount at the end of each quarter and interest on drawings is ₹ 3,000.

[**Ans.** Case (*i*) ₹ 15,000 per quarter; Case (*ii*) ₹ 20,000 per quarter.]

Q. 32. (*i*) Anamika and Monika are partners in a firm. Anamika withdrew ₹ 25,000 at the end of each month and interest on drawings was calculated ₹ 8,250 at the end of the year. What is the rate of interest on drawings?

(*ii*) Shruti and Gayatri are partners in a firm. Shruti withdrew ₹ 60,000 at the end of each quarter and interest on drawings was calculated ₹ 6,300 at the end of the year. What is the rate of interest on drawings?

[**Ans.** Case (*i*) 6% p.a. and Case (*ii*) 7% p.a.]

Q. 33. Partner *A* withdrew ₹ 70,000 in the middle of each half year. Calculate the rate of interest on drawings if the amount of interest charged at the end of the year was ₹ 8,400.

[**Ans.** Rate of Interest on Drawings 12% p.a.]

Q. 34. Ascertain the amount of each drawing made by *B*, during the year ending 31st March, 2026, if he withdrew a fixed amount at the beginning of every alternate month starting from 1st April, 2025. The interest on drawings was ₹4,725 charged @ 9% p.a.

[**Ans.** Amount of each drawings ₹15,000.]

Interest on Capital

Q. 35. *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. 36. *A* and *B* contribute ₹4,00,000 and ₹3,00,000 respectively as their capitals. They decide to allow interest on capital @ 8% p.a. Their respective share of profit is 3 : 2 and the profit for the year is ₹42,000 before allowing for interest on capitals. Show the distribution of profits (I) Where there is no agreement except for interest on capitals, and (II) Where there is a clear agreement that the interest on capitals will be allowed even if it involves the firm in loss.

[**Ans.** In first case, Interest on Capital *A* ₹24,000 and *B* ₹18,000. In second case Loss *A* ₹8,400 and *B* ₹5,600.]

. 37. *P* and *Q* were partners in a firm sharing profits in 3 : 1 ratio. Their respective fixed capitals were ₹10,00,000 and ₹6,00,000. The partnership deed provided interest on capital @ 12% p.a. The partnership deed further provided that interest on capital will be allowed fully even if it will result into a loss to the firm. The net profit of the firm for the year ended 31st March, 2018 was ₹1,50,000.

Pass necessary journal entries in the books of the firm allowing interest on capital and division of profit/loss among the partners.

(C.B.S.E. 2019, Kerala)

ns. Net Loss transferred to Current Accounts: *P* ₹31,500 and *Q* ₹10,500.]

38. On 1-4-2025, Brij and Nandan entered into partnership to construct toilets in government girls schools in the remote areas of Uttarakhand. They contributed capitals of ₹10,00,000 and ₹15,00,000 respectively. Their profit sharing ratio was 2 : 3 and interest allowed on capital as provided in the Partnership Deed was 12% per annum. During the year ended 31.3.2026, the firm earned a profit of ₹2,00,000.

Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2026.

[**Ans.** Interest on Capital: Brij ₹80,000 and Nandan ₹1,20,000.]

Q. 39. Kavita and Leela are partners with capitals of ₹6,00,000 and ₹4,00,000 and sharing profits & losses in the ratio of 2 : 1. Their partnership deed provides that interest on capitals shall be provided @ 8% p.a. and it is to be treated as a charge against profits. Prepare relevant account to allocate the profit in the following alternative cases:

(*i*) If profit for the year is ₹1,10,000

(*ii*) If profit for the year is ₹35,000

(*iii*) If loss for the year is ₹10,000

[**Ans.** Case (*i*) Share of Profit: Kavita ₹20,000; Leela ₹10,000

(*ii*) Share of Loss: Kavita ₹30,000; Leela ₹15,000

(*iii*) Share of Loss: Kavita ₹60,000; Leela ₹30,000]

Hint: Interest on Capital will be recorded in Profit & Loss Account since it is a charge against profits.

Q. 40. Lalan and Balan were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals on 1st April, 2023 were: Lalan ₹1,00,000 and Balan ₹2,00,000. They agreed to allow interest on capital @ 12% per annum and to charge on drawings @ 15% per annum. The firm earned a profit, before all above adjustments, of ₹30,000 for the year ended 31st March, 2024. The drawings of Lalan and Balan during the year were ₹3,000 and ₹5,000 respectively. Showing you calculations clearly, prepare Profit and Loss Appropriation Account of Lalan and Balan. The interest on capital will be allowed even if the firm incurs a loss.

[**Ans.** Net Loss transferred to Lalan's Current Account ₹3,240 and Balan's Current Account ₹2,160.]

Adjustments in the Closed Accounts

Q. 41. After the accounts of the partnership have been drawn up and the books closed off, it is discovered that interest on capitals @ 8% p.a. as provided in the partnership agreement has been omitted to be recorded. Their capital accounts at the beginning of the year stood as follows: *A* ₹8,00,000; *B* ₹4,00,000; *C* ₹3,00,000. Their profit sharing ratio was 2 : 1 : 1. Instead of altering the Balance Sheet it is decided to pass necessary adjusting entry at the beginning of the next year.

You are required to give the necessary journal entry.

[**Ans.** *C*'s Capital A/c	Dr.	6,000	
To *A*'s Capital A/c			4,000
To *B*'s Capital A/c			2,000]

Q. 42. *A*, *B*, *C* and *D* are partners sharing profits in 2 : 2 : 1 : 1. They distributed the profit for the year ending 31st March 2023, ₹9,00,000 without providing for the following:

(*i*) Salary to *A* @ 15,000 per month.

(*ii*) Salary to *B* and *D* @ ₹30,000 per quarter to each partner.

Give necessary adjusting journal entry.

[**Ans.** *B*'s Capital A/c	Dr.	20,000	
C's Capital A/c	Dr.	70,000	
To *A*'s Capital A/c			40,000
To *D*'s Capital A/c			50,000]

Q. 43. *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. 44. Asha, Suman and Verka were partners in a firm, their Captials were ₹9,00,000, ₹7,00,000 and ₹4,00,000 respectively as on 1st April 2022. Net profit for the year ended 31st March 2023 was ₹1,20,000 which was distributed without providing for interest on Capital @ 8% p.a. as per partnership deed.

Pass necessary adjustment entry.

[**Ans.** Verka's Capital A/c	Dr.	16,000	
To Asha's Capital A/c			14,000
To Suman's Capital A/c			2,000]

Hint: Interest on Capital is in excess of net profit.

Q. 45. *A*, *B*, *C* and *D* are partners sharing profits and losses in 2 : 2 : 3 : 3 respectively. After the accounts of the year had been closed, it was found that interest on drawings @ 6% p.a. has not been taken into consideration The drawings of the partners were: *A* ₹20,000; *B* ₹24,000; *C* ₹32,00 and *D* ₹44,000. Give the necessary adjusting entry.

[**Ans.** *D*'s Capital A/c	Dr.	240	
To *A*'s Capital A/c			12
To *C*'s Capital A/c			12

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

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

Q. 47. Anil, Sunil and Sanjay have omitted interest on Capitals for tw ended on 31st March, 2023. Their fixed capitals in two years we ₹8,00,000, Sunil ₹7,00,000 and Sanjay ₹3,00,000. Rate of inter Capital is 10% p.a. Their profit sharing ratios were in first year 4 and in second year 3 : 2 : 1.

Give necessary adjusting entry at the beginning of next year.

[**Ans.** Current A/cs of Anil & Sanjay will be debited by ₹10,000 each Current A/c of Sunil will be credited by ₹20,000.]

Q. 48. (A) On 1st April, 2022 the Capitals of *A* and *B* were ₹4,00,000 ₹2,00,000 respectively. They divided profits in their capital ratio. Pr for the year ended 31st March, 2023 were ₹3,00,000 which have duly distributed among the partners, but the following transactions 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 not affect the P & L A/c of the firm and at the same time will rect the errors.

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

Q. 48. (B) Kumar and Raja were partners in a firm sharing profits in the rat of 7 : 3. Their fixed capitals were: Kumar ₹9,00,000 and Raja ₹4,00,000 The partnership deed provided for the following but the profit for the yea was distributed without providing for:

(*i*) Interest on capital @ 9% per annum.

(*ii*) Kumar's salary ₹50,000 per year and Raja's salary ₹3,000 pe month.

The profit for the year ended 31.3.2023 was ₹2,78,000.

Pass the adjustment entry.

[**Ans.** Kumar's Current A/c Dr. 11,100
To Raja's Current A/c 11,100

Q. 49. *A*, *B* and *C* are partners sharing profits in the ratio of 2 : 2 : 1. The fixed capitals were ₹4,00,000, ₹2,50,000 and ₹1,00,000 respectively. N 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% on net profit 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. 50. (Distribution of Profit in Wrong Ratio) 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 31-3-2024 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. 51. (Distribution of Profit in Wrong Ratio) *A*, *B* and *C* were partners in a firm. Their capitals were *A* ₹1,00,000, *B* ₹2,00,000 and *C* ₹3,00,000 respectively on 1st April, 2023. According to the partnership deed they were entitled to an interest on capital @ 5% p.a. In addition *A* was also entitled to draw a salary of ₹5,000 per month. *C* was entitled to a commission of 5% on net profits. The net profits for the year ending 31st March, 2024 were ₹3,60,000 distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio 2 : 3 : 5. Pass the necessary adjustment entry showing the workings clearly.

[**Ans.** *B*'s Capital A/c Dr. 34,400
C's Capital A/c Dr. 21,000
To *A*'s Capital A/c 55,400]

Q. 52. *X*, *Y* and *Z* are partners in a firm sharing profits and losses in the ratio 5 : 3 : 2. Their capitals (fixed) are ₹2,00,000; ₹1,50,000; ₹1,25,000 respectively. For the year ended 31st March, 2024 interest on capital was credited to them @ 8% instead of 10%.

Give adjusting journal entry.

[**Ans.** *X*'s Current A/c will be debited by ₹750; *Y* and *Z*'s Current A/cs will be credited by ₹150 and ₹600 respectively.]

Q. 53. Jay and Vijay were partners in a firm sharing profits and losses in the ratio of 7 : 3. Their respective fixed capitals were ₹9,00,000 and ₹7,00,000. The partnership deed provided for interest on capital @ 8% per annum.

After preparing the accounts for the year ended 31st March 2024, it was discovered that interest on capital was allowed @ 9% per annum.

Showing your workings clearly, pass the necessary journal entry to rectify the error. *(CBSE 2025, Chennai, Haryana, Assam*

[**Ans.** Vijay's Current A/c Dr. 2,200
To Jay's Current A/c 2,200]

Q. 54. *A*, *B* and *C* were partners sharing profits in the ratio of 1 : 2 : 3. withdrew ₹5,000 every month, *B* withdrew ₹60,000 during the year and *C* withdrew ₹15,000 during each quarter. It was discovered that for the year ending 31st March 2024, interest on drawings was charged @ 8% p.a. whereas there is no provision for interest on drawings in the partnership deed. Pass necessary rectifying entry.

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

Hint: Interest on each partner's drawings ₹2,400.

Q. 55. After the accounts of a partnership have been drawn up and the books closed off, it is discovered that for the years ended 31st March, 2023 and 2024, interest has been credited to the partners upon their capitals at 5% per annum although, no provision for interest is made in the partnership agreement.

The amounts involved are:

	Interest Credited		
Year	*A*	*B*	*C*
	₹	₹	₹
2023	4,200	2,400	1,320
2024	4,320	2,520	1,320

You are required to put through adjusting entry as on 1st April, 2024, if the profits were shared as follows in 2023, 2 : 2 : 1 and in 2024, 3 : 4 : 3.

[**Ans.** *A*'s Capital A/c Dr. 2,904
To *B*'s Capital A/c 1,512
To *C*'s Capital A/c 1,392]

Q. 56. Sachin, Kapil and Rashmi have been sharing profits in the ratio of 3 : 2 : 1 respectively. Rashmi wants that she should share profits equally along with Sachin and Kapil and she further wants that change in profit sharing ratio should be applicable retrospectively for the last three years. Other partners have no objection to this. The profits for the last three years were ₹60,000, ₹47,000 and ₹55,000. Record the adjustment by means of a journal entry.

[**Ans.** Sachin's Capital A/c Dr. 27,000
To Rashmi's Capital A/c 27,000]

Q. 57. Mohan, Vijay and Anil are partners, their capitals on 31st March 2024 after adjustments of drawings and profits were ₹30,000, ₹25,000 and ₹20,000 respectively. Profits for the year ending 31st March 2024 were ₹24,000. Their drawings were ₹5,000 (Mohan); ₹4,000 (Vijay) and ₹3,000

(Anil) for the year ending 31st March, 2024. 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 Partners.

[**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. 58. The capital accounts of *A*, *B* and *C* showed credit balances of ₹5,00,000, ₹3,00,000 and ₹2,00,000 respectively, after taking into account drawings and net profit of ₹3,00,000. They shared profits in the ratio of 2 : 1 : 1. The drawings of the partners during the year 2023–24 were:

(*i*) *A* withdrew ₹10,000 at the beginning of each half year.

(*ii*) *B* withdrew ₹10,000 at the end of each half year.

(*iii*) *C*'s Drawings are:

	₹
1st May, 2023	6,000
1st October, 2023	5,000
31st Dec., 2023	4,000
31st March, 2024	5,000

Calculate interest on partners' capitals @ 8% p.a. and interest on partners' drawings @ 10% p.a. for the year ended 31st March, 2024.

[**Ans.** Interest on Capitals *A* ₹29,600; *B* ₹19,600 and *C* ₹11,600.
Interest on Drawings *A* ₹1,500; *B* ₹500 and *C* ₹900.]

Q. 59. *A* and *B* are partners in a firm sharing profits and losses in the ratio of 2 : 1. The following was the Balance Sheet of the firm as at 31.3.2026.

Liabilities	₹	*Assets*	₹
Capitals: *A*	6,00,000	Sundry Assets	10,00,000
B	4,00,000		
	10,00,000		10,00,000

The profits ₹4,50,000 for the year ended 31.3.2026 were divided between the partners without allowing interest on capital @ 9% p.a. and without charging interest on drawings @ 12% p.a. During the year *A* withdrew ₹1,00,000 and *B* ₹50,000.

Pass the necessary adjustment journal entry and show your working clearly.

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

Hint: Interest on drawings will be charged for 6 months.

60. *A* and *B* are partners in a firm sharing profits and losses in the ratio 2 : 3. The following was the Balance Sheet of the firm as at 31.3.202

Liabilities		₹	Assets	₹
Capitals: *A*	4,90,000		Sundry Assets	7,90,00
B	3,00,000	7,90,000		
		7,90,000		7,90,00

Profits ₹2,00,000 for the year ended 31.3.2026 were divided betw the partners without allowing interest on capital @ 6% p.a., interes drawings @ 10% p.a. and salary to *B* @ ₹5,000 per month. During year *A* withdrew ₹40,000 and *B* withdrew ₹20,000.

Showing your working notes clearly, pass the necessary rectifying ent

[**Ans.** *A*'s Capital A/c Dr. 13,400
To *B*'s Capital A/c 13,40

Q. 61. *A* and *B* are partners sharing profits and losses in the ratio of 3 Following is the Balance Sheet of the firm as at 31st March, 2026

Liabilities	₹	*Assets*		₹
A's Capital	90,000	Drawings:		
B's Capital	30,000	*A*	12,000	
		B	6,000	18,000
		Sundry Assets		1,02,000
	1,20,000			1,20,000

Profit for the year ended 31st March, 2026 ₹24,000 was divided betwee the partners in their profit sharing ratio, but interest on capital at 5% p.a and on drawings at 6% p.a. was inadvertently ignored. Give the necessar adjustment entry for the adjustment of interest. Interest on drawings ma be calculated on an average basis for 6 months.

[**Ans.** *B*'s Capital A/c Dr. 45
To *A*'s Capital A/c 45

Q. 62. From the following Balance Sheet of *A* and *B*, calculate interest on capital at 5% p.a. for the year ending 31st March, 2026:

BALANCE SHEET
as at March 31, 2026

Liabilities	₹	*Assets*	₹
A's Capital	1,00,000	Fixed Assets	1,40,000
B's Capital	80,000	Current Assets	60,000
P & L Appropriation A/c		Drawings—*B*	20,000
2025–26	40,000		
	2,20,000		2,20,000

Profit during the year ended 31st March, 2026 was ₹70,000. *A* and *B* share profits in the ratio of 2 : 1. Drawings during the year ended 31st March, 2026 were *A* ₹16,000 and *B* ₹20,000.

[**Ans.** Interest on Capitals : *A* ₹4,800; *B* ₹3,500.]

Adjustment Entries in Place of a Single Journal Entry

Q. 63. Cheese and Slice are equal partners. Their capitals as on April 01, 2022 were ₹ 50,000 and ₹ 1,00,000 respectively. After the accounts for the financial year ending March 31, 2023 have been prepared, it is observed that interest on capital @ 6% per annum and salary to Cheese @ ₹ 5,000 per annum, as provided in the partnership deed has not been credited to the partner's capital accounts before distribution of profits.

You are required to give necessary rectifying entries using P & L adjustment account. *(C.B.S.E. Sample Paper 2024)*

[**Ans.** Loss of P & L Adjustment A/c debited to partners ₹ 7,000 each.]

Hint: (*i*) *Separate entries will be passed for allowing interest on capitals and salary and then transferrring interest on capital account and salary account to Profit & Loss Adjustment A/c.*

(*ii*) *Entry will be passed for distributing the loss on adjustment ₹ 14,000 equally.*

Q. 64. Piya and Shreya are partners in a firm. Their Capital Accounts as on 1st April, 2023 were ₹ 5,00,000 and ₹ 3,00,000 respectively.

As per provisions of the Deed:

(*i*) Piya was entitled to a remuneration of ₹ 60,000 per year and Shreya a remuneration of ₹ 6,000 per month.

(*ii*) Interest on Capitals was to be provided @ 6% p.a.

(*iii*) Profit will be divided equally among the partners.

Ignoring the above terms, net profits of ₹ 4,00,000 for the year ended 31st March, 2024 was distributed between the partners in the ratio of their capitals.

Pass the journal entries to rectify the above errors.

[**Ans.** Net Profit credited to partners ₹ 1,10,000 each.]

Hint: (*i*) *Entry will be passed for withdrawing the profit of ₹ 4,00,000 distributed in wrong ratio by crediting Profit & Loss Adjustment A/c.*

(*ii*) *Separate entries will be passed for allowing salary and interest on Capitals by crediting Partners' Capital Account. Salary A/c and Interest on Capita A/c will be closed by transferring them to Profit & Loss Adjustment A/c*

Guarantee of Minimum Share of Profit

Q.65. (A) *A*, *B* and *C* are partners in a firm. Their profit sharing ratio is 3:2: However, *C* is guaranteed a minimum amount of ₹ 10,000 as share profits every year. Any deficiency arising on that account shall be met *A*. The profits for the two years ending 31st March, 2023 and 2024 we ₹ 30,000 and ₹ 90,000 respectively. Prepare Profit and Loss Appropriati Account for the two years.

[**Ans.** 1st year ₹ 10,000 each. 2nd year *A* ₹ 45,000; *B* ₹ 30,000 and *C* ₹ 15,00

Q. 65. (B) *X*, *Y* and *Z* are partners with capitals of ₹ 4,00,000; ₹ 3,00,000 ₹ 2,00,000 respectively. They charge 8% p.a. interest on their capitals divide the profits in the ratio of 3 : 2 : 1. *X* has guaranteed that *Z*'s s shall not amount to less than ₹ 50,000 in any one year.

Their Drawings during the year were ₹50,000; ₹40,000 and ₹35,000 respectively. Net profits for the year before providing interest on capitals was ₹2,52,000. Prepare P & L Appropriation A/c and capital accounts.

[**Ans.** Profits *X* ₹70,000; *Y* ₹60,000; *Z* ₹50,000.]

Q. 66. Vidhi, Manas and Ansh were partners sharing profits and losses in the ratio of 2 : 3 : 5. Ansh was given a guarantee that his share of profits in any given year would not be less than ₹1,20,000. Deficiency, if any, would be borne by Vidhi and Manas equally. Profit for the year ended 31st March, 2024 amounted to ₹2,00,000.

Pass necessary journal entries in the books of the firm for division of profits. *(CBSE 2025, Delhi)*

[**Ans.** Final share in profits:

Vidhi: ₹40,000 – ₹40,000 = ₹30,000

Manas: ₹60,000 – ₹10,000 = ₹50,000

Ansh: ₹1,00,000 + ₹20,000 = ₹1,20,000]

Q. 67. *A*, *B* and *C* were partners sharing profits and losses in the ratio of 3:2:1. Their capitals on 1st April, 2023 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, 2024, 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 2023–24.

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

Q. 68. The partners of a firm distributed the profits for the year ended 31st March, 2024, ₹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. 69. Yamini, Divyanshi and Rohini are partners sharing profits in the ratio 3 : 2 : 1. Rohini is given guarantee that her share of profit in a year wou be at least ₹ 1,20,000. Deficiency, if any, would be borne by Yamini and Divyanshi in the ratio of 5 : 4.

Other terms of partnership agreement are:

(*i*) Divyanshi and Rohini to get salary of ₹ 15,000 p.m. and ₹ 20,000 per quarter respectively.

(*ii*) Yamini to get commission of 2% on sales.

Net profit earned by the firm of ₹ 8,00,000 was distributed in the ratio of 2 : 1 : 1 without taking into consideration the above provisions. Sales for the year amounted to ₹ 45,00,000.

You are required to pass a single adjustment entry to rectify the error (show workings clearly).

[Ans. Yamini's Capital A/c	Dr.	1,10,000	
To Divyanshi's Capital A/c			1,10,000]

Q. 70. *X* and *Y* were sharing profits in the ratio of 2 : 1. On 1st April, 2023 they admitted *Z* for 1/4th share in the profits. *Z* is guaranteed a minimum profit of ₹ 1,00,000 for the year. Any deficiency in *Z*'s share is to be borne by *X* and *Y* in the ratio of 3 : 2. Losses for the year ending 31st March, 2024 amounted to ₹ 1,20,000. Record necessary entries.

[Ans. (*i*) First of all, loss of ₹1,20,000 will be debited to *X, Y* and *Z* in their new profit sharing ratio of 2 : 1 : 1.

(*ii*) Thereafter, *Z*'s deficiency of ₹ 1,30,000 will be borne by *X* and *Y* in 3 : 2.]

Q. 71. *A, B* and *C* are partners sharing profits in the ratio of 4 : 3 : 2. It was provided that *B*'s share of profit will not be less than ₹ 1,50,000 per annum. The losses for the year ended 31st March, 2024 were ₹ 85,000, before allowing interest on Loan of ₹ 1,00,000 taken from *A* on 1st June, 2023.

You are required to show necessary account for division of loss and pass necessary journal entries.

[Ans. (*i*) First of all, loss of ₹90,000 (₹85,000 + Interest ₹5,000) will be debited to *A, B* and *C* in 4 : 3 : 2.

(*ii*) Thereafter, *B*'s deficiency of ₹ 1,80,000 will be borne by *A* and *C* in 4 : 2.]

uarantee of Profit When Partnership Starts During the Year

Q. 72. Aakash and Baadal entered into partnership on 1st October, 2023 with the capitals of ₹ 80,00,000 and ₹ 60,00,000 respectively.

They decided to share profit and losses equally. Partners were entitled t interest on capital @10% p.a. as per the provisions of the partnership deed

Baadal is given a guarantee that his share of profit, after chargin interest on capital, will not be less than ₹ 7,00,000 per annum.

Any deficiency arising on that account shall be met by Aakash. The pro of the firm for the year ended 31st March, 2024 amounted to ₹ 13,00,00

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2024. *(CBSE 2025, U.P., Rajasthan)*

[**Ans.** Share of Divisible Profit : *Aakash* ₹2,50,000; *Baadal* ₹3,50,000.]

Hint: *Since business started from 1st October, 2023, Interest on Capital will be calculated for 6 months and similarly, guaranteed amount will also be reduced proportionately to* 7,00,000 × $\frac{6}{12}$ = ₹3,50,000.

ADDITIONAL QUESTIONS

Q. 73. *D, E* and *F* were partners in a firm sharing profits in the ratio of 5 : 7 : 8. Their fixed capitals on 1st April, 2023 were *D* ₹5,00,000, *E* ₹7,00,000 and *F* ₹8,00,000. Their partnership Deed provided for the following:

(*i*) Interest on capital @ 10% p.a.

(*ii*) Salary of ₹10,000 per month to *F*.

(*iii*) Interest on drawings @ 12% p.a.

D withdrew ₹40,000 on 30th April, 2023; *E* withdrew ₹50,000 on 30th June 2023 and *F* withdrew ₹30,000 on 31st March, 2024.

During the year ended 31st March, 2024 the firm earned a profit of ₹3,50,000.

Prepare the Profit and Loss Appropriation Account for the year ended 31st March, 2024.

[**Ans.** Share of Profit *D* ₹9,725; *E* ₹13,615 and *F* ₹15,560.]

Q. 74. Simmi and Sonu are partners in a firm, sharing profits and losses in the ratio of 3 : 1. The profit and loss account of the firm for the year ending March 31, 2024 shows a net profit of ₹1,50,000. Prepare the Profit and Loss Appropriation Account and Partner's Current Accounts by taking into consideration the following information:

(*i*) Partners capital on April 1, 2023:
Simmi ₹30,000; Sonu ₹60,000.

(*ii*) Current accounts balances on April 1, 2023:
Simmi ₹30,000 (Cr.); Sonu ₹15,000 (Cr.).

(*iii*) Partners drawings during the year amounted to:
Simmi ₹20,000; Sonu ₹15,000.

(*iv*) Interest on capital was allowed @ 5% p.a.

(*v*) Interest on drawing was to be charged @ 6% p.a. at an average six months.

(*vi*) Partner's salaries : Simmi ₹12,000 and Sonu ₹9,000. Also show partner's current accounts.

[**Ans.** Divisible profit ₹1,25,550; Current Account balance : Simmi ₹1,17, and Sonu ₹42,937.]

Q. 75. Pappu and Munna are partners in a firm sharing profits in the ratio 3 : 2. The partnership deed provided that Pappu was to be paid salar

₹2,500 per month and Munna was to get a commission of ₹10,000 per year. Interest on capital was to be allowed @ 5% per annum and interest on drawings was to be charged @ 6% per annum. Interest on Pappu's drawings was ₹1,250 and on Munna's drawings ₹425. Capital of the partners were ₹2,00,000 and ₹1,50,000 respectively, and were fixed. The firm earned a profit of ₹90,575 for the year ended 31-3-2024.

Prepare Profit and Loss Appropriation Account of the firm.

[**Ans.** Share of Profit : Pappu ₹20,850 and Munna ₹13,900.]

Q. 76. *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 the partnership deed the partners were entitled to interest on capital @ 6% p.a. *A* being the working partner was also entitled to a salary of ₹5,000 per month. The profits were to be divided as follows:

(*a*) The first ₹40,000 in the ratio of 2 : 3 : 5.

(*b*) Next ₹80,000 in the proportion of their capitals.

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

The firm made a profit of ₹2,70,000 for the year ended 31st March, 2024 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* ₹50,000; *B* ₹54,000 and *C* ₹82,000.]

Q. 77. *X*, *Y* and *Z* are in the partnership and on 1st April, 2023, their respective capitals were ₹2,00,000; ₹1,20,000 and ₹1,00,000. *Y* is entitled to a salary of ₹25,000 and *Z* ₹20,000 per annum, payable before division of profits. Interest is allowed on capital at 5% per annum but is not charged on drawings. Of the net divisible profits of the first ₹1,00,000; *X* is entitled to 40 per cent; *Y* to 35 per cent and *Z* to 25 per cent, over that amount profits are shared equally. The profit for the year ended 31st March, 2024, after debiting partnership salaries, but before charging interest on capitals, was ₹1,81,000 and the partners had drawn ₹8,000 each. Prepare partner's capital accounts for the year.

[**Ans.** Divisible Profits ₹1,60,000; Balance of Capital Accounts *X* ₹2,62,000; *Y* ₹1,98,000; *Z* ₹1,62,000.]

Q. 78. Tulsi and Kabir are partners sharing profits in proportion of 3 : 2 with capitals of ₹8,00,000 and ₹6,00,000 respectively. Interest on capitals is agreed at 6% p.a. Tulsi is to be allowed a salary of ₹6,000 per month For the year ended 31st March, 2024, the profits prior to calculation o interest on capital but after charging Tulsi's salary amounted to ₹2,28,00 Manager is to be allowed a commission of 10% of the profits.

Prepare an account showing the allocation of profits.

[**Ans.** Divisible profit ₹1,14,000; Manager's Commission will be 10% ₹3,00,000, *i.e.*, ₹30,000.]

Q. 79. *A* and *B* are partners in a firm. *A* is to get a commission of 10% of profit before charging any commission. *B* is to get a commission of 1 on net profit after charging all commissions. Net profit before chargi any commission was ₹55,000. Find out the commission of *A* and *B*.

[Ans. *A*'s commission ₹5,500; *B*'s commission ₹4,500.]

Q. 80. Calculate the interest on Drawings of Tarun @ 8% p.a. for the year end 31st March, 2026 in each of the following alternative cases:

Case (*a*) if his drawings during the year were ₹60,000;

Case (*b*) if he withdrew ₹5,000 p.m. in the beginning of every month

Case (*c*) if he withdrew ₹5,000 p.m. at the end of every month;

Case (*d*) if he withdrew ₹5,000 p.m. during the year;

Case (*e*) if he withdrew the following amounts as under:

2025 June, 1 : ₹10,000; August 31 : ₹12,000; November 1 : ₹16,0 December 31 : ₹13,000; February 1, 2026 : ₹9,000.

[Ans. Case (*a*) ₹2,400; Case (*b*) ₹2,600; Case (*c*) ₹2,200; Case (₹2,400; Case (*e*) ₹2,140.]

Q. 81. Calculate the interest on Drawings of Anuradha @ 9% p.a. for the ye ended 31st March 2026, if she withdrew ₹10,000 in the beginning of ea quarter.

[Ans. ₹2,250.]

Q. 82. Calculate the interest on Drawings of Bipasa @ 9% p.a. for the year end 31st March 2026, if she withdrew ₹10,000 at the end of each quarter.

[Ans. ₹1,350.]

Q. 83. Calculate the interest on Drawings of Charulata @ 9% p.a. for the ye ended 31st March, 2026, if she withdrew ₹10,000 each quarter.

[Ans. ₹1,800.]

Q. 84. Calculate the interest on Drawings of Divya @ 9% p.a. if she withdr ₹4,000 p.m. on the first day of every month for six months ending 3 March, 2026.

[Ans. ₹630.]

Q. 85. Calculate the interest on Drawings of Esha @ 9% p.a., if she withdr ₹4,000 p.m. on the last day of every month for six months ending 3 March, 2026.

[Ans. ₹450]

Q. 86. Calculate the interest on Drawings of Garima @ 9% p.a., if she withdr ₹4,000 p.m. for six months ending 31st March, 2026.

[Ans. ₹540.]

Q. 87. Seema and Tina are partners in a firm. Interest on drawings is charg @ 10% p.a. You are required to calculate the amount of drawings of ea partner in the following cases:

(*i*) Seema withdrew a fixed amount in the beginning of each mo and interest on drawings is ₹3,900.

(*ii*) Tina withdrew a fixed amount in the beginning of each quarter a interest on drawings is ₹6,000.

[**Ans.** Case (*i*) ₹6,000 per month, and Case (*ii*) ₹24,000 per quarter.]

Hint: Refer Illustration 31 and 32.

Q. 88. Era, a partner withdrew ₹40,000 per month for her personal use from the firm in the beginning of each month. Interest on her drawings was calculated at ₹31,200 at the end of the year. Calculate the rate of interest on her drawings.

[**Ans.** Rate of Interest 12% p.a.]

Hint: Refer Illustration 33.

Q. 89. Calculate the rate of interest on drawings in the following cases:

(*i*) Charu and Suruchi are partners in a firm. Suruchi withdrew ₹12,000 in the beginning of each quarter and interest on drawings was calculated at ₹2,700 at the end of the year.

(*ii*) Yamini and Sonia are partners in a firm. Sonia withdrew ₹12,000 at the end of each quarter and interest on drawings was calculated at ₹1,440 at the end of the year.

[**Ans.** Case (*i*) 9% p.a.; and Case (*ii*) 8% p.a.]

Hint: Refer Illustration 33.

Q. 90. *X*, *Y* and *Z* contribute ₹3,00,000, ₹2,00,000 and ₹1,00,000 respectively by way of capital on which they agree to allow interest at 12% p.a. They share profits and losses in the ratio of 5 : 3 : 2. Profit for the year ended 31st March, 2024 is ₹60,000 before allowing interest on capitals. Prepare a Profit & Loss Appropriation Account if (*i*) partnership deed is silent as to the treatment of interest as a charge or appropriation, and (*ii*) partnership deed provides for interest even if it involves the firm in loss.

[**Ans.** Case (*i*) Interest on capital *X* ₹30,000; *Y* ₹20,000 and *Z* ₹10,000.
Case (*ii*) Loss *X* ₹6,000; *Y* ₹3,600 and *Z* ₹2,400.]

Q. 91. Arun and Arora were partners in a firm sharing profits in the ratio of 5 : 3. Their fixed capitals on 1.4.2023 were : Arun ₹60,000 and Arora ₹80,000. They agreed to allow interest on capital @ 12% per annum and to charge on drawings @ 15% per annum. The profit of the firm for the year ended 31.3.2024 before all above adjustments were ₹12,600. The drawings made by Arun were ₹2,000 and by Arora ₹4,000 during the year. Prepare Profit and Loss Appropriation Account of Arun and Arora. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs a loss.

[**Ans.** Share of Net Loss: Arun ₹2,344 and Arora ₹1,406.]

Hint: (*i*) Interest on capital is a charge against profit. Hence, it will be debited to Profit and Loss A/c.

(*ii*) Although P & L A/c shows a loss of ₹4,200 (after debiting interest on capital), P & L Appropriation A/c will be prepared in this question, because interest on drawings is to be credited to this account.

Adjustments in the Closed Accounts

Q. 92. Raja, Roopa and Mala sharing profits and losses equally have fixed capitals of ₹12,00,000, ₹9,00,000 and ₹6,00,000 respectively. For the year ended 31st March, 2024, interest was credited to them @ 6% instead of 5% p.a. Give adjusting entry.

[**Ans.** Raja's Current A/c Dr. 3,000
To Mala's Current A/c 3,000]

Q. 93. *P* and *Q* were partners in a firm sharing profits in 7 : 3 ratio. Their fixed capitals were *P* ₹5,00,000 and *Q* ₹8,00,000. For the year ended 31st March, 2024, interest on capital was credited @ 12% instead of 10%. Show the necessary adjusting entry for the rectification of the error. Also show the working notes clearly.

[**Ans.** *Q*'s Current A/c Dr. 8,200
To *P*'s Current A/c 8,200]

Q. 94. *A*, *B* and *C* are partners. Their fixed capitals as on 31st March, 2024 were *A* ₹2,00,000, *B* ₹3,00,000 and *C* ₹4,00,000. Profits for the year ended 31st March, 2024 amounting to ₹1,80,000 were distributed. Give the necessary adjusting entry in each of the following alternative cases:

Case (*a*) Interest on capital was credited @ 8% p.a. though there was no such provision in the partnership deed.

Case (*b*) Interest on capital was not credited @ 8% p.a. though there was such provision in the partnership deed.

Case (*c*) Interest on capital was credited @ 8% p.a. instead of 10% p.a.

Case (*d*) Interest on capital was credited @ 10% p.a. instead of 8% p.a.

[**Ans.** Debit *C*'s Current A/c and Credit *A*'s Current A/c with ₹8,000;
Debit *A*'s Current A/c and Credit *C*'s Current A/c with ₹8,000;
Debit *A*'s Current A/c and Credit *C*'s Current A/c with ₹2,000;
Debit *C*'s Current A/c and Credit *A*'s Current A/c with ₹2,000]

Q. 95. Neena and Sara were partners in a firm with fixed capitals of ₹5,00,000 and ₹4,00,000 respectively. It was discovered that interest on capital @ 6% p.a. was credited to the partners for the two years ending 31st March, 2018 and 31st March, 2019 whereas there was no such provision in the partnership deed. Their profit sharing ratio during the last two years was:

2017–18	4 : 5
2018–19	5 : 1

Showing your workings clearly, pass the necessary adjustment entry to rectify the error. (*C.B.S.E. 2020, Rajasthan*)

Ans. Sara's Current A/c Dr. 9,000
To Neena's Current A/c 9,000]

96. *E*, *F* and *G* were partners in a firm sharing profits in the ratio of 3:2:1. After division of the profits for the year ended 31-3-2024 their capitals were *E* ₹2,95,000; *F* ₹3,30,000 and *G* ₹3,35,000. During the year they withdrew ₹40,000 each. The profit of the year was ₹1,80,000. The partnership deed provided that interest on capital will be allowed @ 12% p.a. While preparing the final accounts, interest on partner's capital was not allowed.

You are required to calculate the capital of *E*, *F* and *G* as on 1-4-2023 and pass the necessary adjustment entry for providing interest on capital. Show your workings clearly.

[**Ans.** Opening Capitals *E* ₹2,45,000; *F* ₹3,10,000 and *G* ₹3,45,000. Adjusting Entry:

E's Capital A/c	Dr.	24,600	
To *F*'s Capital A/c			1,200
To *G*'s Capital A/c			23,400]

Q. 97. *A* and *B* are partners in a business. Their capitals at the end of the year were ₹6,40,000 and ₹4,60,000 respectively. During the year ending 31st March, 2024, *A*'s drawings and *B*'s drawings were ₹1,20,000 and ₹1,40,000 respectively. Profits (before charging interest on capital) during the year were ₹4,00,000. Calculate interest on capital @ 12% p.a. for the year ending 31st March, 2024.

[**Ans.** Interest on Capitals : *A* ₹67,200; *B* ₹48,000.]

Q. 98. Prem, Param and Priya were partners in a firm. Their fixed capitals were Prem ₹2,00,000; Param ₹3,00,000 and Priya ₹5,00,000. They were sharing profits in the ratio of their capitals. It was decided that the new profit sharing ratio will be 2 : 1 : 2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹2,00,000; ₹3,50,000; ₹4,75,000 and ₹5,25,000 respectively.

Showing your calculations clearly, pass a necessary adjustment entry to give effect to the new agreement between Prem, Param and Priya.

(C.B.S.E. 2015, All India)

[**Ans.** Param's Current A/c	Dr.	1,55,000	
Priya's Current A/c	Dr.	1,55,000	
To Prem's Current A/c			3,10,000]

Q. 99. **(HOTS)** Alex, John and Sam are partners in a firm. Their capital accounts on 1st April, 2025, stood at ₹1,00,000, ₹80,000 and ₹60,000 respectively. Each partner withdrew ₹5,000 during the financial year 2025–26.

As per the provisions of their partnership deed:

(*a*) John was entitled to a salary of ₹1,000 per month.

(*b*) Interest on capital was to be allowed @ 10% per annum.

(*c*) Interest on drawings was to be charged @ 4% per annum.

(*d*) Profits and losses were to be shared in the ratio of their capitals.

The net profit of ₹75,000 for the year ended 31st March, 2026, was divid equally amongst the partners without providing for the terms of the deed You are required to pass a Single Adjusting Journal Entry to rectify the er (Show the working clearly)

Solution:

STATEMENT OF ADJUSTMENTS

Particulars	Alex ₹	John ₹	Sam ₹
1. Amount which should have been credited:			
Salary		12,000	
Interest on Capital	10,000	8,000	6,000
Profit (₹75,000 – ₹12,000 – ₹24,000 + ₹300 for interest on drawings = ₹39,300) in 5 : 4 : 3	16,375	13,100	9,825
Cr.	26,375	33,100	15,825
2. Amount which should have been debited:			
Interest on Drawings	100	100	100
Profit already distributed equally	25,000	25,000	25,000
Dr.	25,100	25,100	25,100
Net Effect	(Cr.) 1,275	(Cr.) 8,000	(Dr. 9,275

JOURNAL ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2026 April 1	Sam's Capital A/c Dr. To Alex's Capital A/c To John's Capital A/c (Adjustment for salary, interest on capital, interest on drawing and wrong distribution of profit)		9,275	 1,275 8,000

Q. 100. *A*, *B* and *C* were partners in a firm. On 1st April, 2025 their capitals stood as ₹5,00,000; ₹2,50,000 and ₹2,50,000 respectively. As per provisions of the partnership deed:

(*i*) *C* was entitled for a salary of ₹5,000 per month.

(*ii*) *A* was entitled for a commission of ₹80,000 p.a.

(*iii*) Partners were entitled to interest on capital @ 6% p.a.

(*iv*) Partners will share profits in the ratio of capitals.

Net profit for the year ended 31.03.2026 was ₹3,00,000 which was distributed equally, without taking into consideration the above provisions. Showing your workings clearly, pass necessary adjustment entry for the above.

[**Ans.** *B*'s Capital A/c	Dr.	60,000	
To *A*'s Capital A/c			60,000]

Q. 101. John and Tanu were partners in a firm sharing profits and losses in the ratio of 1 : 2. The following was the Balance Sheet of the firm as at 31st March, 2024

BALANCE SHEET *as at 31st March, 2024*

Liabilities		₹	*Assets*	₹
Capital Accounts :			Cash in Hand	2,50,000
John	5,00,000		Sundry Assets	9,00,000
Tanu	7,00,000	12,00,000	Drawings : John	50,000
		12,00,000		12,00,000

The profit ₹2,40,000 for the year ended 31st March, 2024 were divided between partners without allowing interest on capitals @ 7% p.a. and without charging interest on drawings @ 6% p.a.

The drawings of the partners were :

John : ₹12,500 per quarter at the beginning of each quarter.

Tanu : ₹7,500 p.m. at the end of every month.

Showing your workings clearly, pass necessary adjustment entry in the books of the firm.

[**Ans.** Tanu's Capital A/c	Dr.	4,475	
To John's Capital A/c			4,475]

Guarantee of Profit to a Partner

Q. 102. *A, B* and *C* are partners in a firm sharing profits in the ratio of 2:2:1. According to the terms of the partnership agreement *C* has to get a minimum of ₹6,000 irrespective of the profits of the firm. Any excess payable to *C* on account of such guarantee shall be borne by *A*. Profits earned during the year ended 31st March, 2023 were ₹25,000. Pass journal entries in the books of the firm.

[**Ans.** Share of Profits *A* ₹9,000; *B* ₹10,000 and *C* ₹6,000.]

Q. 103. *A, B* and *C* are partners sharing profits in the ratio of 5 : 4 : 1. *C* is given a guarantee that his share of profits in any year will not be less than ₹20,000. The profit for the year ending 31st March 2023 amounts to ₹1,40,000. Amount of shortfall in the profits given to *C* will be borne by *A* and *B* in the ratio of 3 : 2. Pass necessary journal entry regarding deficiency borne by *A* and *B*.

[**Ans.** *A*'s Capital A/c	Dr.	3,600	
B's Capital A/c	Dr.	2,400	
To *C*'s Capital A/c			6,000]

Q. 104. *A, B* and *C* entered into partnership on 1st July, 2023 to share Profit and Losses in the ratio of 5 : 3 : 2. *A* personally guaranteed that *C*'s share of profit after charging interest on capital @ 8% per annum would not be less than 1,60,000 p.a. The capital contributed were: *A* — ₹4,00,000; *B* — ₹3,00,000 and *C* — ₹2,00,000. Profit for the year ended on 31st March, 2024 was ₹4,74,000. Prepare Profit and Loss Appropriation Account.

[**Ans.** Share of Profit : *A* ₹1,74,000; *B* ₹1,26,000 and *C* ₹1,20,000.]

Q. 105. Maanika, Bhavi and Komal are partners sharing profits in the ratio of 6 : 4 : 1. Komal is guaranteed a minimum profit of ₹2,00,000. The fir incurred a loss of ₹22,00,000 for the year ended 31st March, 2018. Pa necessary journal entry regarding deficiency borne by Maanika and Bhav and prepare Profit and Loss Account. *(C.B.S.E. Sample Paper, 2019)*

[**Ans.** (*i*) First of all, loss of ₹22,00,000 will be debited to Maanika, Bhav and Komal in their profit sharing ratio of 6 : 4 : 1.

(*ii*) Thereafter, Komal's deficiency of ₹4,00,000 will be borne by Maanika and Bhavi in 6 : 4.]

Q. 106. Anshul, Navdeep and Rajni were partners of a Chartered Accountants firm with profit sharing ratio of 2 : 1 : 2. The provisions of partnership deed were as follows :

(*i*) Rent of ₹25,000 p.m. was to be given to Rajni.

(*ii*) Salary of ₹30,000 p.m. to Anshul.

(*iii*) Navdeep was guaranteed a minimum profit of ₹4,00,000 and deficiency arising because of guarantee to Navdeep will be borne by Anshul and Rajni in the ratio of 12 : 7.

(*iv*) Anshul guaranteed that he will earn an annual fee of ₹3,00,000.

The net profit earned by the firm amounted to ₹20,00,000 and the fee earned by Anshul during the year ended 31st March, 2024 was ₹2,25,000. Prepare profit & Loss Appropriation Account and the Capital Accounts of partners for the year ended 31st March, 2024.

[**Ans.** Share of Profit : Anshul ₹6,50,000; Navdeep ₹4,00,000 and Rajni ₹6,65,000.]

Hint: *Rent will be ignored since it must have been debited to P & L A/c.*

LATEST C.B.S.E. EXAMINATION QUESTIONS

Q. 1. Aman, Raj and Suresh were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 8. Suresh was guaranteed a minimum profit of ₹5,00,000 per year. Any deficiency on this account was to be borne by Aman and Raj equally. The net profit of the firm for the year ended 31st March, was ₹8,00,000. Prepare Profit and Loss Appropriation Account of Aman, Raj and Suresh for the year ended 31st March, 2024. *(C.B.S.E. 2025, Chennai, Haryana, Assam)*

[**Ans.** Amount credited to partners' capital account : Aman ₹2,00,000; Raj ₹1,00,000 and Suresh ₹5,00,000.]

Q. 2. Akhil and Nikhil were partners sharing profits and losses in the ratio of 3 : 2. Their fixed capitals were ₹1,00,000 and ₹80,000 respectively. Interest on capital was agreed @ 6% p.a. Nikhil was to be allowed an annual salary of ₹9,200. During the year 2021–22, the net profit prior to the calculation of interest on capital but after charging Nikhil's salary amounted to ₹1,20,000.

Prepare Profit and Loss Appropriation Account of the firm for the year ending 31st March, 2022. (C.B.S.E. 2023, Bihar)

Solution:

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2022* Cr.

Particulars		₹	*Particulars*		₹
To Salary			By Profit & Loss A/c		
Nikhil's Current A/c		9,200	Net Profit	1,20,000	
To Interest on Capital:			*Add:* Nikhil's Salary	9,200	1,29,200
Akhil's Current A/c	6,000				
Nikhil's Current A/c	4,800	10,800			
To Profit transferred to:					
Akhil's Current A/c	65,520				
Nikhil's Current A/c	43,680	1,09,200			
		1,29,200			1,29,200

Q. 3. Sonu and Rajat were partners sharing profits and losses in the ratio of 3 : 2. Their capitals were ₹8,00,000 and ₹6,00,000 respectively. The partnership deed provided that Sonu was to be paid a salary of ₹20,000 per month and Rajat a commission of 5% on turnover. It also provided that interest on capital be allowed @ 8% p.a. Sonu withdrew ₹20,000 on 1st December, 2017 and Rajat withdrew ₹5,000 at the end of each month. Interest on drawings was charged @ 6% p.a. The net profit as per Profit and Loss Account for the year ended 31st March, 2018 was ₹4,89,950. The turnover of the firm for the year ended 31st March, 2018 amounted to ₹20,00,000.

Pass necessary journal entries for the above transactions in the books of Sonu and Rajat. *(C.B.S.E. 2019, M.P.)*

Solution:

JOURNAL OF SONU AND RAJAT

Date	*Particulars*	*L.F.*	*Dr. ₹*	*Cr. ₹*
2018				
March 31	Profit and Loss A/c Dr.		4,89,950	
	To Profit and Loss Appropriation A/c			4,89,950
	(Profit transferred from Profit and Loss A/c to Profit and Loss Appropriation Account)			
	Sonu's Salary A/c Dr.		2,40,000	
	To Sonu's Capital A/c			2,40,000
	(Salary credited to Sonu's Capital A/c)			
	Profit and Loss Appropriation A/c Dr.		2,40,000	
	To Sonu's Salary A/c			2,40,000
	(Salary transferred to Profit and Loss Appropriation Account)			
	Commission to Rajat Dr.		1,00,000	
	To Rajat's Capital A/c			1,00,000
	(Commission credited to Rajat's Capital A/c)			

	Profit and Loss Appropriation A/c Dr. To Commission to Rajat (Commission transferred to Profit and Loss Appropriation A/c)		1,00,000	 1,00,000
	Interest on Capital A/c Dr. To Sonu's Capital A/c To Rajat's Capital A/c (Interest on capital credited to Partners' Capital A/cs)		1,12,000	 64,000 48,000
	Profit and Loss Appropriation A/c Dr. To Interest on Capital A/c (Interest on Capital transferred to Profit & Loss Appropriation A/c)		1,12,000	 1,12,000
	Sonu's Capital A/c Dr. Rajat's Capital A/c Dr. To Interest on Drawings A/c (Interest on drawings charged)		400 1,650	 2,050
	Interest on Drawings A/c Dr. To Profit and Loss Appropriation A/c (Interest on drawings transferred to Profit and Loss Appropriation A/c)		2,050	 2,050
	Profit and Loss Appropriation A/c Dr. To Sonu's Capital A/c To Rajat's Capital A/c (Profit credited to Partners' Capital Accounts)		40,000	 24,000 16,000

Working Notes:

1. Calculation of Interest on Drawings:

$$\text{Interest on Sonu's Drawings} = ₹\,20{,}000 \times \frac{6}{100} \times \frac{4}{12} = ₹400$$

$$\text{Total Drawings of Rajat} = ₹5{,}000 \times 12 = ₹60{,}000$$

$$\text{Interest on Rajat's Drawings} = ₹\,60{,}000 \times \frac{6}{100} \times \frac{5.5}{12} = ₹\,1{,}650$$

2. Calculation of Divisible Profit as per Profit and Loss Appropriation Account:

$$₹4{,}89{,}950 + ₹2{,}050 - ₹2{,}40{,}000 - ₹1{,}00{,}000 - ₹1{,}12{,}000 = ₹40{,}000.$$

Q. 4. *A* and *B* were partners in a firm sharing profits in the ratio of 5 : 3. Their fixed capitals on 31st March, 2017 were : *A* ₹60,000 and *B* ₹80,000. They agreed to allow interest on capital @ 12% p.a. The profit of the firm for the year ended 31st March, 2018 before allowing interest on capitals was ₹12,600.

Pass necessary Journal Entries for the above transactions in the books of *A* and *B*. Also show your working notes clearly. *(C.B.S.E. 2019)*

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. ₹	Cr. ₹
2018 March 31	Interest on Capital A/c Dr. To *A*'s Current A/c To *B*'s Current A/c (Interest on capital credited to Partner's Current Accounts)		12,600	 5,400 7,200
March 31	Profit & Loss Appropriation A/c Dr. To Interest on Capital A/c (Interest on capital transferred to Profit & Loss Appropriation Account)		12,600	 12,600

Working Notes:

Interest on Capital: ₹

A = 12% on ₹60,000 = 7,200

B = 12% on ₹80,000 = 9,600

Total Interest = 16,800

Since profits are insufficient, interest on capital will be distributed in the ratio of ₹7,200; ₹9,600 or 3 : 4. Thus, Interest on Capitals allowed to:

A = 3/7 of ₹12,600 = ₹5,400; and

B = 4/7 of ₹12,600 = ₹7,200.

Q. 5. Alok and Manish were partners sharing profit and losses in the ratio of 5 : 3. For the year ended March 31, 2023 it was observed that profit of ₹80,000 were distributed equally without providing for Salary of ₹5,000 p.m. to Alok and Commission of ₹40,000 to Manish.

You are required to pass necessary adjustment entry. Show working notes clearly. *(C.B.S.E. Practice Question Paper, 2024)*

Solution:

	₹
Salary to Alok : ₹5,000 × 12	60,000
Commission to Manish	40,000
	1,00,000

Since available profit is only ₹80,000, which is less than ₹1,00,000, available profit of ₹80,000 will be distributed in the ratio of appropriations *i.e.*, 60,000 : 40,000 or 3 : 2.

Particulars	*Alok*	*Manish*	*Total*
	₹	₹	₹
Division of ₹80,000 in 3 : 2	48,000	32,000	80,000
Less : Profit of ₹80,000 already distribution equally	40,000	40,000	80,000
Net Effect	(Cr.) 8,000	(Dr) 8,000	—

Adjustment Entry :

Date	*Particulars*	*L.F.*	*Dr. Amount*	*Cr. Amount*
			₹	₹
2023 Apr. 1	Manish's Capital A/c Dr. To Alok's Capital A/c (Adjustment entry for wrong distribution of profits)		8,000	8,000

Q. 6. On 1st April, 2023, Jain and Gupta started a partnership firm with fixed capitals of ₹15,00,000 and ₹12,00,000 respectively. They decided to share profits and losses in the ratio of 3 : 2.

On 1st July, 2023, Jain withdrew ₹1,00,000 from his capital and Gupta introduced further capital of ₹2,00,000. Partnership deed provided for interest on capital @ 10% p.a.

During the year Jain withdrew ₹50,000 and Gupta withdrew ₹60,000 for their personal use. Interest on drawings was to be charged @ 18% p.a.

After preparing Profit and Loss Appropriation Account for the year ended 31st March, 2024, ₹72,000 and ₹48,000 were credited respectively to the current accounts of Jain and Gupta as their share of divisible profit.

Prepare Current Accounts of Jain and Gupta.

(CBSE 2025, Chennai, Haryana, Assam)

Solution:

Dr. CURRENT ACCOUNTS Cr.

Date	*Particulars*	*Jain*	*Gupta*	*Date*	*Particulars*	*Jain*	*Gupta*
2024		₹	₹	2024		₹	₹
Mar. 31	To Drawings	50,000	60,000	Mar. 31	By Interest on Capitals A/c	1,42,500	1,35,000
Mar. 31	To Interest on Drawings A/c	4,500	5,400	Mar. 31	By P & L Appr. A/c	72,000	48,000
Mar. 31	To Balance c/d	1,60,000	1,17,600				
		2,14,500	1,83,000			2,14,500	1,83,000

Working Note:

(1) Interest in Capital :

		₹
Jain:	On ₹15,00,000 at 10% p.a. for 3 months	37,500
	On ₹14,00,000 at 10% p.a. for 9 months	105,000
		1,42,500
Gupta:	On ₹12,00,000 at 10% p.a. for 3 months	30,000
	On ₹14,00,000 at 10% p.a. for 9 months	1,05,000
		1,35,000

(2) In this question, the dates of drawings are not given, therefore, interest on drawings has been calculated for an average period of six months.

(3) ₹1,00,000 withdrawn by Jain are drawings *against capital*, hence, **not** debited to his Current Account.

QUESTIONS BASED ON INCOMPLETE INFORMATION

(Strictly as per Sample Paper Issued by CBSE)

PROBLEM 1.

Fill in the missing figures in the following Accounts:

PROFIT & LOSS ACCOUNT

Dr. *for the year ended 31st March, 2024* Cr.

Particulars	₹	Particulars	₹
To Manager's Commission 10% of ₹—	6,000	By Profit for the year	—
To Net Profit transferred to Profit & Loss Appr. A/c	—		
	—		—

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2024* Cr.

Particulars		₹	*Particulars*	₹
To Interest on Capitals @ 8% p.a.:			By Profit & Loss A/c	—
X	12,000			
Y	8,000	—		
To Salary to *Y*		—		
To Profit transferred to:				
X's Capital A/c 3/5	—			
Y's Capital A/c 2/5	10,000	—		
		—		—

Dr. PARTNERS' CAPITAL ACCOUNTS Cr.

Particulars	*X*	*Y*	*Particulars*	*X*	*Y*
	₹	₹		₹	₹
To Balance c/d	—	—	By Balance b/d	—	—
			By Interest on Capital	—	—
			By Salary	—	—
			By P & L Appropriation A/c	—	—
	—	—		—	—

PROBLEM 2.

Charu and Divya are partners in a firm. Charu was to get a commission of 10% on the net profits before charging any commission. However, Divya was to get a commission of 10% on the net profits after charging all commissions. Fill in the missing figures in the following Profit & Loss Appropriation Account for the year ended 31st March, 2026:

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2026

Dr.

Particulars		₹	*Particulars*	₹
To Charu's Commission			By Profit & Loss A/c	—
$\left(₹ \ldots \times \frac{10}{100}\right)$		44,000		
To Divya's Commission				
To Profit transferred to:		—		
Charu's Capital A/c	—			
Divya's Capital A/c	—	—		
		—		—

PROBLEM 3.

A and *B* are partners with capitals of ₹5,00,000 and ₹3,00,000 respectively sharing profits in the ratio of 2 : 1. The terms of partnership are as follows:

(*i*) Interest on Capital is to be allowed @ 9% p.a.

(*ii*) *A* is to get a salary of ₹4,000 per month.

(*iii*) Interest on *B*'s Loan account of ₹2,00,000 for the whole year.

(*iv*) Interest on drawings of partners at 12% per annum. Drawings being *A* ₹60,000 and *B* ₹72,000.

(*v*) 5% of the distributable profit should be transferred to General Reserve.

Fill in the missing figures in the following accounts:

PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 2026

Dr. Cr.

Particulars	₹	*Particulars*	₹
To Interest on *B*'s Loan	—	By Profit before Interest	—
To Profit transferred to Profit & Loss Appropriation A/c	—		
	—		—

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2026

Dr. Cr.

Particulars		₹	*Particulars*		₹
To Interest on Capital:			By Profit & Loss A/c	—	
A	—		Net Profit		—
B	—	—	By Interest on Drawings:		
To Salary (*A*)		—	*A*	—	
To General Reserve A/c		—	*B*	—	—
To Profit transferred to:					
A's Capital A/c	1,14,000				
B's Capital A/c	—	—			
		—			—

PROBLEM 4.

X and *Y* are partners in a firm sharing profits in the ratio of 3 : 2. On 1-4-2023 they decide to admit *Z* for 1/5th share in profits with a minimum guaranteed amount. Any deficiency arising on that account shall be met by *X*.

Fill up the missing figures in the following Profit and Loss Appropriation A/c:

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2024* Cr.

Particulars		₹	*Particulars*	₹
To *X*'s Capital A/c			By Profit & Loss A/c	
(4,50,000 × —)	—		(Profit for the year)	4,50,000
Less: Transferred to *Z*	—	—		
To *Y*'s Capital A/c				
(4,50,000 × —)		—		
To *Z*'s Capital A/c				
(4,50,000 × —)	—			
Add: From *X*	—	1,20,000		
		4,50,000		4,50,000

PROBLEM 5.

A and *B* are partners. As per the terms of agreement interest is allowed on capitals @ 8% p.a. and charged on drawings @ 10% p.a. *A* withdrew ₹10,000 per month at the end of each month and *B* withdrew ₹30,000 at the end of each quarter. You are required to fill up the missing figures in the following accounts:

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. *for the year ended 31st March, 2024* Cr.

Particulars		₹	*Particulars*		₹
To		—	By Profit & Loss A/c		
To Interest on Capital:			(Net Profit)		—
A	40,000				
B	—	72,000			
To Profit transferred to:			By Interest on Drawings:		
A's Capital A/c (2/3)	—		*A*	—	
B's Capital A/c (1/3)	70,000	—	*B*	—	—
		—			—

Dr. CAPITAL ACCOUNTS Cr.

Particulars	*A*	*B*	*Particulars*	*A*	*B*
	₹	₹		₹	₹
To	—	—	By	—	—
To	—	—	By Salary	90,000	—
To	—	—	By	—	—
			By	—	—
	—	—		—	—

SOLUTION TO PROBLEM 1:

PROFIT AND LOSS ACCOUNT
for the year ended 31st March, 2024

Dr.

Particulars	₹	Particulars	₹
To Manager's Commission 10% of ₹60,000	6,000	By Profit for the year (1)	60,000
To Net Profit transferred to Profit & Loss Appr. A/c (2)	54,000		
	60,000		60,000

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2024

Dr.

Particulars		₹	Particulars	₹
To Interest on Capitals @ 8% p.a.			By Profit & Loss A/c (3)	54,000
X	12,000			
Y	8,000	20,000		
To Salary *X*, *Y* (Balancing Figure)		(6)9,000		
To Profit transferred to:				
X's Capital A/c 3/5	15,000			
Y's Capital A/c 2/5	10,000	(5)25,000		
		54,000		54,000

Dr. **PARTNERS' CAPITAL ACCOUNTS** Cr.

Particulars	*X*	*Y*	Particulars	*X*	*Y*
	₹	₹		₹	₹
To Balance c/d	1,77,000	1,27,000	By Balance b/d (7)	1,50,000	1,00,000
			By Interest on Capital (8)	12,000	8,000
			By Salary (9)	—	9,000
			By P & L Appr. A/c (10)	15,000	10,000
	1,77,000	1,27,000		1,77,000	1,27,000

Working Notes:

(5) *Y*'s share of Profit is 2/5 and his share is ₹10,000

Hence, total Profit $= 10{,}000 \underset{(4)}{\times} \frac{5}{2} =$ ₹25,000

X's share $= 25{,}000 \times \frac{3}{5} =$ ₹15,000

(6) Salary to *Y* is the balancing figure of Profit & Loss Appropriation A/c.

(7) Interest on *X*'s Capital @ 8% is ₹12,000

Hence, *X*'s Capital $= 12{,}000 \times \frac{100}{8} =$ ₹1,50,000

Interest on Y's Capital @ 8% p.a. is ₹ 8,000

Hence, Y's Capital = 8,000 × $\frac{100}{8}$ = ₹ 1,00,000

SOLUTION TO PROBLEM 2:

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2026

Dr. Cr.

Particulars	₹	*Particulars*	₹
To Charu's Commission $\left(₹\ 4,40,000 \times \frac{10}{100}\right)$	44,000	By Profit & Loss A/c	4,40,000
To Divya's Commission $\left(₹\ 3,96,000 \times \frac{10}{110}\right)$	36,000		
To Profit transferred to: Charu's Capital A/c 1,80,000 Divya's Capital A/c 1,80,000	3,60,000		
	4,40,000		4,40,000

Working Notes:

(*i*) **Calculation of profit before charging any commission**

Charu's Commission @ 10% on the net profits before charging any commission = 44,000

∴ Total profit before charging any commission = ₹ 44,000 × $\frac{100}{10}$ = ₹ 4,40,000

(*ii*) **Calculation of Divya's commission**

Profit after charging Charu's Commission = ₹3,96,000 (₹4,40,000 – ₹44,000)

Commission of Divya = ₹ 3,96,000 × $\frac{10}{110}$ = ₹ 36,000

ANSWER AND HINTS TO SOLVE PROBLEM 3:

Profit before interest ₹3,04,080.

(1) Profit & Loss Appropriation A/c will be completed First. Based on *A*'s share of profit, profit transferred to Capital Accounts will be ₹1,71,000.

(2) Profit before transfer to General Reserve:

1,71,000 × $\frac{100}{95}$ = ₹1,80,000

(3) Interest on drawings will be calculated for six months.

(4) Figure of net profit ₹2,92,080 will be the balancing figure of P & L Appropriation A/c. It will be transferred to the Dr. side of P & L A/c.

(5) Interest on *B*'s Loan will be calculated @ 6% p.a.

(6) Profit before interest will be ₹3,04,080.

SOLUTION TO PROBLEM 4:

PROFIT AND LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2024

Dr.

Particulars		₹	Particulars	₹
To *X*'s Capital A/c			By Profit & Loss A/c (Profit for the year)	4,50,000
$\left(4,50,000 \times \frac{12}{25}\right)$	2,16,000			
Less: Transferred to *Z*(2)	30,000	1,86,000		
To *Y*'s Capital A/c				
$\left(4,50,000 \times \frac{8}{25}\right)$		1,44,000		
To *Z*'s Capital A/c				
$\left(4,50,000 \times \frac{5}{25}\right)$	90,000			
Add: From *X*(1)	30,000	1,20,000		
		4,50,000		4,50,000

Working Note:

Calculation of new profit sharing ratio:

Suppose the profit of the whole firm = 1

$$\text{Share given to } Z = \frac{1}{5}$$

$$\text{Thus, the remaining profit} = 1 - \frac{1}{5} = \frac{4}{5}$$

X and *Y* will share this $\frac{4}{5}$th remaining profit in their old profit sharing ratio.

Thus,

$$X\text{'s share} = \frac{3}{5} \text{ of } \frac{4}{5} = \frac{12}{25}$$

$$Y\text{'s share} = \frac{2}{5} \text{ of } \frac{4}{5} = \frac{8}{25}$$

$$Z\text{'s share} = \frac{1}{5}$$

New Ratios of *X*, *Y* and *Z* will be: $\frac{12}{25} : \frac{8}{25} : \frac{1}{5} = \frac{12 : 8 : 5}{25} = 12 : 8 : 5$

SOLUTION TO PROBLEM 5:

PROFIT & LOSS APPROPRIATION ACCOUNT
for the year ended 31st March, 2024

Dr. Cr.

Particulars		₹	Particulars	₹
To Salary to *A*		90,000	By Profit & Loss A/c (Net Profit) (Balancing figure)	3,62,000
To Interest on Capital:				
A	40,000			
B	32,000	72,000		

To Profit transferred to:			By Interest on Drawings[(2)]		
A's Capital A/c (2/3)	1,40,000		A	5,500	
B's Capital A/c (1/3)	70,000	2,10,000	B	4,500	10,000
		3,72,000			3,72,000

Dr. **CAPITAL ACCOUNTS** Cr.

Particulars	A	B	Particulars	A	A
	₹	₹		₹	₹
To Drawings	1,20,000	1,20,000	By Balance b/d[(1)]	5,00,000	4,00,000
To Interest on Drawings	5,500	4,500	By Salary	90,000	—
To Balance c/d	6,44,500	3,77,500	By Interest on Capital	40,000	32,000
			By Profit & Loss Appropriation A/c	1,40,000	70,000
	7,70,000	5,02,000		7,70,000	5,02,000

Working Notes:

(1) *A*'s Capital $= 40{,}000 \times \frac{100}{8} = ₹5{,}00{,}000$

B's Capital $= 32{,}000 \times \frac{100}{8} = ₹4{,}00{,}000$

(2) (*i*) *A* has drawn at the end of each month. Hence, interest on his drawings will be charged for 5.5 months

Interest on *A*'s Drawings $= 1{,}20{,}000 \times \frac{10}{100} \times \frac{5.5}{12} = ₹5{,}500$

(*ii*) *B* has drawn at the end of each quarter. Hence, interest on his drawings will be charged for 4.5 months

Interest on *B*'s Drawings $= 1{,}20{,}000 \times \frac{10}{100} \times \frac{4.5}{12} = ₹4{,}500.$

OBJECTIVE TYPE QUESTIONS

(B) State Whether the following Statements are True or False:

Q. 1. It is compulsory to have a partnership agreement in writing.

Q. 2. The business of the firm can be conducted even by one partner.

Q. 3. Current accounts of partners are maintained under the fluctuating capital method.

Q. 4. Unless otherwise specified, the partners have to share profits or losses in proportion to the capital contributed by them.

Q. 5. The partners are entitled to 6% p.a. interest on capital.

Q. 6. Interest on loan advanced by a partner to the firm shall be paid even if there are losses in the business.

Q. 7. Under fixed capital method, any addition to capital will be shown in partner's capital account.