



INDIAN SCHOOL DARSAIT

DEPARTMENT OF COMMERCE



Subject : Accountancy	Topic : Fundamentals of Partnership	Date of Issue: __/__/2019 Worksheet No.3
Resource Person: Alexander Gee Varghese		Date of Submission: __/__/2019
Name of the Student : _____	Class & Division : XII ____	Roll Number : ____

IMPORTANT THEORY QUESTIONS & ANSWERS

1. **What is meant by Partnership? / Define Partnership.**

Ans. According to Section 4 of Indian Partnership Act 1932, "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".

2. **What is the status of partnership firm from accounting viewpoint?**

Ans. From the accounting view point, Partnership is a separate business entity from the Partners.

3. **What is the maximum number of Partners in a firm? Which Act specified the number of partners in a Partnership Firm?**

Ans. Minimum 2 and Maximum 50. Rule 10 of Companies (Miscellaneous) Rules, 2014

4. **Name the Act under which partnership is governed?**

Ans. Partnership Act, 1932.

5. **What is the legal status of a firm?**

Ans. A firm is not a legal person it is merely a collection of partners.

6. **Mention two items that are recorded in Partners Fixed Capital Account.**

Ans. i) Capital Withdrawal ii) Fresh Capital Introduced.

7. **What are the circumstances under which the balance of the 'Fixed capitals Accounts' may change?**

Ans. i) Additional capital Introduced. ii) Capital Withdrawn.

8. **Would a "Charitable Dispensary" run by 8 members be deemed a Partnership Firm? Give reason in support of your answer.**



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Ans. Charitable Dispensary run by 8 members cannot be deemed a Partnership firm because:

- (i) In Partnership, there must be a business;
- (ii) There must be sharing of profits from such business among the partners.

9. **Why is it preferable to have a written agreement between the partners?**

Ans. To avoid all kinds of misunderstanding and disputes among the partners.

10. **Why is the Fixed Capital Account of a partner does not show "Debit Balance" in spite of regular and Consistent losses year after year?**

Ans. When the capitals are fixed, the Capital Account of a partner will never show debit balance since, all Transactions between the firm and the partner are recorded in Current Account.

11. **A & B are two working partners whereas B is a sleeping partner in a firm. B wants to inspect the books of Accounts but A denies. What shall be done?**

Ans. A is wrong, he cannot deny as B holds the right to inspect the accounts.

12. **Under fixed capital method, partner's drawings are shown in which account?**

Ans. Partners Current A/cs.

13. **Debit balance of Partners Current A/Cs is shown on which side of the balance sheet?**

Ans. Assets side.

14. **Give the journal entry of P & L credit balance.**

Ans. Profit and Loss A/c Dr

To Profit and Loss Appropriation A/c.

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

Ans. Debit side of partners current A/c.

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

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

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

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



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

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

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

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

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

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

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

Ans. Yes, if Partnership Deed provides so.

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

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

1. Beena and Seema were partners in a firm. The capital contribution of the partners were `3,00,000 and `2,00,000 respectively. The terms of the Partnership agreement are as follows.

- (i) 5% of the profit should be transferred to General Reserve.
- (ii) Interest on capital @ 10% p.a and Interest on drawings @ 18% p.a.
- (iii) Beena and Seema to get a monthly salary of `1,000 and `2,000 respectively.
- (iv) Beena and Seema are entitled to a commission of `10,000 and Rs.20,000 respectively.
- (v) Sharing profits and losses will be in the capital ratio.



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The profit for the year ended 31st March, 2018 before making above appropriations was `3,00,000/-. The drawings of Beena and Seema were `36,000 and `48,000 respectively. Give necessary journal entries, Prepare Profit and loss appropriation account and Capital account When Capitals are Fluctuating.

2. Kurup and Lal were partners in a firm. Their capital contribution were `6,00,000 and `4,00,000 respectively. The terms of the Partnership agreement were as follows.

- (i) 10% of the profit should be transferred to General Reserve.
- (ii) Interest on capital @ 10% p.a and Interest on drawings @ 18% p.a.
- (iii) Kurup and Lal to get a monthly salary of `3,000 and `4,000 respectively.
- (iv) Kurup was entitled to a commission of `24,000
- (v) Sharing profits and losses will be in the capital ratio.

The profit for the year ended 31st March,2018 before making above appropriations was `7,00,000/-. The drawings of Kurup and Lal were `70,000 and `60,000 respectively. The Current account balance of Mr. Kurup and Mr. Lal were respectively Rs.3,000(Dr) and Rs.1,700 (Cr). Give necessary journal entries, Prepare Profit and loss appropriation account and Capital account When Capitals are Fixed.

3. Joel and Josh started a Partnership business on 1st April, 2017. They contributed `80,000 and `60,000 respectively, as their capitals. The terms of the partnership agreement are as under.

- (i) Interest on Capital and Interest on drawings @ 12% p.a.
- (ii) Joel and Josh to get a monthly salary of `2,000 and `3,000 respectively.
- (iii) Sharing profits and losses in the ratio 3:2

The profit for the year ended 31st March 2018, before making the above appropriation, was `2,40,000. The drawings of Joel and Josh were `50,000 and `48,000 respectively. Interest on drawings amounted to `6,000 for Joel and `4,000 for Josh. Prepare Profit and loss appropriation a/c and partners' Capital accounts assuming that their capitals were fluctuating.

4. Manju and Sindhu started a Partnership business on 1st April, 2017. They contributed `1,20,000 and `1,80,000 respectively, as their capitals. The terms of the partnership agreement are as under.

- (i) Interest on Capital and Interest on drawings @ 12% p.a.
- (ii) Manju and Sindhu to get a monthly salary of `4,000 and `6000 respectively.
- (iii) Sharing profits and losses in the ratio 7:3

The profit for the year ended 31st March 2018, before making the above appropriation, was `2,00,000. The drawings of Manju and Sindhu were `60,000 and `80,000 respectively. Interest on drawings amounted to `4,000 for Manju and `3,500 for Sindhu. Prepare Profit and loss appropriation a/c and partners' Capital accounts assuming that their capitals are fluctuating.



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5. What entries will you pass to record the following transactions in the books of the firm A and B before distributing the profits earned?
- (a) Commission of `25,000 payable to B
 - (b) Interest on capital: A `8,000 and B `5,000.
 - (c) Interest on drawings A `1,900 and B `2,000.
 - (d) Salary payable to A `1,500 per month.
 - (e) Transfer to General Reserve `22,000.
6. A and B are partners in a firm. A is to get a commission of 10% of net profit before charging any commission. B is to get a commission of 10% on net profit after charging all commission. Net profit before charging any commission was `3,30,000. Find out the Commission of A and B.
7. A is a partner in a firm. A has withdrawn `24,000 during the year 2017-18.
- (a) Calculate interest on drawings @12% when period is not given.
 - (b) Calculate interest on drawings @12% irrespective of the period.
 - (c) Calculate interest on drawings @12% when A has withdrawn the money on 1st December 2017.
 - (d) Calculate interest on drawings @12% when A has withdrawn the money on 15th February 2018.
 - (e) Calculate interest on drawings @12% when A has withdrawn the money on 17th January, 2018.

8. A is a partner in a firm. A's drawings during the year 2017 were:

1	1 st March	` 2,000	2	1 st May	` 5,000
3	30 th June	`3,000	4	31 st August	` 4,000
5	1 st November	` 1,000	6	31 st December	` 7,000

Interest on drawings is charged @18% p.a. Calculate interest on drawings of A. Accounts are Closed on 31st December every year.

9. B is a partner in a firm. B's drawings during the year 2017-2018 were:

1	31 st May	` 5,000	4	31 st Dec.	` 9,000
2	1 st June	`12,000	5	28 Feb. 2018	` 8,000
3	31 st Aug	`13,000	6	31 st March 2018	` 7,000

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

10. A is a partner in a firm. A has withdrawn `3,000 per month during the year 2017. Calculate interest on drawings @12% p.a in the following cases:



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- (a) If A withdraws the money on the last day of every month
- (b) If A withdraws the money on the first day of every month
- (c) If A withdraws the money on the 15th of every month.
11. A is a partner in a firm. He withdraws ₹4,000 per month for 6 months. Calculate interest on drawings @12% p.a in the following cases:
- (a) If A withdraws the money on the last day of every month
- (b) If A withdraws the money on the first day of every month
- (c) If A withdraws the money on the 15th of every month.
12. A and B are partners in a firm. A has given a loan of ₹98,000 to the firm on 1st July, 2017. The partnership deed is silent upon the question of provision of interest on partner's loan. Compute the amount of interest payable on the loan advanced by A to the firm assuming the books are closed on 31st March every year.
13. A and B started business on 1.4.2017 with capitals of ₹60,000 and ₹40,000 respectively. During the year, A introduced ₹10,000 to the firm as additional capital on 1.10.2017. They withdrew ₹500 per month for the house hold expenses in lieu of profit. Interest on capital is to be allowed @ 10% p.a. Calculate interest on capital payable to A and B for the year ending 31.3.2018.
14. A and B contribute ₹40,000 and ₹20,000 respectively. They decide to allow interest on capital @6% p.a. Their respective share of profits is 2:3 and the business profit before interest on Capital for the year is ₹1,500. Show the distribution of profit
- (a) If the Partnership Deed provides for Interest on Capitals,
- (b) If the Partnership Deed provides for interest as a Charge.
15. A and B contribute ₹80,000 and ₹40,000 respectively. They decide to allow interest on capital @6% p.a. Their respective share of profits is 2:3 and the business profit before interest on Capital for the year is ₹3,000. Show the distribution of profit
- a. If the Partnership Deed provides for Interest on Capitals,
- b. If the Partnership Deed provides for interest as a Charge.
16. A and B are partners sharing profits and losses in the ratio 3:2. A being a non-working partner contributes ₹20,00,000 as his capital. B being a working partner agreed to work for the firm. The partnership deed provides for interest on capital @ 12% and salary to every working partner @ ₹10,000 per month. The net profit before providing for interest on capital and partner's salary for the year ended 31st March 2018 was ₹1,02,000. Show the distribution of profit.



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17. X and Y are partners sharing profits and losses in the ratio 3:2. X being a non-working partner contributes ₹10,00,000 as his capital. Y being a working partner agreed to work for the firm. The partnership deed provides for interest on capital @ 8% and salary to every working partner @ ₹4,000 per month. The net profit before providing for interest on capital and partner's salary for the year ended 31st March 2018 was ₹40,000. Show the distribution of profit.
18. A, B and C were partners in a firm having capitals of ₹80,000, ₹80,000 and ₹1,40,000 respectively. According to partnership deed the partners were entitled to interest on capital @ 5% p.a. B was also entitled annual salary of ₹6,000. The profits were to be divided as follows:
- The first ₹30,000 in proportion to capitals of partners
 - Next ₹30,000 in the ratio of 5:3:2.
 - Remaining profits to be shared equally.
- During the year the firm made a profit of ₹1,56,000 before charging any of the above items. Prepare the profit & loss appropriation A/c.
19. A, B and C were partners in a firm having capitals of ₹1,00,000, ₹1,00,000 and ₹2,00,000 respectively. According to partnership deed the partners were entitled to interest on capital @ 10% p.a. B was also entitled annual salary of ₹10,000. The profits were to be divided as follows:
- The first ₹40,000 in proportion to capitals of partners
 - Remaining profits to be shared equally.
- During the year the firm made a profit of ₹1,89,000 before charging any of the above items. Prepare the profit & loss appropriation A/c.
20. Anu, Binu and Cinu are in partnership with respective capitals of ₹40,000, ₹30,000 and ₹20,000. Binu and Cinu are entitled to annual salaries of ₹12,000 and ₹13,000 respectively payable before division of profits. Interest on capital is allowed @5% p.a but interest is not charged on drawings. Of the first ₹24,000 divisible as profit in any year Anu is entitled to 50%, B 30% and C 20% respectively. Annual profits in excess of ₹24,000 are divisible equally. The profit for the year ended 31st March 2015 was ₹40,500 after debiting partners Salaries but before charging Interest on Capital. Prepare Profit and loss Appropriation account.
21. On 1st July 2017 Akhil and Bharat entered into partnership contributing ₹1,20,000 and ₹90,000 respectively. They agreed to share profits and losses in the ratio 3:2. Bharat is allowed a salary of ₹12,000 p.a. Interest on capital is to be allowed @10%p.a. During the year Akhil withdrew ₹18,000 and Bharat ₹36,000 as drawings. Interest on drawings of Akhil and Bharat was ₹300 and ₹420



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respectively. Profit as on 31st March 2018 before the adjustment was ₹70,000. Prepare profit and loss Appropriation Account and Capital account of partners.

22. On 1st July 2017 X and Y entered into partnership contributing ₹2,00,000 and ₹1,50,000 respectively. They agreed to share profits and losses in the ratio 3:2. Y is allowed a salary of ₹3,000 per quarter. Interest on capital is to be allowed @10%p.a. During the year X withdrew ₹18,000 and B ₹36,000 as drawings. Interest on drawings of X and Y was ₹1,600 and ₹2,200 respectively. Profit as on 31st March 2018 before the adjustment was ₹1,25,000. Prepare profit and loss Appropriation Account and Capital account of partners

23. A and B entered in to a partnership on 1st July 2017. They contributed ₹2,00,000 and ₹1,00,000 respectively. Interest on capital allowed @ 5% p.a and interest on drawings charged @12% p.a. A withdrew ₹3,000 per quarter in the beginning of every quarter and B withdrew ₹2,000 at the end of every month. The profit for the year ending 31st March 2018 amounted to ₹1,80,000. Prepare Profit and Loss Appropriation account.

24. On 1st April 2017, Sanjana and Binay commenced business with an initial capital of ₹2,00,000 and ₹3,00,000 in their respective accounts. The terms of the partnership agreement are:

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

During the year ended 31st March 2018, the firm made a profit of ₹1,99,000 before the adjustment of interest on capital and interest on drawings. The partners withdrew during the year ₹30,000 each at the end of every quarter commencing from 30th June, 2017. Prepare Profit and Loss appropriation a/c and the capital account.

25. X and Y are partners sharing profits in proportion of 3:2 with capitals of ₹80,000 and ₹60,000 respectively. Interest on capital is agreed at 5%p.a. Y is to be allowed an annual salary of ₹6,000 which has not been withdrawn. During 2017-18, the profits for the year prior to calculation of interest on capital but after charging Y's salary amounted to ₹24,000. A provision of 5%of this amount is to be made in respect of commission to the manager. Prepare P&L Appropriation a/c.

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



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27. X and Y are partners with capitals of ₹3,00,000 and ₹2,00,000 respectively on 1st April 2017. The trading profit (before taking into account the provisions of the deed) for the year 2017-18 was ₹1,60,000. Interest on capital is to be allowed at 6% p.a. Y is entitled to a salary of ₹9,000 p.a. The drawings of the partners were ₹18,000 and ₹24,000; the interest on drawings for X ₹1,300 and Y ₹1,500. Prepare Profit and loss appropriation account and Partners capital account when Capitals are Fluctuating.
28. A and B are partners sharing profits and losses in the ratio 3:2 with capitals of ₹75,000 and ₹50,000 respectively. For the year ending 31st March, 2018 they made a profit of ₹66,000 before allowing interest on capital @ 10% p.a, interest on drawings at 12% p.a. irrespective of the period and salary to A at ₹500 per month. Their drawings during the year were A ₹12,000 and B ₹6,000 respectively. The current account balance of partners were A (Dr) ₹1,200 and B (Cr) ₹3,000. Prepare Profit and loss appropriation account and Capital Account When capitals are Fixed.
29. A and B are partners sharing profits and losses in the ratio 3:2 with capitals of ₹1,50,000 and ₹1,00,000 respectively. For the year ending 31st March, 2018 they made a profit of ₹1,32,000 before allowing interest on capital @ 10% p.a, interest on drawings at 12% p.a. irrespective of the period and salary to A at ₹1,000 per month. Their drawings during the year were A ₹24,000 and B ₹12,000 respectively. The current account balance of partners were A (Dr) ₹2400 and B (Cr) ₹6,000. Prepare Profit and loss appropriation account and Capital Account when capitals are Fixed.
30. A and B are partners in a firm. Their fixed capitals as on 1st April 2017 were ₹2,20,000 and ₹80,000 respectively. They share profits in the ratio 2:1. On 1st August 2017, they decided that their capitals should be readjusted according to their profit sharing ratio. The necessary adjustments in the capitals were made by withdrawing and introducing cash. Interest is allowed on capital @ 12%p.a. Prepare Fixed Capital Account and Compute interest on capital for the year 2017-18.
31. A and B are partners in a firm. Their fixed capitals as on 1st April 2017 were ₹4,00,000 and ₹1,80,000 respectively. They share profits in the ratio 3:2. On 1st July 2017, they decided that their capitals should be fixed at ₹6,00,000 in the profit sharing ratio. The necessary adjustments in the capitals were made by withdrawing and introducing cash. Interest is allowed on capital @ 10%p.a. Prepare Fixed Capital Account and Compute interest on capital for the year 2017-18.
32. Sanjana and Sunanda were partners in a firm sharing profits in the ratio of 3:2. On 1st April 2017 their
Fixed capitals were ₹1,00,000 and ₹1,50,000 respectively. On 30th June, 2017 they decided that their total fixed capital should be ₹3,00,000. It was further decided that the capital (fixed) should be in their profit sharing ratio.



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Accordingly they introduced or withdrew the necessary capital. The partnership deed provided the following:

- (i) Interest on capital @12% p.a
- (ii) Interest on drawings @18% p.a
- (iii) Monthly salary to Sanjana @ `2,000 per month and Sunanda @ `3,000 per month.

The drawings of Sanjana and Sunanda during the year were as follows:

Date	Sanjana	Sunanda
2017, July 1st	`18,000	`24,000
2017, December 31st	`12,000	`16,000

The profit earned by the firm for the year ended 31-3-2018 was `4,00,000. 20% of this profit was to be kept in a reserve. You are required to Prepare:

- (i) Profit and loss Appropriation Account
- (ii) Capital Accounts of Sanjana and Sunanda, and
- (iii) Current accounts of Sanjana and Sunanda.

PAST ADJUSTMENTS

33. A and B are equal partners their capitals are `1,00,000 and `3,00,000 respectively. After the accounts for the year are prepared, it is discovered that interest at 10% p.a as provided in the partnership deed has not been credited before distribution of profits. Pass necessary adjusting entry.
34. A, B and C were partners in a firm sharing profits and losses in the ratio 2:2:1. On 1st Jan.2018 their capital stood at `5,00,000, `3,00,000 and `2,00,000 respectively. The net profits for the year 2018 of `2,40,000 was divided in the profit sharing ratio without providing for as per the provisions of the deed:
- (a) Salary to A and C `12,000p.a and `18,000 p.a
 - (b) Partners were entitled to interest on Capital@ 10 % p.a.
 - (c) Interest on drawings @12%p.a.
- The drawings of the partners during the year were A `24,000, B `3,000 at the end of every quarter throughout the year and C ` 2,000 in the beginning of every month throughout the year. Pass an adjustment entry to rectify the above errors
35. A, B and C were partners in a firm sharing profits and losses in the ratio 2:2:1. On 1st Jan.2018 their capital stood at `4,00,000, `4,00,000 and `2,00,000 respectively. The net profits for the year 2018 of `3,00,000 was divided equally without providing for as per the provisions of the deed:
- (d) Salary to A and C `24,000 p.a and `16,000 p.a
 - (e) Partners were entitled to interest on Capital@ 10 % p.a.
 - (f) Interest on drawings @12%p.a.
 - (g) Profits were to be shared in the ratio 2:2:1



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The drawings of the partners during the year were A ₹48,000, B ₹4,000 in the beginning of every quarter throughout the year and C ₹5,000 at the end of every four months throughout the year. Pass an adjustment entry to rectify the above errors

36. P, Q and R are partners in a firm sharing profits and losses in the ratio of 2:5:3. Their fixed capitals were ₹2,00,000, ₹3,00,000 and ₹3,00,000 respectively. For the year 2016 interest on capital was credited to them @12% instead of 10%. Pass the necessary adjustment entry.
37. P and Q are partners sharing profits and losses in the ratio 7:3 ratio. Their fixed capitals were ₹5,00,000 and ₹8,00,000 respectively. For the year 2016 interest on capital credited to them @5% instead of 6%. Pass an adjustment entry.
38. X, Y and Z are partners sharing profits and losses in the ratio 3:2:1 with capitals of ₹30,000, ₹20,000 and ₹10,000 respectively. After the final accounts have been prepared, it was discovered that Interest on Capital @10%p.a and Interest on drawings ₹250, ₹180 and ₹100 respectively have been ignored. Pass necessary journal entry.
39. The Capitals of A, B and C stood at ₹60,000, ₹40,000 and ₹30,000 respectively after the necessary adjustment in respect of Drawings and Net profits. Subsequently it was discovered that interest on capital @ 10% p.a and interest on drawings ₹130, ₹90 and ₹50 respectively have been ignored. Profits for the year ₹20,000 was already adjusted. The drawings of the partners were ₹1,500, ₹1,000 and ₹500 respectively. They share profits and losses in the ratio 2:1:2. Give necessary adjustment journal entry and prepare Profit and Loss adjustment account.
40. A, B and C were partners in a firm. On 1st Jan.2018 their capital stood at ₹50,000, ₹25,000 and ₹25,000 respectively. As per the provisions of the deed:
- (h) C was entitled for a salary of ₹1000 per month.
 - (i) Partners were entitled to interest on Capital@ 5% p.a.
 - (j) Profits were to be shared in the ratio of Capital.
- The net profits for the year 2018 of ₹33,000 was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above errors
41. A, B and C were partners in a firm. On 1st Jan.2018 their capital stood at ₹1,00,000, ₹50,000 and ₹50,000 respectively. As per the provisions of the deed:
- (a) C was entitled for a salary of ₹2000 per month.
 - (b) Partners were entitled to interest on Capital@ 10% p.a.
 - (c) Profits were to be shared in the ratio of Capital.
- The net profits for the year 2018 of ₹90,000 was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above errors



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42. The following is the Balance sheet of Kalpana and Keerthana as on 31st December 2018. You are required to pass an adjustment entry for the omission of interest on capital @5% p.a.

Balance sheet as at 31-12-2015

Liabilities	`	Assets	`
Kalpana's Capital	40,000	Sundry Assets	90,000
Keerthana's Capital	48,000	Kalpana's Drawings	12,000
Profit and Loss Appn.- 2018	24,000	Keerthana's Drawings	10,000
	1,12,000		1,12,000

During the Year 2018, Kalpana's drawings were `25,000 and Keerthana's drawings were `18,000. Profit during the year 2018 were `60,000.

1. The following is the Balance sheet of X and Y as on 31st December 2018. You are required to pass an adjustment entry for the omission of interest on capital @10% p.a.

Balance sheet as at 31-12-2018

Liabilities	`	Assets	`
X's Capital	20,000	Sundry Assets	41,000
Y's Capital	16,000	X's Drawings	2,000
Profit and Loss Appn.- 2018	8,000	Y's drawings	1,000
	44,000		44,000

During the Year 2018, X's drawings were `5,000 and Y's drawings were `3,000. Profit during the year 2018 were `12,000.

2. A and B are partners sharing profits and losses in the ratio 3:2. The following is the Balance sheet as on 31st December 2018.

Balance sheet as at 31-12-2018

Liabilities	`	Assets	`
A's Capital	60,000	Sundry Assets	80,000
B's Capital	32,000	A's drawings	12,000
	80,000		92,000

Profit during the year 2018 `40,000 was divided between the partners without allowing interest on capital @5% and salary to A `1,500 p.m. A's drawings during the year were `12,000 and B's drawings were `18,000. You are required to pass an adjustment entry.

45. A, B and C are sharing profits in the ratio of 3:2:1 respectively. C wants that profits be shared equally and it should be applicable retrospectively for the last three years. Other partners have no



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objection to this. Profits for the last three years were `1,20,000, `94,000 and `1,10,000 respectively. Record adjustment by means of a journal entry and show the working notes.

46. A,B and C are sharing profits in the ratio of 3:2:1 respectively. C wants that profits be shared equally and it should be applicable retrospectively for the last three year` Other partners have no objection to this. Profits for the last three years were `3,60,000, `2,82,000 and `3,30,000 respectively. Record adjustment by means of a journal entry and show the working notes.
47. X,Y and Z are partners They have omitted interest on capital @10% p.a for three years ended 31st Dec.2018. Their fixed capitals on which interest was calculated were X `60,000, Y `48,000 and Z `42,000. Their profit sharing ratio were 2016-1:2:2, 2017- 5:3:2, and in 2018- 4:5:1. Give the necessary adjusting entry.
48. X, Y and Z were partners They have omitted interest on capital @12% p.a for three years ended 31st Dec.2018. Their fixed capitals on which interest was calculated were X `90,000, Y `60,000 and Z `30,000. Their profit sharing ratio was 5:3:2. Give the necessary adjusting entry.
49. X, Y and Z were partners sharing profits and losses in the ratio 5:3:2. They have credited interest on capital @10% p.a for three years ended 31st Dec.2018, when it was not given in the deed. Their fixed capitals on which interest was calculated were X `9,00,000, Y `6,00,000 and Z `3,00,000. Give the necessary adjusting entry.
50. X, Y and Z were partners They have omitted interest on capital @12% p.a for three years ended 31st Dec.2018. Their fixed capitals on which interest was calculated were X `3,00,000, Y `2,00,000 and Z `1,00,000. Their profit sharing ratio was in 2016(5:3:2.), in 2017 (3:1:1) and in 2018 (2:2:1) Give the necessary adjusting entry.
51. X, Y and Z were partners They have omitted interest on capital @12% p.a for three years ended 31st Dec.2018. Their fixed capitals on which interest was calculated were X `6,00,000, Y `4,00,000 and Z `2,00,000. Their profit sharing ratio was in 2016(5:3:2.),in 2017 (2:2:1) and in 2018 (3:1:1) Give the necessary adjusting entry.
52. A & B are partners sharing profits and losses in the ratio 3 : 2. At the end of the year, i.e. 31st Dec. 2013, they decided to take their Manager C into partnership. As manager C was getting annual salary of Rs.9,000. He had also advanced Rs.60,000 to the firm by way of a loan on which he is getting interest @ 10% P.a. During the three years, firm's profit after adjusting salary to C, interest on loan and interest on capital of the partners were –

2011	Profit	Rs.80,000
2012	Loss	Rs.40,000
2013	Profit	Rs1,20,000



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According to the new agreement, C is to be given annual salary of Rs.7,000 and 1/5th share in the profits of the firm. C's loan shall be treated as his capital from the beginning and similar to other partners, his capital will carry interest @6% P.a. Record the necessary entries.

Note: Interest on Capital is to be allowed as a charge against Profit.

53. A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of Rs.1,40,000 p.a. C had deposited Rs.3,60,000 on which interest was payable @9% p.a. At the end of 2018 after division of the year's profit, it was decided that C should be treated as a partner w.e.f 1st Jan.2015 with 1/6th share of profits, his deposit being considered as capital carrying interest @ 6% p.a like capitals of other partners. The firm's profits and losses after allowing interest on capital were 2015 Rs.3,54,000, 2016 Loss Rs.24,000, 2017 Profit Rs.3,75,600, 2018 Profit Rs.4,68,000. Record the necessary journal entry to give an effect to the above.
54. A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of Rs.6,000 p.a. C had deposited Rs.15,000 on which interest was payable @12% p.a. At the end of 2018 after division of the year's profit, it was decided that C should be treated as a partner w.e.f 1st Jan.2016 with 1/3rd share of profits and Rs.5,000 p.a as salary and his deposit being considered as capital carrying interest @ 10% p.a like capitals of other partners. The firm's profits and losses after allowing interest on capital were 2016 Profit Rs.40,000, 2017 Profit Rs.13,900, 2018 Profit Rs.45,000. Record the necessary journal entry to give an effect to the above.
55. A and B are partners sharing profits and losses in the ratio of 3:2. They employed C as their manager to whom they paid a salary of `1,200 p.m. C had deposited `48,000 on which interest was payable @12% p.a. At the end of 2018 after division of the year's profit, it was decided that C should be treated as a partner w.e.f 1st Jan.2015 with 1/4th share of profits, his deposit being considered as capital carrying interest @ 6% p.a like capitals of other partners. The firm's profits and losses after allowing interest on capital were 2015 `90,400, 2016 Loss `9,000, 2017 Profit `99,000, 2018 Profit `1,05,600. Record the necessary journal entry to give an effect to the above.
56. The partners of a firm distributed the profits for the year ended 31st March, 2018 ` 6,00,000 equally without providing for the following adjustments:
- A and C were entitled to a salary of ` 20,000 each per annum .
 - B was entitled to a commission of ` 20,000
 - A and C had guaranteed a minimum profit of ` 2,40,000 p.a. to B.
 - Profits were to be shared in the ratio of 2:2:1.
- Pass an adjustment entry for the above adjustments in the books of the firm.



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57. A and B are partners with a profit sharing ratio 7:3. Their capital contributions are `3,60,000 and `1,80,000 respectively. They made a profit of `86,000 during the year ended 31st December 2018. After the allocation of profits, it was discovered that the following items have been ignored:

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

Pass necessary Journal Entries.

(Ans)

Accrued interest Dr.6,000

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

B 's Capital a/c Dr. 600

To Outstanding Salary A/c 8,000

58. A, B and C enter into partnership without any partnership deed. They each contributed `2,00,000 in respect of their share capitals. In addition to this B has also given loan of `3,50,000 on 01.04.2017. After the accounts for the year 2017-18 have been closed, it was noticed that the profits of `6,00,000 has been divided in the ratio of 3:2:1. Interest on B's loan has also not been provided. Pass necessary journal entry to rectify the error.

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

GUARANTEE OF PROFIT

60. Aji, Biji and Saji are partners in a firm. Their profit sharing ratio is 3:2:1. However Saji is guaranteed a minimum amount of `40,000 as share of profit every year. Any deficiency arising on that account shall be met by Aji and Biji in the ratio of 4:1. The profits for two years ending 31st December 2017 and 2018 were `1,80,000 and `3,00,000 respectively. Prepare profit and loss appropriation account.

61. A,B and C entered into partnership on 1st Jan 2018 to share profits and losses in the ratio of 4:3:3.A however, personally guaranteed that C's share of profit after charging interest on capital @ 5 % p.a. would not be less than `40,000 in any year. The capital contributions were : A-`3,00,000, B `2,00,000 and C `1,50,000. The profits for the year ended 31st December 2018 were `1,60,000. Show the Profit and loss appropriation account.



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62. A, B and C entered into partnership on 1st Jan 2018 to share profits and losses in the ratio 5:3:2. A however, personally guaranteed that C's share of profits, after charging interest on capital @ 5 % p.a would not less than ₹36,000 in any year.

The capital was provided as follows:

A	₹2,00,000
B	₹1,50,000
C	₹1,00,000

The profit for the year ended 31st Dec.2018 amounted to ₹1,12,000 before providing interest on capital. Show Profit and Loss appropriation account.

63. The partners of a firm distributed the profits for the year ended 31st March, 2018 ₹3,00,000 equally without providing for the following adjustments:

57. A and C were entitled to a salary of ₹10,000 each per annum.
58. B was entitled to a commission of ₹10,000
59. A and C had guaranteed a minimum profit of ₹1,20,000 p.a. to B.
60. Profits were to be shared in the ratio of 2:2:1.

Pass necessary journal entries for the above adjustments in the books of the firm and Prepare Profit and Loss appropriation Account.

64. Three chartered Accountants X, Y and Z form a partnership, sharing profits and losses in the ratio 3:2:1 subject to the following conditions:

- (i) Z's share of profit is guaranteed to be not less than ₹30,000.
- (ii) Y gives a guarantee to the effect that the gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the preceding five years when he was carrying on the profession alone. (The average of which works out at ₹50,000).

The profits for the first year ended 31st March 2018 of the partnership are ₹1,50,000. The gross fee earned by Y for the firm are ₹32,000. Prepare Profit and loss appropriation account.

65. Three Advocates A, B and C formed a partnership, sharing profits and losses in the ratio 3:2:1 subject to the following conditions:

- (i) C's share of profit is guaranteed to be not less than ₹60,000.
- (ii) B gives a guarantee to the effect that the gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the preceding five years when he was carrying on the profession alone. (The average of which works out at ₹1,00,000).

The profits for the first year ended 31st March 2018 of the partnership are ₹3,00,000. The gross fee earned by Y for the firm are ₹64,000. Prepare Profit and loss appropriation account.

66. A, B, C and D are partners sharing profits and losses in the ratio 4:3:2:1. Their capitals as at 1st April 2017 were ₹3,00,000, ₹2,50,000, ₹1,50,000 and ₹1,00,000 respectively.



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D's share of profit excluding interest on capital has been guaranteed by the firm to be not less than `2,50,000. C's share of profits including interest on capital and salary guaranteed by A is not less than `2,60,000.

The profits for the year ended 31st March 2018 were `9,00,000 before interest on capital @10% and salary to C @ `10,000 per month. Prepare Profit and Loss appropriation account.

67. Archana, Suresh and Deepak are partners in a firm. On 1st April, 2017, the balance in their capital accounts stood at `6,00,000, `5,00,000 and `4,00,000 respectively. They share profits in the proportion 4:2:3. Partners are entitled to interest on capital @7% p.a and salary to Suresh @ `10,000 per quarter and a commission of `2,000 p.m to Depak as per the provisions of the deed.

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

Any deficiency arising on that account shall be met by Archana. The profits of the firm for the year ended 31st March, 2018 amounted to `2,59,000. Prepare profit and Loss Appropriation account.

68. Asha, Nisha and Jagat are partners in a firm. On 1st April, 2017, the balance in their capital accounts stood at `8,00,000, `6,00,000 and `4,00,000 respectively. They share profits in the proportion 3:2:1. Partners are entitled to interest on capital @6% p.a and salary to Asha @ `4,000 per month and a commission of `6,000 per quarter to Jagat as per the provisions of the deed.

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

Any deficiency arising on that account shall be met by Nisha. The profits of the firm for the year ended 31st March, 2018 amounted to `3,00,000. Prepare profit and Loss Appropriation account.

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

70. A,B and C are partners in a firm. A and B sharing profits in the ratio of 5:3 and C receiving a salary of `150 per month, plus a commission of 5% on the profits after charging such salary and commission, or 1/5th of the profits of the firm, whichever is larger. Any excess of the latter over the former is, under the Partnership agreement, to be borne personally by A. The profit for the year ended 31st March, 2018 amounted to `10,710 after charging C's Salary. Prepare Profit and Loss appropriation a/c.



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71. A, B and C are partners in a firm. A and B sharing profits in the ratio of 5:3 and C receiving a salary of ₹300 per month, plus a commission of 5% on the profits after charging such salary and commission, or $\frac{1}{5}$ th of the profits of the firm, whichever is larger. Any excess of the latter over the former is, under the Partnership agreement, to be borne personally by B. The profit for the year ended 31st March, 2018 amounted to ₹21,420 after charging C's Salary. Prepare Profit and Loss appropriation a/c.
72. Abdul, Kadir and Kasim were partners in a firm supplying food items. They were sharing profits in the ratio of 5:3:2. Their capitals on 1st April, 2017 were ₹1,00,000, ₹1,50,000 and ₹3,00,000 respectively. After the floods in Uttaranchal, all partners decide to personally help the flood victims. For this Abdul withdrew ₹20,000 from the firm on 1st September 2017, Kadir instead of withdrawing cash from the firm took some food items amounting to ₹24,000 from the firm and distributed to the flood victims. On the other hand, Kasim withdrew ₹1,00,000 from his capital on 1st January 2018 and provided a Medical van for medical facilities in the flood affected areas. The Partnership deed provides for charging interest on drawings @6% p.a. After the final accounts were prepared, it was discovered that interest on drawings had not been charged. Give two values that the partners wanted to communicate to the society. Pass adjusting journal entry.
73. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio 3:3:4. Their Partnership deed provided for the following:
- Interest on Capital @5% p.a
 - Interest on drawings @12% p.a
 - Interest on Partner's loan @6% p.a
 - Moli was allowed an annual salary of ₹4,000. Bhola was allowed a commission of 10% of Net Profit as shown by Profit and Loss account and Raj was guaranteed a profit of ₹1,50,000 after making all the adjustments as provided in the Partnership agreement.
- Their fixed capitals were Moli: ₹5,00,000; Bhola; ₹8,00,000 and Raj; ₹4,00,000. On 1st April, 2016, Bhola extended a loan of ₹1,00,000 to the firm. The Net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was ₹3,06,000.
- Prepare Profit and Loss appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their current accounts assuming that Bhola withdrew ₹5,000 at the end of each month, Moli withdrew ₹10,000 at the end of each quarter and Raj withdrew ₹40,000 at the end of each half year.
74. Chandini, Bhavya and Mokshita were partners in a firm sharing profits and losses in the ratio 3:3:4. Their Partnership deed provided for the following:
- Interest on Capital @5% p.a
 - Interest on drawings @12% p.a
 - Interest on Partner's loan @6% p.a



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(iv) Chandini was allowed an annual salary of ₹8,000. Bhavya was allowed a commission of 10% of Net Profit as shown by Profit and Loss account and Mokshita was guaranteed a profit of ₹3,00,000 after making all the adjustments as provided in the Partnership agreement. Their fixed capitals were Chandini: ₹10,00,000; Bhavya; ₹16,00,000 and Mokshita; ₹8,00,000. On 1st April, 2016, Bhavya extended a loan of ₹2,00,000 to the firm. The Net profit of the firm for the year ended 31st March, 2017 before interest on Bhavya's loan was ₹6,12,000. Prepare Profit and Loss appropriation Account of Chandini, Bhavya and Mokshita for the year ended 31st March, 2017 and their current accounts assuming that Bhavya withdrew ₹10,000 at the end of each month, Chandini withdrew ₹20,000 at the end of each quarter and Mokshita withdrew ₹80,000 at the end of each half year.

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