ACCOUNTS

NCERT - NCERT ACCOUNTS(HINGLISH)

ACCOUNTING FOR PARTNERSHIP : BASIC CONCEPTS

Illustration 1

1. Sameer and Yasmin are partners with capital of Rs.15,00,000 and Rs. 10,00,000 respectively.

They agree to share profits in the ratio of 3:2

Show how the following transactions will be recorded in the capital accounts of the partners in

(i) the capitals are fixed, and (ii) the capitals are fluctuating. The books are closed on March 31, every year.

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Illustration 2

1. Amit, Babu and Charu set up a partnership firm on April 1, 2015. They contributed Rs. 50,000, Rs. 40,000 and Rs. 30,000, respectively as their capitals and agreed to share profits and losses in the ratio of 3:2:1. Amit is to be paid a salary of Rs. 1,000 per month and Babu, a Commission of Rs. 5,000.

It is also provided that interest to be allowed on capital at 6%p.a. The drawings for the year were Amit Rs. 6,000, Babu Rs. 4,000 and Charu Rs. 2,000. Interest on drawings of Rs. 270 was charged on Amit's drawings, Rs. 180 on Babu's drawings and Rs. 90, on Charu's drawings. The net profit as per Profit and Loss Account for the year ending March 31,2015 was Rs. 35,660. Prepare the Profit and Loss Appropriation Account to show the distribution of profit among the partners.

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Illustration 3

1. Amitabh and Babul are partners sharing profits in the ratio of 3:2, with capitals of Rs.

50,000 and Rs. 30,000 respectively. Interest on capital is agreed @ 6% p.a. Babul is to be allowed an annual salary of Rs. 2.500. During the year 2016-17, the profits prior to the calculation of interest on capitall but after charging Babul's salary amounted to Rs. 12,500. A provision of 5% of the profit is to be made in respect of commission to the Manager.

Prepare Profit and Loss Appropriation account showing the distribution of profit and the partners' capital accounts for the year ending March 31, 2017.

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Illustration 4

1. Saloni and Srishti are partners in a firm. Their capital accounts as on April 01. 2016 showed a balance of Rs. 2,00,000 and Rs.3,00,000 respectively. On July 01, 2016, Saloni introduced additional capital of Rs.50,000 and Srishti, Rs. 60,000. On October 01 Saloni withdrew Rs. 30,000, and on January 01, 2016 Srishti withdraw, Rs. 15,000 from their capitals. Interest is allowed @ 8% p.a. Calculate interest payable on capital to both the partners during the financial year 2016-2017.

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Illustration 5

1. Josh and Krish are partners sharing profits and losses in the ratio of 3:1. Their capitals at the end of the financial year 2015-2016 were Rs. 1,50,000 and Rs. 75,000. During the year 2015-2016, Josh's drawings were Rs. 20,000 and the drawings of Krish were Rs. 5,000, which had been duly debited to partner's capital accounts. Profit before charging interest on capital for the year was Rs. 16,000. The same had also been debited in their profit sharing ratio. Krish had brought additional capital of Rs. 16,000 on October 1, 2015. Calculate interest on capital @ 12% p.a. for the year 2015-2016

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Illustration 6

1. Anupam and Abhishek are partners sharing profits and losses in the ratio of 3 : 2. Their capital accounts showed balances of Rs. 1,50,000 and Rs. 2,00,000 respectively on Jan 01, 2017. Show the treatment of interest on capital for the year ending December 31, 2017 in each of the following alternatives:

(a) If the partnership deed is silent as to the payment of interest on capital and the profit for the year is Rs. 50,000,

(b) If partnership deed provides for interest on capital @ 8% p.a. and the firm incurred a loss of Rs. 10,000 during the year,

(c) If partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of Rs. 50,000 during the year,

(d) If the partnership deed provides for interest on capital @ 8% p.a. and the firm earned a profit of Rs. 14,000 during the year.

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Illustration 7

1. John Ibrahm, a partner in Modern Tours and Travels withdrew money during the year ending March 31, 2017 from his capital account, for his personal use. Calculate interest in drawings in each of the following alternative situations, if rate of interest is 9 per cent per annum.

(a) If he withdrew Rs. 3,000 per month at the beginning of the month.

(b) If an amount of Rs. 3,000 per month was withdrawn by him at the end of each month.

(c) If the amounts withdrawn were : Rs. 12,000 on June 01, 2016, Rs. 8,000, on August 31, 2016, Rs. 3,000, on September 30, 2016, Rs. 7,000, on November 30, 2016, and Rs. 6,000 on January 31, 2017.

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Illustration 8

1. Manu, Harry and Ali are partners in a firm sharing profits and losses equally. Harry and Ali withdrew the following amounts from the firm, for their personal use, during 2015.

Date	Harry (Rs.)	Ali (Rs.)
2015		
January, 01	5,000	7,000
April, 01	8,000	4,000
September, 01	5,000	5,000
December, 01	4,000	9,000

Calculate interest on drawings if the rate of interest to be charged is 10 per cent, and the books are closed on December 31 every year.

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Illustration 9

1. Mohit and Rohan share profits and losses in the ratio of 2:1. They admit Rahul as partner with 1/4 share in profits with a guarantee that his share of profit shall be at least Rs. 50,000. The net profit of the firm for the year ending March 31, 2015 was Rs. 1,60,000. Prepare Profit and Loss Appropriation Account.

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Illustration 10

1. John and Mathew share profits and losses in the ratio of 3:2. They admit Mohanty into their firm to 1/6 share in profits. John personally guaranteed that Mohanty's share of profit, after charging interest on capital @ 10 per cent per annum would not be less than Rs. 30,000 in any year. The capital provided was as follows: John Rs. 2,50,000, Mathew Rs. 2,00,000 and Mohanty Rs. 1,50,000. The profit for the year ending March 31,2015 amounted to Rs. 1,50,000 before providing interest on capital. Show the Profit & Loss Appropriation Account if new profit sharing ratio is 3:2:1.

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Illustration 11

1. Mahesh and Dinesh share profits and losses in the ratio of 2:1. From January 01, 2014 they admit Rakesh into their firm who is to be given a share of 1/10 of the profits with a guaranteed minimum of Rs. 25,000. Mahesh and Dinesh continue to share profits as before but agree to bear any deficiency on account of guarantee to Rakesh in the ratio of 3:2 respectively. The profits of the firm for the year ending

December 31, 2015 amounted to Rs. 1,20,000. Prepare Profit and Loss Appropriation Account.

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Illustration 12

1. Nusrat, Sonu and Himesh are partners sharing profits and losses in the ratio of 5 : 3 : 2. The partnership deed provides for charging interest on drawing's @ 10% p.a. The drawings of Nusrat, Sonu and Himesh during the year ending December 2015 amounted to Rs. 20,000, Rs. 15,000 and Rs. 10,000 respectively. After the final accounts have been prepared, it was discovered that interest on drawings has not been taken into consideration. Give necessary adjusting journal entry.

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Illustration 13

1. Kapil and Vineet were partners sharing profits and losses in the ratio of 3:2. The following balances were extracted from the books of account for the year ended March 31, 2017.

	Debit Amount (Rs.)	Credit Amount (Rs.)
Capitals		
Kapil	—	60,000
Vineet	—	50,000
Current accounts (on April 01, 2013)		2,800
Kapil	—	
Vineet	—	1,600
Drawings:		—
Kapil	12,000	—
Vineet	8,000	—
Stock as on 1.4.2016	11,000	
Purchases and Sales	54,000	80,000
Returns	2,000	1,500
Wages	2,500	—
Salaries	4,000	—
Printing and Stationery	500	—
Bills receivables	12,000	—
Bills payables	—	2,000
Debtors and Creditors	36,000	8,000
Discounts	1,200	1,500
Rent and Rates	800	—
Bad debts	1,400	—
Insurance	400	—
Postage and Telegrams	300	—
Salesman's commission	3,400	—
Land and Building	24,000	—
Plant and Machinery	20,000	—
Furniture	13,500	—
Overdraft	—	2,000
Trade expenses	400	—
Cash in hand	500	—
Cash at bank	1,500	—
	2,09,400	**2,09,400**

Prepare the final accounts for the year ended March 31, 2017 firm taking into consideration the following:

(a) Stock on March 31, 2017 was Rs. 18,000 ,

(b) Provision for doubtful debts is to be provided at $5\,\%$ on debtors,

(c) Outstanding salaries were Rs. 1,000,

(d) Goods worth Rs. 8,000 were destroyed by fire on December 10, 2016. The Insurance Company agreed to pay Rs. 7,000 in full settlement of the claim,

(e) Interest on capitals is allowed at$6\,\%$ per annum and interest on drawings is also charged at 6% per annum,

(f) Kapil is entitled to a Salary of Rs. 1,200 per annum,

(g) Write-off Land and buildings at 5%, Furniture at 10% and Plant and Machinery at 15%.

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Test Your Understanding I

1. Mohan and Shyam are partners in a firm. State whether the claim is valid if the partnership agreement is silent in the following matters:

(i) Mohan is an active partner. He wants a salary of Rs. 10,000 per year,

(ii) Shyam had advanced a loan to the firm. He claims interest @ 10% per annum,

(iii) Mohan has contributed Rs. 20,000 and Shyam Rs. 50,000 as capital. Mohan wants equal share in profits.

(iv) Shyam wants interest on capital to be credited @ 6% per annum.

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2. State whether the following statements are true or false:

(i) Valid partnership can be formulated even without a written agreement between the partners,

(ii) Each partner carrying on the business is the principal as well as the agent for all the other partners,

(iii) Maximum number of partners can be 50,

(iv) Methods of settlement of dispute among the partners can’t be part of the partnership deed,

(v) If the deed is silent, interest at the rate of 6% p.a. would be charged on the drawings made by the partner,

(vi) Interest on partner’s loan is to be given @ 12% p.a. if the deed is silent about the rate.

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Test Your Understanding Ii

1. Raju and Jai commenced business in partnership on April 1, 2017. No partnership agreement was made whether oral or written. They contributed Rs. 4,00,000 and Rs. 1,00,000 respectively as capitals. In addtion, Raju advanced Rs. 2,00,000 as loan to the firm on October 1, 2017. Raju met with an accident on July 1, 2017 and could not attend the business up to september 30, 2017. The profit for the year ended March 31, 2018 amounted to Rs, 50,600. Disputes have arisen between them on sharing the profits of the firm.

Raju Claims:

(i) He should be given interest at $10\,\%$ p.a. on capital and so also on loan.

(ii) Profit should he distributed in the proportion of capitals.

Jai Claims:

(i) Net profit should be shared equally.

(ii) He should be allowed remuneration of Rs, 1,000 p.a. during the period of Raju’s illness.

(iii) Interest on capital and loan should be given @ 6% p.a.

State the correct position on each issue as per the provisions of the Partnership Act. 1932.

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2. Reena and Raman are partners with capitals of Rs. 3,00,000 and Rs. 1,00,000 respectively. The profit (as per Profit and Loss Account) for the year ended March 31, 2017 was Rs. 1,20,000. Interest on capital is to be allowed at 6% p.a. Raman was entitled to a salary of Rs. 30,000 p.a. The drawings of partners were Rs. 30,000 and 20,000. The interest on drawings to be charged to Reena was Rs. 1,000 and to Raman, Rs. 500.

Assuming that Reena and Raman are equal partners. State their share of profit after necessary appropriations.

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Test Your Understanding Iii

1. Rani and Suman are in partnership with capitals of Rs, 80,000 and Rs. 60,000, respectively. During the year 2015-16, Rani withdrew Rs. 10,000 from her capital and Suman Rs. 15,000. Profits before charging interest on capital was Rs. 50,000. Ravi and Suman shared profits in the ratio of 3:2. Calculate the amounts of interest on their capitals @ 12% p.a. for the year ended March 31, 2016.

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2. Priya and Kajal are partners in a firm, sharing profits and losses in the ratio of 5:3. The balance in their fixed capital accounts, on April 1, 2016 were: Priya, Rs. 6,00,000 and Kajal, Rs. 8,00,000. The profit of the firm for the year ended 2017 is Rs, 1,26,000. Calculate their shares of profits: (a) when there is no agreement in respect of interest on capital, and (b) when there is an agreement that the interest on capital will be allowed @ 12% p.a.

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Short Answer Questions

1. Define Partnership Deed.

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2. Why it is considered desirable to make the partnership agreement in writing.

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3. List the items which may be debited or credited in capital accounts of the partners when:

(i) Capitals are fixed.

(ii) Capital are fluctuating.

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4. Why is Profit and Loss Adjustment Account prepared? Explain.

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5. Give two circumstances under which the fixed capitals of partners may change.

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6. If a fixed amount is withdrawn on the first day of every quarter, for what period the interest on total amount withdrawn will be calculated?

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7. In the absence of Partnership deed, specify the rules relating to the following :

(i) Sharing of profits and losses.

(ii) Interest on partner's capital.

(iii) Interest on Partner's drawings.

(iv) Interest on Partner's loan

(v) Salary to a partner.

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Long Answer Questions

1. What is partnership? What are its chief characteristics? Explain.

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2. Discuss the main provisions of the Indian Partnership Act 1932 that are relevant to partnership accounts if there is no partnership deed.

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3. Explain why it is considered better to make a partnership agreement in writing.

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4. Illustrate how interest on drawings will be calculated under various situations.

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5. How will you deal with a change in profit sharing ratio among existing partners? Take imaginary figures to illustrate your answer?

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Numerical Questions

1. Triphati and Chauhan are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were Rs.60,000 and Rs.40,000 as on January 01, 2015. During the year they earned a profit of Rs. 30,000. According to the partnership deed both the partners are entitled to Rs. 1,000 per month as salary and 5% interest on their capital. They are also to be charged an interest of 5% on their drawings, irrespective of the period, which is Rs. 12,000 for Tripathi, Rs. 8,000 for Chauhan. Prepare Partner's Accounts when, capitals are fixed.

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2. Anubha and Kajal are partners of a firm sharing profits and losses in the ratio of 2:1.

Their capital, were Rs.90,000 and Rs.60,000. The profit during the year were Rs. 45,000. According to partnership deed, both partners are allowed salary, Rs. 700 per month to Anubha and Rs. 500 per month to Kajal. Interest allowed on capital @ 5% p.a. The drawings at the end of the period were Rs. 8,500 for Anubha and Rs. 6,500 for Kajal. Interest is to be charged @ 5% p.a. on drawings. Prepare partners capital accounts, assuming that the capital account are fluctuating.

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3. Harshad and Dhiman are in partnership since April 01, 2016. No Partnership agreement was made. They contributed Rs. 4,00,000 and 1,00,000 respectively as capital. In addition, Harshad advanced an amount of Rs. 1,00,000 to the firm, on October 01, 2016. Due to long illness, Harshad could not participate in business activities from August 1, to September 30, 2016. The profits for the year ended March 31, 2017 amounted to Rs. 1,80,000.

Dispute has arisen between Harshad and

Dhiman.

Harshad Claims:

(i) he should be given interest @ 10% per annum on capital and loan,

(ii) Profit should be distributed in proportion of capital,

Dhiman Claims:

(i) Profits should be distributed equally,

(ii) He should be allowed Rs. 2,000 p.m. as remuneration for the period he managed the business, in the absence of Harshad,

(iii) Interest on Capital and loan should be allowed @ 6% p.a.

You are required to settle the dispute between Harshad and Dhiman. Also prepare Profit and Loss Appropriation Account.

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4. Aakriti and Bindu entered into partnership for making garment on April 01, 2016 without any Partnership agreement. They introduced Capitals of Rs. 5,00,000 and Rs. 3,00,000 respectively on October 01, 2016. Aakriti Advanced. Rs, 20,000 by way of loan to the firm without any agreement as to interest. Profit and Loss account for the year ended March 31 2017 showed profit of Rs, 43,000. Partners could not agree upon the question of interest and the basis of division of profit.

You are required to divide the profits between them giving reason for your solution.

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5. Rakhi and Shikha are partners in a firm, with capitals of Rs. 2,00,000 and Rs, 3,00,000 respectively. The profit of the firm, for the year ended 2016-17 is Rs. 23,200. As per the Partnership agreement, they share the profit in their capital ratio, after allowing a salary of Rs. 5,000 per month to Shikha and interest on Partner's capital at the rate of 10% p.a. During the year Rakhi withdrew Rs. 7,000 and Shikha Rs. 10,000 for their personal use. As per partnership deed, salary and interest are caption treated as charged. You are required to prepare Profit and Loss Account and Partner's Capital Accounts.

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6. Lokesh and Azad are partners sharing profits in the ratio 3:2, with capitals of Rs. 50,000 and 30,000, respectively. Interest on capital is agreed to be paid @ 6% p.a. Azad is allowed a salary of Rs. 2,500 p.a. During 2016, the profits prior to the calculation of interest on capital but after charging Azad's salary amounted to Rs. 12,500. A provision of $5\,\%$ of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts.

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7. The partnership agreement between Maneesh and Girish provides that:

(i) Profits will be shared equally,

(ii) Maneesh will be allowed a salary of Rs. 400 p.m,

(iii) Girish who manages the sales department will be allowed a commission equal to 10% of the net profits, after allowing Maneesh's salary,

(iv)7% interest will be allowed on partner's fixed capital, (v)5% interest will be charged on partner's annual drawings,

(vi) The fixed capitals of Maneesh and Girish are Rs. 1,00,000 and Rs. 80,000, respectively. Their annual drawings were Rs. 16,000 and 14,000, respectively. The net profit for the year ending March 31, 2015 amounted to Rs. 40,000,

Prepare firm's Profit and Loss Appropriation Account.

8. Ram, Raj and George are partners sharing profits in the ratio 5 : 3 : 2. According to the partnership agreement George is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year 2013 amounted to Rs, 40,000. Prepare the Profit and Loss Appropriation Account.

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9. Amann, Babita and Suresh are partners in a firm. Their profit sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of Rs. 10,000 as share of profit, every year. Any deficiency on that account shall be met by Babita. The profits for two years ending March 31, 2016 and March 31, 2017 were Rs. 40,000 and Rs. 60,000, respectively. Prepare the Profit and Loss Appropriation Account for the two years.

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10. 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, 2017 shows a net profit of Rs. 1,50,000. Prepare the Profit and Loss Appropriation Account by taking into consideration the following information:

(i) Partners capital on April 1, 2016, Simmi, Rs. 30,000, Sonu, Rs. 60,000,

(ii) Current accounts balances on April 1, 2016, Simmi, Rs. 30,000 (cr.), Sonu, Rs. 15,000 (cr.),

(iii) Partners drawings during the year amounted to Simmi, Rs. 20,000, Sonu, Rs. 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 of six months,

(vi) Partners' salaries : Simmi Rs. 12,000 and Sonu Rs. 9,000. Also show the partners' current accounts.

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11. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs. 80,000 and Rs. 60,000 respectively. The firm started business on April 1, 2016. According to the partnership agreement, interest on capital and drawings are 12% and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs. 2,000 and Rs. 3,000, respectively.

The profits for year ended March 31, 2017 before making above appropriations was Rs. 1,00,300. The drawings of Ramesh and Suresh were Rs. 40,000 and Rs. 50,000, respectively. Interest on drawings amounted to Rs. 2,000 for Ramesh and Rs. 2,500 for Suresh. Prepare Profit and Loss Appropriation Account and partners' capital accounts, assuming that their capitals are fluctuating.

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12. Sukesh and Vanita were partners in a firm. Their partnership agreement provides that:

(i) Profits would be shared by Sukesh and Vanita in the ratio of 3:2,

(ii)5% interest is to be allowed on capital,

(iii) Vanita should be paid a monthly salary of Rs. 600. The following balances are extracted from the books of the firm, on March 31, 2017.

	Sukesh (Rs.)	Vanita (Rs.)
Capital Accounts	40,000	40,000
Current Accounts	(Cr.) 7,200	(Cr.) 2,800
Drawings	10,850	8,150

Net profit for the year, before charging interest on capital and after charging partner's salary was Rs. 9,500. Prepare the Profit and Loss Appropriation Account and the Partner's Current Accounts.

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13. Rahul, Rohit and Karan started partnership business on April 1, 2016 with capitals of Rs. 20,00,000, Rs. 18,00,000 and Rs. 16,00,000, respectively.

The profit for the year ended March 2017 amounted to Rs.1,35,000 and the partner's drawings had been Rahul Rs. 50,000, Rohit Rs. 50,000 and Karan Rs. 40,000. The profits are distributed among partner's in the ratio of 3:2:1. Calculate the interest on capital @ 5% p.a.

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14. Sunflower and Pink Rose started partnership business on April 01, 2016 with capitals of Rs. 2,50,000 and Rs.1,50,000, respectively. On October 01, 2016, they decided that their capitals should be Rs. 2,00,000 each. The necessary adjustments in the capitals are made by introducing or withdrawing cash. Interest on capital is to be allowed @ 10% p.a. Calculate interest on capital as on March 31, 2017.

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15. On March 31, 2017 after the close of accounts, the capitals of Mountain, Hill and Rock stood in the books of the firm at Rs. 4,00,000,Rs.3,00,000 and Rs. 2,00,000, respectively. Subsequently, it was discovered that the interest on capital @ 10% p.a. had been omitted. The profit for the year amounted to Rs. 1,50,000 and the partner's drawings had been Mountain: Rs. 20,000, Hill Rs. 15,000 and Rock Rs. 10,000.

Calculate interest on capital.

16. Following is the extract of the Balance Sheet of, Neelkant and Mahdev as on March 31, 2017:

Balance Sheet as at March 31, 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Neelkant's Capital	10,00,000	Sundry Assets	30,00,000
Mahadev's Capital	10,00,000		
Neelkant's Current Account	1,00,000		
Mahadev's Current Account	1,00,000		
Profit and Loss Apprpriation (March 2017)	8,00,000		
	30,00,000		30,00,000

During the year Mahadev's drawings were Rs. 30,000. Profits during 2016-17 is Rs. 10,00,000. Calculate interest on capital @ 5% p.a for the year ending March 31, 2017.

17. Rishi is a partner in a firm. He withdrew the following amounts during the year ended March 31, 2017.

May 01, 2017	Rs. 12,000
July 31, 2017	Rs. 6,000
September 30, 2017	Rs. 9,000
November 30, 2017	Rs. 12,000
January 01, 2018	Rs. 8,000
March 31, 2018	Rs. 7,000

Interest on drawings is charged @ 9% p.a.

Calculate interest on drawings

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18. The capital accounts of Moli and Golu showed balances of Rs.40,000 and Rs. 20,000 as on April 01, 2016. They shared profits in the ratio of 3:2. They allowed interest on capital @ 10% p.a. and interest on drawings, @ 12 p.a. Golu advanced a loan of Rs. 10,000 to the firm on August 01, 2016.

During the year, Moli withdrew Rs. 1,000 per month at the beginning of every month whereas Golu withdrew Rs. 1,000 per month at the end of every month. Profit for the year, before the above mentioned adjustments was Rs.20,950. Calculate interest on drawings show distribution of profits and prepare partner's capital accounts.

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19. Rakesh and Roshan are partners, sharing profits in the ratio of 3:2 with capitals of Rs. 40,000 and Rs. 30,000, respectively. They withdrew from the firm the following amounts, for their personal use:

Rakesh	Month	Rs.
	May 31,2016	600
	June 30,2016	500
	August 31,2016	1,000
	November 1,2016	400
	December 31,2016	1,500
	January 31,2017	300
	March 01,2017	700
Rohan	At the beginning of each month	400

Interest is to be charged @ 6% p.a. Calculate interest on drawings, assuming that book of accounts are closed on March 31, 2017, every year.

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20. Himanshu withdrews Rs. 2,500 at the end Month of each month. The Partnership deed provides for charging the interest on drawings @ 12% p.a. Calculate interest on Himanshu's drawings for the year ending 31st December, 2017

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21. Bharam is a partner in a firm. He withdraws Rs. 3,000 at the starting of each month for 12 months. The books of the firm closes on March

31 every year.

Calculate interest on drawings if the rate of interest is 10% p.a.

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22. Raj and Neeraj are partners in a firm. Their capitals as on April 01, 2017 were Rs. 2,50,000 and Rs. 1,50,000, respectively. They share profits equally. On July 01, 2017, they decided that their capitals should be Rs. 1,00,000 each. The necessary adjustment in the capitals were made by introducing or withdrawing cash by the partners'. Interest on capital is allowed @ 8% p.a. Compute interest on capital for both the partners for the year ending on March 31, 2018.

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23. Amit and Bhola are partners in a firm. They share profits in the ratio of 3:2. As per their partnership agreement, interest on drawings is to be charged @ 10% p.a. Their drawings during 2017 were Rs. 24,000 and Rs. 16,000, respectively.

Calculate interest on drawings based on the assumption that the amounts were withdrawn evenly, throughout the year.

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24. Harish is a partner in a firm. He withdrew the following amounts during the year 2017 :

	$Rs.$
February 01	4,000
May 01	10,000
June 30	4,000
October 31	12,000
December 31	4,000

Interest on drawings is to be charged @ 7½ % p.a.

Calculate the amount of interest to be charged on Harish's drawings for the year ending December 31, 2017.

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25. Menon and Thomas are partners in a firm. They share profits equally. Their monthly drawings are Rs. 2,000 each. Interest on drawings is to be charged @ 10% p.a. Calculate interest on Menon's drawings for the year 2006, assuming that money is withdrawn: (i) in the beginning of every month, (ii) in the middle of every month, and (iii) at the end of every month.

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26. On March 31, 2017, after the close of books of accounts, the capital accounts of Ram, Shyam and Mohan showed balance of Rs. 24,000 Rs. 18,000 and Rs. 12,000, respectively. It was later discovered that interest on capital @ 5% had been omitted. The profit for the year ended March 31, 2017, amounted to Rs. 36,000 and the partner's drawings had been Ram, Rs. 3,600, Shyam, Rs. 4,500 and Mohan, Rs. 2,700. The profit sharing ratio of Ram, Shyam and Mohan was 3:2:1. Calculate interest on capital.

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27. Amit, Sumit and Samiksha are in partnership sharing profits in the ratio of 3:2:1. Samiksha' share in profit has been guaranteed by Amit and Sumit to be a minimum sum of Rs. 8,000. Profits for the year ended March 31, 2017 was Rs. 36,000. Divide profit among the partners.

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28. Pinki, Deepati and Kaku are partner's sharing profits in the ratio of 5:4:1. Kaku is given a guarantee that his share of profits in any given year would not be less than Rs. 5,000. Deficiency, if any, would be borne by Pinki and Deepti equally. Profits for the year amounted to Rs. 40,000. Record necessary journal entries in the books of the firm showing the distribution of profit.

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29. Abhay, Siddharth and Kusum are partners in a firm, sharing profits in the ratio of 5:3:2.

Kusum is guaranteed a minimum amount of Rs. 10,000 as per share in the profits. Any deficiency arising on that account shall be met by Siddharth. Profits for the years ending March 31, 2016 and 2017 are Rs. 40,000 and 60,000 respectively. Prepare Profit and Loss Appropriation Account.

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30. Radha, Mary and Fatima are partners sharing profits in the ratio of 5:4:1. Fatima is given a guarantee that her share of profit, in any year will not be less than Rs. 5,000. The profits for the year ending March 31, 2017 amounts to Rs. 35,000. Shortfall if any, in the profits guaranteed to Fatima is to be borne by Radha and Mary in the ratio of 3:2. Record necessary journal entry to show distributioin of profit among partner.

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31. X, Y and Z are in Partnership, sharing profits and losses in the ratio of 3 : 2 : 1, respectively. Z's share in the profit is guaranteed by X and Y to be a minimum of Rs. 8,000. The net profit for the year ended March 31, 2017 was Rs. 30,000. Prepare Profit and Loss Appropriation Account, indicating the amount finally due to each partner.

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32. Arun, Boby and Chintu are partners in a firm sharing profit in the ratio or 2:2:1. According to the terms of the partnership agreement, Chintu has to get a minimum of Rs. 60,000, irrespective of the profits of the firm. Any Deficiency to Chintu on Account of such guarantee shall be borne by Arun. Prepare the profit and loss appropriation account showing distribution of profits among partners in case the profits for year 2015 are: (i) Rs. 2,50,000, (ii) 3,60,000.

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33. Ashok, Brijesh and Cheena are partners sharing profits and losses in the ratio of 2 : 2 : 1. Ashok and Brijesh have guaranteed that Cheena share in any year shall be less than Rs. 20,000. The net profit for the year ended March 31, 2017 amounted to Rs. 70,000. Prepare Profit and Loss Appropriation Account.

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34. Ram, Mohan and Sohan are partners with capitals of Rs. 5,00,000, Rs. 2,50,000 and 2,00,000 respectively. After providing interest on capital @ 10% p.a. the profits are divisible as follows:

Ram ½ , Mohan $1/3$ and Sohan $1/6$. But Ram and Mohan have guaranteed that Sohan's share in the profit shall not be less than Rs. 25,000, in any year.

The net profit for the year ended March 31, 2017 is Rs. 2,00,000, before charging interest on capital.

You are required to show distribution of profit.

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35. Amit, Babita and Sona form a partnership firm, sharing profits in the ratio of 3 : 2 : 1, subject to the following :

(i) Sona's share in the profits, guaranteed to be not less than Rs. 15,000 in any year.

(ii) Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the proceeding five years, when she was carrying on profession alone (which is Rs. 25,000). The net profit for the year ended March 31, 2017 is Rs. 75,000. The gross fee earned by Babita for the firm was Rs. 16,000.

You are required to show Profit and Loss Appropriation Account (after giving effect to the alone).

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36. The net profit of X, Y and Z for the year ended March 31, 2016 was Rs. 60,000 and the same was distributed among them in their agreed ratio of 3 : 1 : 1. It was subsequently discovered that the under mentioned transactions were not recorded in the books :

(i) Interest on Capital @ 5% p.a.

(ii) Interest on drawings amounting to X Rs. 700, Y Rs. 500 and Z Rs. 300.

(iii) Partner's Salary : X Rs. 1000, Y Rs. 1500 p.a.

The capital accounts of partners were fixed as :

X Rs. 1,00,000, Y Rs. 80,000 and Z Rs. 60,000. Record the adjustment entry.

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37. The firm of Harry, Porter and Ali, who have been sharing profits in the ratio of 2 : 2 : 1, have existed for same years. Ali wants that he should get equal share in the profits with Harry and Porter and he further wishes that the change in the profit sharing ratio should come into effect retrospectively were for the last three year. Harry and Porter have agreement on this account.

The profits for the last three years were:

	(Rs.)
2014 – 15	22,000
2015 – 16	24,000
2016 – 17	29,000

Show adjustment of profits by means of a single adjustment journal entry.

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38. Mannu and Shristhi are partners in a firm sharing profit in the ratio of 3 : 2. Following is the balance sheet of the firm as on March 31, 2017.

Balance Sheet as at March 31, 2017

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Mannu's Capital	30,000		Drawings :		
Shristhi's Capital	10,000	40,000	Mannu	4,000	
			Shristhi	2,000	6,000
			Other Assets		34,000
		40,000			**40,000**

Profit for the year ended March 31, 2017 was Rs. 5,000 which was divided in the agreed ratio, but interest @ 5% p.a. on capital and @ 6% p.a. on drawings was inadvertently enquired. Adjust interest on drawings on an average basis for 6 months. Give the adjustment entry.

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39. On March 31, 2017 the balance in the capital accounts of Eluin, Monu and Ahmed, after making adjustments for profits, drawing, etc, were Rs. 80,000, Rs. 60,000 and Rs. 40,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted.

The partners were entitled to interest on capital @ 5% p.a. The drawings during the year were Eluin Rs. 20,000, Monu, Rs. 15,000 and Ahmed, Rs. 9,000.

Interest on drawings chargeable to partners were Eluin Rs, 500, Monu Rs. 360 and Ahmed Rs. 200. The net profit during the year amounted to Rs. 1,20,000.

The profit sharing ratio was 3 : 2 : 1. Record necessary adjustment entries.

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40. Azad and Benny are equal partners. Their capitals are Rs. 40,000 and Rs. 80,000, respectively. After the accounts for the year have been prepared it is discovered that interest at 5% p.a. as provided in the partnership agreement, has not been credited to the capital accounts before distribution of profits. It is decided to make an adjustment entry at the beginning of the next year. Record the necessary journal entry.

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41. Kavita and Pradeep are partners, sharing profits in the ratio of 3 : 2. They employed Chandan as their manager, to whom they paid a salary of Rs. 750 p.m. Chandan deposited Rs. 20,000 on which interest is payable @ 9% p.a. At the end of 2017 (after the division of profit), it was decided that Chandan should be treated as partner w.e.f. Jan. 1, 2014 with $1/6$ th share in profits. His deposit being considered as capital carrying interest @ 6% p.a. like capital of other partners. Firm's profits after allowing interest on capital were as follows:

		(Rs.)
2014	Profit	59,000
2015	Profit	62,000
2016	Loss	(4,000)
2017	Profit	78,000

Record the necessary journal entries to give effect to the above.

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42. Mohan, Vijay and Anil are partners, the balance on their capital accounts being Rs. 30,000, Rs. 25,000 and Rs. 20,000 respectively. In arriving at these figures, the profits for the year ended March 31, 2017 amounting to Rupees 24,000 had been credited to partners in the proportion in which they shared profits.

During the tear their drawings for Mohan, Vijay and Anil were Rs. 5,000, Rs. 4,000 and Rs. 3,000, respectively. Subsequently, the following omissions were noticed:

(a) Interest on Capital, at the rate of 10% p.a., was not charged.

(b) Interest on Drawings: Mohan Rs. 250, Vijay Rs. 200, Anil Rs. 150 was not recorded in the books.

Record necessary corrections through journal entries.

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43. Anju, Manju and Mamta are partners whose fixed capitals were Rs. 10,000, Rs. 8,000 and Rs. 6,000, respectively. As per the partnership agreement, there is a provision for allowing interest on capitals @ 5% p.a. but entries for the same have not been made for the last three years. The profit sharing ratio during there years remained as follows:

Year	Anju	Manju	Mamta
2014	4	3	5
2015	3	2	1
2016	1	1	1

Make necessary and adjustment entry at the beginning of the fourth year i.e. Jan. 2015.

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44. Dinker and Ravinder were partners sharing profits and losses in the ratio of 2:1. The following balances were extracted from the books of account, for the year ended December 31, 2017.

Account Name	Debit Amount (Rs.)	Credit Amount (Rs.)
Capital		
Dinker		2,35,000
Ravinder		1,63,000
Drawings		
Dinker	6,000	
Ravinder	5,000	
Opening Stock	35,100	
Purchases and Sales	2,85,000	3,75,800
Carriage inward	2,200	
Returns	3,000	2,200
Stationerry	1,200	
Wages	12,500	
Bills receivables and Bills payables	45,000	32,000
Discount	900	400
Salaries	12,000	
Rent and Taxes	18,000	
Insurance premium	2,400	
Postage	300	
Sundry expenses	1,100	
Commission		3,200
Debtors and creditors	95,000	40,000
Building	1,20,000	
Plant and machinery	80,000	
Investments	1,00,000	
Furniture and Fixture	26,000	
Bad Debts	2,000	
Bad debts provision		4,600
Loan		35,000
Legal Expenses	200	
Audit fee	1,800	
Cash in hand	13,500	
Cash at Bank	23,000	
	8,91,200	**8,91,200**

Prepare final accounts for the year ended December 31,2017, with following adjustment:

(a) Stock on December 31,2017, was Rs. 42,500.

(b) A Provision is to be made for bad debts at 5 % on debtors.

(c) Rent outstanding was Rs.1,600.

(d) Wages outstanding were Rs.1,200.

(e) Interest on capital to be allowed on capital @ 4% per annum and interest on drawings to be charged @ 6% per annum.

(f) Dinker and Ravinder are entitled to a Salary of Rs.2,000 per annum

(g) Ravinder is entitled to a commission Rs.1,500.

(h) Depreciation is to be charged on Building @ 4% , Plant and Machinery, 6% , and furniture and fixture, 5% .

(i) Outstanding interest on loan amounted to Rs. 350.

View Text Solution

45. Kajol and Sunny were partners sharing profits and losses in the ratio of 3:2. The following Balances were extracted from the books of account for the year ended March 31, 2015.

Account Name	Debit Amount (Rs.)	Credit Amount (Rs.)
Capital		
Kajol		1,15,000
Sunny		91,000
Current accounts [on 1 04 2005]		
Kajol		4,500
Sunny	3,200	
Drawings		
Kajol	6,000	
Sunny	3,000	
Opening stock	22,700	
Purchases and Sales	1,65,000	2,35,800
Freight inward	1,200	
Returns	2,000	3,200
Printing and Stationery	900	
Wages	5,500	
Bills receivables and Bills payables	25,000	21,000
Discount	400	800
Salaries	6,000	
Rent	7,200	
Insurance premium	2,000	
Traveling expenses	700	
Sundry expenses	1,100	
Commission		1,600
Debtors and Creditors	74,000	78,000
Building	85,000	
Plant and Machinery	70,000	
Motor car	60,000	
Furniture and Fixtures	15,000	
Bad debts	1,500	
Provision for doubtful debts		2,200
Loan		25,000
Legal expenses	300	
Audit fee	900	
Cash in hand	7,500	
Cash at bank	12,000	
	5,78,100	**5,78,100**

Prepare final accounts for the year ended March 31,2017, with following adjustments:

(a) Stock on March 31,2015 was Rs.37,500.

(b) Bad debts Rs.3,000, Provision for bad debts is to be made at 5 % on debtors.

(c) Rent Prepaid were Rs.1,200.

(d) Wages outstanding were Rs.2,200.

(e) Interest on capital to be allowed on capital at $6\,\%$ per annum and interest on drawings to be charged @ 5% per annum.

(f) Kajol is entitled to a Salary of Rs. 1,500 per annum.

(g) Prepaid insurance was Rs. 500.

(h) Depreciation was charged on Building, @ 4% , Plant and Machinery, @ 5% , Motor car, @ 10% and furniture and fixture, @ 5% .

(i) Goods worth Rs.7,000 were destroyed by fire on January 20, 2015. The Insurance company agreed to pay Rs.5,000 in full settlement of the claim.

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