Accounting for Partnership Basic Concepts

1. Atul, Beena and Sita were partners in a firm sharing profits and losses in the ratio of 8 : 7 : 5. Damini was admitted as a new partner for 1/5 th share in the profits which she acquired entirely from Atul. The new profit sharing ratio after Damini's admission will be: (2024)

(A) 7:7:5:1

(B) 4:7:5:4

(C) 8:7:5:4

(D) 7:5:8:4

Ans. (B) 4:7:5:4

2. Rushil and Abheer were partners in a firm sharing profits and losses in the ratio of 4 : 3. They admitted Sunil as a new partner for 3/7 th share in the profits of firm, which he acquired 2/7 th share from Rushil and 1/7 th share from Abheer. The new profit sharing ratio of Rushil, Abheer and Sunil will be : (2024)

(A) 4 : 3 : 3

(B) 2 : 1 : 3

(C) 2 : 2 : 3

(D) 4 : 3 : 1

Ans. (C) 2 : 2 : 3

3. Abhay, Boris and Chetan were partners in a firm sharing profits in the ratio of 5 : 3 : 2. Boris was guaranteed a profit of ₹ 95,000. Any deficiency on account of this was to be borne by Abhay and Chetan equally. The firm earned a profit of ₹ 2,00,000 for the year ended 31st March, 2023. The amount given by Abhay to Boris as guaranteed amount will be : (2024)

(A) ₹ 17,500

(B) ₹ 35,000

(C) ₹ 25,000

(D) ₹ 10,000

Ans. (A) ₹ 17,500

4. Assertion (A) : Each partner is a principal as well as an agent for all the other partners.

Reason (R) : As per the definition of Partnership Act, partnership business may be carried on by all the partners or any of them acting for all. **(2024)**

Choose the correct option from the following :

(A) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(C) Assertion (A) is correct, but Reason (R) is incorrect.

(D) Assertion (A) is incorrect, but Reason (R) is correct.

Ans. (B) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

Read the following hypothetical situation and answer questions No. 5 and 6 on the basis of the given information. **(2024)**

Abha and Babita were partners in a clay toy making firm sharing profits in the ratio of 2 : 1. On 1st April, 2023, their capital accounts showed balances of ₹ 5,00,000 and ₹ 10,00,000 respectively. The partnership deed provides for interest on capital @ 10% p.a. The firm earned a profit of ₹ 90,000 during the year.

5. The amount of interest on capital allowed to Abha will be :

(A) ₹ 50,000

(B) ₹ 1,00,000

(C) ₹ 60,000

(D) ₹ 30,000

Ans. (D) ₹ 30,000

6. Babita's share in profit will be:

(A) ₹ 60,000

(B) ₹ 30,000

(C) Nil

(D) ₹ 1,00,000

Ans. (C) Nil

7. The transaction 'Acquisition of machinery by issue of equity shares of ₹ 5,00,00,000' will result in : (2024)

(A) Cash inflow of ₹ 5,00,00,000 from financing activities

(B) Cash outflow of ₹ 5,00,00,000 from financing activities

(C) Cash outflow of ₹ 5,00,00,000 from investing activities

(D) No flow of cash

Ans. (D) No flow of cash

8. The transaction 'Capital Gains Tax paid on sale of fixed assets' is classified under which of the following: (2024)

(A) Operating Activities

(B) Investing Activities

(C) Financing Activities

(D) Cash and Cash Equivalents

Ans. (B) Investing Activities

Previous Years' CBSE Board Questions

1.1 Nature of Partnership

MCQ

1. A partnership firm has four partners. How many additional partners can be admitted into the business as per the provisions of the Companies Act,2013?
   (a) 50 (b) 46
   (c) 100 (d) 96 *(2023)*

2. Which of the following statements are correct?
   (i) The liability of a partner for acts of the firm is unlimited.
   (ii) Private assets of a partner can also be used for paying the debts of the firm.
   (iii) Each partner is liable jointly with all other partners and also severally to the third parties for all the acts of the firm done, while he is a partner.
   (iv) The liability of a partner is limited to the extent of his capital contribution.
   (a) (iii) only
   (b) (i) and (ii) only
   (c) (i), (ii) and (iii) only
   (d) (i), (ii), (iii) and (iv) *(Term-I, 2021-22)* U

3. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R) :
   Assertion (A) : Co-ownership of property amounts to partnership.
   Reason (R) : The element of business is present in co-ownership.
   In the context of the above two statements which of the following is correct?
   (a) Both A and R are correct and R is the correct reason for A.
   (b) Both A and R are correct but R is not the correct reason for A.
   (c) A is correct but R is incorrect.
   (d) Both A and R are incorrect.
   (Term-I, 2021-22) U

VSA (1 mark)

4. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹2 crores. After a year, they sold it for ₹3 crores and shared the profits equally. Are they doing the business in partnership? Give reason in support of your answer. *(Delhi 2018)*

5. Does partnership firm has a separate legal entity? Give reason in support of your answer.
   (Delhi 2017) R

6. What is the maximum number of partners that partnership firm can have? Name the Act that provides for the maximum number of partners in a partnership firm. *(Delhi 2016)* R

   OR

   A group of 40 people want to form a partnership firm. They want your advice regarding the maximum number of persons that can be there in a partnership firm and the name of the Act under whose provisions it is given. *(AI 2016)* R

7. What is meant by "Unlimited liability of a Partner"?
   (Delhi 2016) R

1.2 Partnership Deed

MCQ

8. The partnership deed should be properly drafted and prepared as per the provisions of the _______ and preferably registered with the _______.
   (a) Indian Partnership Act 1932, Registrar of Companies.
   (b) Indian Partnership Act 1932, Registrar of firms.
   (c) Stamp Act, Registrar of Companies.
   (d) Stamp Act, Registrar of Firms.
   (Term-I, 2021-22)

9. The document that contains the terms of partnership is called :
   (a) Partnership Agreement
   (b) Partnership Contract
   (c) Partnership Deed
   (d) Partnership Rules *(Term-I, 2021-22)* R

10. In the absence of partnership deed, the profits of a firm are divided among the partners :
    (a) In the ratio of capital
    (b) Equally
    (c) In the ratio of time devoted for the firm's business.
    (d) According to the managerial abilities of the partners. *(Delhi 2015)* R

11. In the absence of Partnership Deed, interest on loan of a partner is allowed :
    (a) at 8% per annum.
    (b) at 6% per annum.
    (c) no interest is allowed.
    (d) at 12% per annum. *(AI 2015)* R

VSA (1 mark)

12. In the absence of a __________ ________, mutual relation between partners are governed by the Indian Partnership Act 1932. *(2021 C)*

1.3 Special Aspects of Partnership Accounts

MCQ

13. Vijay and Rattan are partners in a firm. The partnership agreement provides for interest on drawings @ 12% per annum. Which of the following accounts will be debited to transfer interest on drawings to Profit and Appropriation Account ?
(a) Interest on Drawing account
(b) Bank account
(c) Partners' Current accounts
(d) Partners' Capital accounts *(Term-I, 2021-22)* U

1.4 Maintenance of Capital Accounts of Partners

MCQ

14. Rita and Usha were partners in a firm sharing profits and losses in the ratio 3:5. During the year, Usha withdrew ₹15,000 at the end of each month. Interest on drawings is to be charged @ 8% p.a. The average period for the calculation of interest on drawings will be:
(a) 4 ½ months (b) 6 months
(c) 6 ½ months (d) 5 ½ months *(2023)*

15. Ram and Mohan were partners with fixed capitals of ₹3,00,000 and ₹2,00,000 respectively. As per their partnership deed, interest on capital was allowed @10% p.a. Net profit for the year ended 31st March, 2022 was ₹30,000. The amount of interest on capital was credited to each partner's current account for the year ended 31st March,2022 was:
(a) Ram ₹30,000 and Mohan ₹20,000
(b) Ram ₹20,000 and Mohan ₹10,000
(c) Ram ₹18,000 and Mohan ₹12000
(d) Ram ₹30,000 and Mohan Nil. *(2023)*

16. Two statements are given below marked as Assertion(A) and Reason(R). Choose the correct alternative on the basis of these statements.
Assertion (A) : Under the fluctuating capital method, the balance in the capital account fluctuates from time to time.
Reason (R) : Under the fluctuating capital method, all the adjustments such as share of profit and loss, interest on capital, drawings, interest on drawings etc. are recorded directly in the capital accounts of the partners.
(a) A is correct but R is incorrect.
(b) Both A and R are correct but R is not the correct explanation of A.
(c) Both A and R are incorrect.
(d) Both A and R are correct and R is the correct explanation of A. *(2023)*

17. Gagan, a partner in a partnership firm, withdrew ₹10,000 in the beginning of each quarter. For how many months would interest on drawings be charged ?
(a) 6 months (b) 6.5 months
(c) 7.5 months (d) 4.5 months *(2021 C)*

18. The difference between the fixed capital method and fluctuating capital method of maintaining partner's capital is whether or not the transactions other than ________ are recorded in the Capital accounts of the partners.
(a) Additional Capital Introduced
(b) Withdrawal of Capital
(c) Partner's Loan
(d) Both (a) and (b) *(Term-I, 2021-22)* An

19. Which of the following statement is not true for fixed capital account?
(a) The capital account balance remains unchanged unless there is addition to or withdrawal of capital.
(b) The capital accounts always show a credit balance.
(c) Each partner has only one account, *i.e.* capital account, under this method.
(d) All adjustments for drawings, salary, interest on capital etc., are made in the current accounts.
(Term-I, 2021-22) R

20. Given below are two statements, one labelled as Assertion (A) and other labelled as Reason (R):
Assertion (A) : The fixed capital account balance of a partner may change due to additional Capital introduced or capital withdrawn or both, during the year.
Reason (R) : Under fixed capital method, the partner's capital accounts balance always remains same.
In the context of the above two statements which of the following is correct?
(a) Both A and R are correct.
(b) A is correct, but R is incorrect.
(c) A is incorrect, but R is correct.
(d) Both A and R are is incorrect.
(Term-I, 2021-22) U

VSA (1 mark)

21. State the two situations under which interest on capital is generally provided. *(AI 2019)*

22. Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3 : 2. During the year ended 31-3-15, Nusrat had withdrawn ₹15,000. Interest on her drawings amounted to ₹300. Pass necessary Journal entry for charging interest on drawings assuming that the capital of the partners were fixed.
(Delhi 2016) Ev

23. Tom and Harry were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31.3.15, Tom had withdrawn ₹40,000. Interest on his drawings amounted to ₹2,000. Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fluctuating. *(AI 2016)*

1.5 Distribution of Profit Among Partners

MCQ

24. R, S and T were partners sharing profits and losses in the ratio of 5: 3: 2. On 31st March, 2021, their books reflected a net profit of ₹3,10,000. As per the terms of the partnership deed, they were entitled for interest on Capital which amounted to ₹90,000, ₹60,000 and ₹30,000 respectively for R, Sand T. Besides this an annual salary of ₹60,000 each was payable to R and S. The ratio in which the profits would be appropriated is
(a) 1:1:1 (b) 5:3:2
(c) 5:4:1 (d) 4:3:2.
(Term-I, 2021-22) An

25. A and B are partners in a firm sharing profit in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2021 was as follows :

Liabilities	Amount ₹	Assets	Amount ₹
A's Capital	30,000	Drawing :	
B's Capital	10,000	A : 4,000	6,000
		B : 2,000	
		Other Assets	34,000
	40,000		40,000

Net profit of the year ended 31-3-2021, ₹5,000 was divided without providing for interest on capital @ 10% p.a. What will be the amount of interest on A's capital?
(a) ₹3,000 (b) Nil
(c) ₹3,100 (d) ₹2,700
(Term-I, 2021-22)

26. Devi withdrew ₹12,000 at the middle of every month. Interest on drawings was to be charged @ 12% per annum. Amount of interest on Devi's drawings will be :
(a) ₹14,000 (b) ₹8,640
(c) ₹7,000 (d) ₹1,000
(Term-I, 2021-22)

27. Sharma and Verma were partners in a firm. The partnership deed provided that interest on partners' drawings will be charged @ 12% per annum. During the year, Sharma withdrew ₹6,000. Interest on this drawings will be :
(a) ₹600 (b) ₹330 (c) ₹360 (d) ₹720
(Term-I, 2021-22)

VSA (1 mark)

28. Chhavi and Neha were partners in a firm sharing profits and losses equally. Chhavi withdrew a fixed amount at the beginning of each quarter. Interest on drawings is charged @ 6% p.a. At the end of the year, interest on Chhavi's drawings amounted to ₹900. Pass necessary journal entry for charging interest on drawings. *(Delhi 2019)*

29. Kajal, Neerav and Alisha are partners in a firm sharing profits in the ratio of 3 : 2 : 1. They decided to admit Rajan, their landlord as a partner in the firm. Rajan brought sufficient amount of capital and his share of goodwill premium. The accountant of the firm passed the entry of rent paid for the building to Rajan in 'Profit and Loss Appropriation Account'. Is he correct in doing so? Give reason in support of your answer.
(AI 2015 C)

SA II (3/4 marks)

30. On 1-4-2013, Jay and Vijay, entered into partnership for supplying laboratory equipments to government schools situated in remote and backward areas. They contributed capitals of ₹80,000 and ₹50,000 respectively and agreed to share the profits in the ratio of 3 : 2. The partnership deed provided that interest on capital shall be allowed at 9% per annum. During the year, the firm earned a profit of ₹7,800.
Showing your calculations clearly, prepare 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31-3-2014. *(Delhi 2015)*

31. On 1-4-2013, Brij and Nandan entered into partnership to construct 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 31.3.2014, the firm earned a profit of ₹2,00,000. Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2014. *(AI 2015)* An

32. Satnam and Qureshi after doing their MBA decided to start a partnership firm to manufacture ISI marked electronic goods for economically weaker section of the society. Satnam also expressed his willingness to admit Julee as a partner without capital who is specially abled but a very creative and intelligent friend of his. Qureshi agreed to this. They formed a partnership on 1st April 2012 on the following terms :
(i) Satnam will contribute ₹4,00,000 and Qureshi will contribute ₹2,00,000 as capitals.
(ii) Satnam, Qureshi and Julee will share profits in the ratio of 2 : 2 : 1.
(iii) Interest on capital will be allowed @ 6% p.a.
Due to shortage of capital Satnam contributed ₹50,000 on 30th September, 2012 and Qureshi contributed ₹20,000 on 1st January, 2013 as additional capitals. The profit of the firm for the year ended 31st March, 2013 was ₹3,37,800.

(a) Identify any two values which the firm wants to communicate to the society.

(b) Prepare profit and Loss Appropriation Account for the year ending 31st March, 2013.

(Delhi 2014)

33. Singh and Gupta decided to start a partnership firm to manufacture low cost jute bags. As plastic bags were creating many environmental problems. They contributed capitals of ₹ 1,00,000 and ₹ 50,000 on 1st April, 2012 for this Singh expressed his willingness to admit Shakti as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Gupta agreed to this. The terms of partnership were as follows :

(i) Singh, Gupta and Shakti will share profits in the ratio of 2 : 2 : 1.

(ii) Interest on capital will be provided @ 6% p.a.

Due to shortage of capital, Singh contributed ₹ 25,000 on 30th September, 2012 and Gupta contributed ₹ 10,000 1st January, 2013 as additional capital. The profit of the firm for the year ended 31st March, 2013 was ₹ 1,68,900.

(a) Identify any two values which the firm wants to communicate to the society.

(b) Prepare Profit & Loss Appropriation Account for the year ending 31st March, 2013. *(AI 2014)* R

LA I (5/6 marks)

34. Sonu and Rajat started a partnership firm on April 1, 2017. They contributed ₹ 8,00,000 and ₹6,00,000 respectively as their capitals and decided to share profits and losses in the ratio of 3 : 2.

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 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 profits 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. *(Delhi 2019)*

1.6 Guarantee of Profit to a Partner

MCQ

35. Anu, Bindu and Siya were partners in a firm sharing profits and losses in the ratio 2:2:1. Siya was guaranteed that her share of profit will not be less than ₹50,000. The firm's profit for the year ended 31st March, 2022 was ₹2,00,000. The amount of deficiency to be borne by Anu was:

(a) ₹10,000 (b) ₹2,500

(c) ₹75,000 (d) ₹5000. *(2023)*

SA II (3/4 marks)

36. *W*, *X* and *Y* were partners sharing profits and losses in the ratio of 2 : 2 : 1. *X* was guaranteed a profit of ₹10,00,000. The firm earned a profit of ₹17,50,000 for the year ended 31st March, 2020.

Prepare the Profit and Loss Appropriation Account of W, X and Y for the year ended 31st March, 2020.

(2021 C)

37. P and Q were partners in a firm sharing profits in the ratio of 5 : 3. On 1-4-2014, they admitted R as a new partner for 1/8th share in the minimum guaranteed profit of ₹75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 5 : 3. The profit of the firm for the year ended 31-3-2015 was ₹4,00,000. Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31-3-2015. *(Delhi 2016)*

38. Vikas, Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2014, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of ₹1,50,000. The new profit sharing ratio between Vivek and Vikas will remain the same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 2 : 3. The profit of the firm for the year ended 31.3.2015 was ₹9,00,000. Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31.3.2015. *(AI 2016)* Ev

LA I (5/6 marks)

39. Ali, Bimal and Deepak are partners in a firm. On 1st April, 2011, their capital accounts stood at ₹ 4,00,000, ₹ 3,00,000 and ₹ 2,00,000 respectively. They shared profits and losses in the proportion of 5 : 3 : 2. Partners are entitled to interest on capital @ 10% per annum and salary to Bimal and Deepak @ ₹ 2,000 per month and ₹ 3,000 per quarter respectively as per the provisions of the partnership deed.

Bimal's Share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of ₹ 50,000 p.a. Any deficiency arising on that account shall be met by Deepak. The profits of the firm for the year ended 31st March, 2012 amounted to ₹ 2,00,000. Prepare Profit and Loss Appropriation Account for the year ended on 31st March, 2012. *(Delhi 2014)*

LA II (8 marks)

40. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following :

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

(ii) Interest on drawing @ 12% p.a.

(iii) Interest on partners' loan @ 6% p.a.

(iv) 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. *(Delhi 2018)*

1.7 Past Adjustments

MCQ

41. Sangeet and Suman were partners in a firms sharing profits and losses in the ratio of 7: 3. During the year ended 31.3.2021, the firm earned a profit of ₹1,00,000. After preparation of the financial statements, it was discovered that salary to Suman @ ₹3,000 per month had been omitted. The necessary adjustment entry for the same will be:

			Dr. (₹)	Cr. (₹)
(a)	Profit and Loss Appropriation A/c	Dr.	36,000	
	Suman's Capital A/c			36,000
(b)	Sangeet's Capital A/c	Dr.	36,000	
	Suman's Capital A/c			36,000
(c)	Profit and Loss Adjustment A/c	Dr.	36,000	
	Suman's Capital A/c			36,000
(d)	Sangeet's Capital A/c	Dr.	25,200	
	Suman's Capital A/c			25,200

(Term-I, 2021-22) Ev

SA II (3/4 marks)

42. P, Q and R were partners in a firm sharing profits and losses in the ratio of 5:3:2. The partnership deed provides for charging interest on drawings @ 10% p.a. The drawings of P, Q and R during the year ending 31st March, 2020 amounted to ₹20,000, ₹30,000 and ₹50,000 respectively. After the final accounts have been prepared, it was discovered that interest on drawings had not been charged.

Pass the necessary adjustment entry to rectify the omission of interest on drawings. Also show your working notes clearly. *(2021 C)*

43. Puneet and Akshara were partners in a firm sharing profits and losses in the ratio of 2:3. The following was the balance sheet of the firm as on 31st March, 2019.

Balance sheet of Puneet and Akshara

as on 31st March, 2019.

Liabilities		Amount (₹)	Assets	Amount (₹)
Capitals :			Sundry Assets	2,00,000
Puneet	90,000			
Akshara	1,10,000	2,00,000		
		2,00,000		2,00,000

The profits 40,000 for the year ended 31st March, 2019 were divided between the partners without allowing interest on capital@ 5% p.a. and commission to Akshara @ ₹1,000 per quarter.

The drawings of the partners during the year were :

Puneet 2,500 per month, Akshara 10,000 per quarter.

Showing your workings clearly, pass necessary adjustment entry in the books of the firm. *(Delhi 2020)*

44. P and Q were partners in a firm sharing profits equally. Their fixed capitals were ₹1,00,000 and ₹ 50,000 respectively. The partnership deed provided for interest on capital at the rate of 10% per annum. For the year ended 31st March, 2016, the profits of the firm were distributed without providing interest on Capital.

Pass necessary adjustment entry to rectify the error.

(Delhi 2017) Ap

45. 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. The outlet being managed by Prem, Param and Priya. The outlet managed by Prem was doing more business than the outlets managed by Param and Priya. Prem requested Param and Priya for a higher share in the profits of the firm which Param and Priya accepted. 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. *(AI 2015)*

46. A and B are Partners in a firm sharing profits and losses in the ratio of 3 : 2. The following was the Balance Sheet of the firm as on 31-3-2010.

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :			
A	60,000	Sundry Assets	80,000
B	20,000		
	80,000		**80,000**

The profits ₹ 30,000 for the year ended 31-3-2010 were divided between the partners without allowing interest on capital @ 12% p.a and salary to A @ ₹ 1,000 per month. During the year, A withdrew ₹ 10,000 and B ₹ 20,000.

Pass the necessary adjustment journal entry and show your working clearly. *(Delhi 2014)*

LA I (5/6 marks)

47. A, B and C were partners. Their fixed capitals were ₹60,000, ₹40,000 and ₹20,000 respectively. Their profit sharing ratio was 2 : 2 : 1. According to the partnership deed, they were entitled to interest on capital @ 5% p.a. In addition, B was also entitled to draw a salary of ₹1,500 per month. C was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to B. The net profits for the year, ₹80,000, were distributed in the ratio of their capitals without providing for any of the above adjustments. Showing your workings clearly, pass the necessary adjustment entry. *(AI 2019)* Ap

48. Naveen, Seerat and Hina were partners in a firm manufacturing blankets. They were sharing profits in the ratio of 5 : 3 : 2. Their capitals on 1st April, 2012 were ₹ 2,00,000; ₹ 3,00,000 and ₹ 6,00,000 respectively. After the floods in Uttaranchal, all partners decided to help the flood victims personally. For this, Naveen withdraw ₹ 10,000 from the firm on 1st September, 2012. Seerat, instead of withdrawing cash from the firm took blankets amounting to ₹ 12,000 from the firm and distributed to the flood victims. On the other hand, Hina withdraw ₹ 2,00,000 from her capital on 1st January, 2013 and set up a centre to provide medical facilities in the flood affected area.

The partnership deed provides for charging interest on drawings @ 6% p.a. After the final Account were prepared, it was discovered that interest on drawings had not been charged. Give the necessary adjusting journal entries and show the working notes clearly. Also state any two values that the partners wanted communicate to the society. *(Delhi 2014)*

CBSE Sample Questions

1.2 Partnership Deed

MCQ

1. In the absence of partnership deed, a partner is entitled to an interest on the amount of additional capital advanced by him to the firm at a rate of:
   (a) entitled for 6% p.a. on their additional capital, only when there are profits.
   (b) entitled for 10% p.a. on their additional capital.
   (c) entitled for 12% p.a. on their additional capital.
   (d) not entitled for any interest on their additional capitals. *(Term-I, 2021-22)*

SA II (3/4 marks)

2. Ajay, Binod and Chandra entered into partnership on 1st April 2019 with a capital of ₹3,00,000, ₹2,00,000 and ₹1,00,000 respectively. In addition to capital, Chandra has advanced a loan of ₹1,00,000. Since they had no agreement to guide them, they faced following issues during and at the end of the year.
   (i) Ajay wanted interest on capital to be provided @8% pa but Binod and Chandra did not agree.
   (ii) Chandra wanted that interest on loan be paid to him @ 10% pa but Ajay and Binod wanted to pay @ 5% pa.
   (iii) Ajay and Binod demanded to share profits in the ratio of their capital contribution, Chandra is not in agreement with this proposal.
   (iv) Binod, being working partner, demands a lump sum payment of ₹40,000 as remuneration for which other others partners are not in agreement.

   You are required to suggest and help them resolve these issues. *(2020-21)* An

1.4 Maintenance of Capital Accounts of Partners

MCQ

3. Vihaan and Mann are partners sharing profits and losses in the ratio of 3:2. The firm maintains fluctuating capital accounts and the balance of the same as on 31st March 2022 is ₹4,00,000 and ₹ 4,65,000 for Vihaan and Mann respectively. Drawings during the year were ₹ 65,000 each. As per the partnership deed, interest on capital @ 10% p.a. on opening capital has been allowed to them. Calculate the opening capital of Vihaan given that the divisible profits during the year 2021-22 was ₹ 2,25,000.
(a) ₹ 3,30,000 (b) ₹ 4,40,000
(c) ₹ 4,00,000 (d) ₹ 3,00,000 *(2022-23)*

4. Which of the following is true regarding Salary to a partner when the firm maintains fluctuating capital accounts?
(a) Debit Partner's Loan A/c and Credit P & L Appropriation A/c.
(b) Debit P & L A/c and Credit Partner's Capital A/c.
(c) Debit P & L Appropriation A/c and Credit Partner's Current A/c.
(d) Debit P & L Appropriation A/c and Credit Partner's Capital A/c. *(Term-I, 2021-22)*

SA II (3/4 marks)

5. A&B are partners in the ratio of 3:2. The firm maintains fluctuating capital accounts and the balance of the same as on 31-03-2020 amounted to ₹1,60,000 and ₹1,40,000 for A and B respectively. Their drawings during the year were ₹30,000 each.
As per partnership deed, interest on capital @10% p.a. on opening capitals had been provided to them. Calculate opening capitals of partners given that their profits were ₹90,000. Show your workings clearly. *(2020-21)*

1.5 Distribution of Profit Among Partners

MCQ

Read the following hypothetical situation, answer question no. 6 and 7

Puneet and Raju are partners in a clay toys making firm. Their capitals were ₹ 5,00,000 and ₹ 10,00,000 respectively. The firm allowed Puneet to get a commission of 10% on the net profit before charging any commission and Raju to get a commission of 10% on the net profit after charging all commission. Following is the Profit and Loss Appropriation Account for the year ended 31st March 2022.

Particulars (₹)	Amount (₹)	Particulars	Amount (₹)
To Puneet's Capital A/c (Commission) (........x10/100)	44,000	By Profit and Loss A/c	....
To Raju's Capital A/c (Commission)	-----------		
To Profit share transferred to :-			
Puneet's Capital A/c	-----------		
Raju's Capital A/c	------------		
	=========		==========

(2022-23)

6. Raju's commission will be:-
(a) ₹ 40,000 (b) ₹ 44,000
(c) ₹ 36,000 (d) ₹ 36,440

7. Puneet's share of profit will be :-
(a) ₹ 1,80,000 (b) ₹ 1,44,000
(c) ₹ 2,16,000 (d) ₹ 1,60,000

8. Green and Orange are partners. Green draws a fixed amount at the beginning of every month. Interest on drawings is charged @8% p.a. At the end of the year interest on Green's drawings amounts to ₹ 2,600. Monthly drawings of Green were:
(a) ₹ 8,000 (b) ₹ 60,000
(c) ₹ 7,000 (d) ₹ 5,000 *(2022-23)*

9. Girdhar, a partner withdrew ₹ 5,000 in the beginning of each quarter and interest on drawings was calculated as ₹ 1,500 at the end of accounting year 31 March 2022. What is the rate of interest on drawings charged?
(a) 6% p.a. (b) 8% p.a.
(c) 10% p.a. (d) 12% p.a. *(2022-23)*

10. Sarvesh, Sriniketan and Srinivas are partners in the ratio of 5:3:2. If Sriniketan's share of profit at the end of the year amounted to ₹1,50,000, what will be Sarvesh's share of profits?
(a) ₹5,00,000. (b) ₹1,50,000.
(c) ₹3,00,000. (d) ₹2,50,000.
(Term-I, 2021-22) An

11. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R).
Assertion (A) : Transfer to reserves is shown in P & L Appropriation A/c.

Reason (R) : Reserves are charge against the profits. In the context of the above statements, which one of the following is correct?

(a) A is correct, but R is wrong.
(b) Both A and R are correct.
(c) A is wrong, but R is correct.
(d) Both A and R are wrong. *(Term-I, 2021-22)*

12. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to ₹4,800 at the end of the year. What was the amount of his monthly drawings?

(a) ₹10,000. (b) ₹5,000.
(c) ₹1,20,000. (d) ₹48,000.

(Term-I, 2021-22)

13. Abhay and Baldwin are partners sharing profit in the ratio 3:1. On 31st March 2021, firm's net profit is ₹1,25,000. The partnership deed provided interest on capital to Abhay and Baldwin ₹15,000 & ₹10,000 respectively and Interest on drawings for the year amounted to ₹6000 from Abhay and ₹4000 from Baldwin. Abhay is also entitled to commission @10% on net divisible profits. Calculate profit to be transferred to Partners Capital A/c's.

(a) ₹1,00,000 (b) ₹1,10,000
(c) ₹1,07,000 (d) ₹90,000

(Term-I, 2021-22)

14. Mickey, Tom and Jerry were partners in the ratio of 5:3:2. On 31st March 2021, their books reflected a net profit of ₹2,10,000. As per the terms of the partnership deed, they were entitled for interest on capital which amounted to ₹80,000, ₹60,000 and ₹40,000 respectively. Besides this, a salary of ₹60,000 each was payable to Mickey and Tom. Calculate the ratio in which the profits would be appropriated.

(a) 1:1:1 (b) 5:3:2 (c) 7:6:2 (d) 4:3:2

(Term-I, 2021-22)

15. Which of the following items is not dealt through Profit and Loss Appropriation Account?

(a) Interest on Partner's Loan
(b) Partner's Salary
(c) Interest on Partner's Capital
(d) Partner's Commission *(2020-21)*

1.6 Guarantee of Profit to a Partner

MCQ

16. E, F and G are partners sharing profits in the ratio of 3:3:2. According to the partnership agreement, G is to get a minimum amount of ₹80,000 as his share of profits every year and any deficiency on this account is to be personally borne by E. The net profit for the year ended 31st March 2021 amounted to ₹3,12,000. Calculate the amount of deficiency to be borne by E?

(a) ₹1,000 (b) ₹4,000
(c) ₹8,000 (d) ₹2,000

(Term-I, 2021-22, 2020-21) An

1.7 Past Adjustments

MCQ

17. Samiksha, Arshiya and Divya were partners in a firm sharing profits and losses in the ratio of 5: 3: 2. With effect from 1st April 2022, they agreed to share future profits and losses in the ratio of 2: 5: 3. Their Balance Sheet showed a debit balance of ₹ 50,000 in the Profit and Loss Account and a balance of ₹ 40,000 in the Investment Fluctuation Fund. The market value of an investment is ₹30,000 against the book value of ₹50,000. Partners have decided, not to show revised valued in the balance sheet and to pass an adjusting entry for it.
Which of the following is the correct treatment of the above?

(a)	Samiksha's Capital A/c. Dr. To Arshiya's Capital A/c To Divya's Capital A/c	9,000	 6,000 3,000
(b)	Arshiya's Capital A/c. Dr. To Samiksha's Capital A/c. To Divya's Capital A/c.	5,000	 2,000 3,000
(c)	Arshiya's Capital A/c. Dr. Divya's Capital A/c. Dr. To Samiksha's Capital A/c	2,000 1,000	 3,000
(d)	Arshiya's Capital A/c. Dr. Divya's Capital A/c. Dr. To Samiksha's Capital A/c	6,000 3,000	 9,000

(2022-23)

18. Sohan and Mohan are partners sharing profits and losses in the ratio of 2:3 with the capitals of ₹ 5,00,000 and ₹ 6,00,000 respectively. On 1st January 2022, Sohan and Mohan granted loans of ₹ 20,000 and ₹ 10,000 respectively to the firm. Determine the amount of loss to be borne by each partner for the year ended 31st March 2022 if the loss before interest for the year amounted to ₹ 2,500.

(a) Share of Loss of Sohan –₹ 1,250 and Mohan – ₹ 1,250
(b) Share of Loss of Sohan –₹ 1,000 and Mohan – ₹ 1,500
(c) Share of Loss of Sohan –₹ 820 and Mohan – ₹ 1,230
(d) Share of Loss of Sohan –₹ 1,180 and Mohan – ₹ 1,770 *(2022-23)*

19. Ajay and Vinod are partners in the ratio of 3:2. Their fixed Capital were ₹3,00,000 and ₹4,00,000 respectively. After the close of accounts for the year it was observed that the Interest on Capital which

was agreed to be provided at 5% pa was erroneously provided at 10% p.a. By what amount will Ajay's account be affected if partners decide to pass an adjustment entry for the same?
(a) Ajay's Current A/c will be Debited by ₹15,000.
(b) Ajay's Current A/c will be Credited by ₹6,000.
(c) Ajay's Current A/c will be Credited by ₹35,000.
(d) Ajay's Current A/c will be Debited by ₹20,000.

(Term-I, 2021-22)

Question no. 20, 21 and 22 are based on the hypothetical situation given below.

On 1st September 2020, twenty students of Modern College started their Partnership Firm in the name of "Be Safe" for selling sanitisers on digital mode. Since they were good friends of each other, they were not having any explicit agreement in place. All of them have agreed to invest ₹15,000/- each as capital. The books were closed on 31st March 2021, on which date the following information was provided by the firm :

Particulars	Amount (₹)
Sale of Sanitisers	1,20,000
Cost of goods sold	50,000
Total Remuneration to partners	2,000 per month
Rent to a partner	1,000 per month
Manager's Commission	5,000
Closing Stock as on March 31,2021	9,000
6% Fixed Deposit (made on 31.3.2021)	20,000

(Term-I, 2021-22)

20. Calculate the amount of profits to be transferred to Profit and Loss Appropriation Account.
(a) Profit ₹58,000 (b) Profit ₹44,000
(c) Profit ₹59,200 (d) Profit ₹58,700

21. On 31st March 2021, Remuneration to Partners will be provided to the partners of "Be Safe" but only out of:
(a) Profits for the accounting year
(b) Reserves
(c) Accumulated Profits
(d) Goodwill

22. On 1st December 2020, one of the partners of the firm introduced additional capital of ₹30,000 and also advanced a loan of ₹40,000 to the firm. Calculate the amount of interest that Partner will receive for the current accounting period-
(a) ₹4,200 (b) ₹1,400
(c) ₹1,575 (d) ₹800

SA II **(3/4 marks)**

23. Rohit, Raman and Raina are partners in a firm. Their capital accounts on 1st April, 2019, stood at ₹2,00,000, ₹1,20,000 and ₹1,60,000 respectively. Each partner withdrew ₹15,000 during the financial year 2019-20.
As per the provisions of their partnership deed:
(a) Interest on capital was to be allowed @ 5% per annum.
(b) Interest on drawings was to be charged @ 4% per annum.
(c) Profits and losses were to be shared in the ratio 5:4:1.
The net profit of ₹72,000 for the year ended 31st March 2020, was divided equally amongst the partners without providing for the terms of the deed. You are required to pass a single adjustment entry to rectify the error (Show workings clearly).

(2020-21)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. (b) : 46
2. (c) : (i), (ii) and (iii) only
3. (d) : Both A and R are incorrect.
4. No, they are not doing business in partnership. As, one single transaction of purchase and selling can not be termed partnership.
5. A partnership firm does not have a separate legal entity distinct from its members because a firm cannot possess property or employ servants, neither it can be a debtor or a creditor. It cannot sue or be sued by others.
6. 50, Section 464 of Companies Act 2013.
7. Unlimited Liability means that the liability of a partner is joint and several. In case of loss, the personal assets of a partner can be utilised for paying off the firm's debts.
8. (d) : Stamp Act, Registrar of Firms.
9. (c) : Partnership Deed.
10. (b) : Equally
11. (b) : @ 6% per annum.
12. Partnership Deed/ Partnership Agreement
13. (a) : Interest on Drawings Account
14. (d) : 5.5 months
15. (c) : Ram ₹18,000 and Mohan, ₹12000
16. (d) : Both A and R are correct and R is the correct explanation of A.
17. (c) : 7.5 months

18. (d) : Both (a) and (b).

19. (c) : Each partner has only one account, *i.e.* capital account, under this method.

20. (b) : A is correct, but R is incorrect.

21. (i) When the partners contribute unequal amounts of capital but share profits equally.

(ii) Where the capital contribution is same but profit sharing is unequal.

22. Journal

Date	Particulars		L.F.	Dr. Amount (₹)	Cr. Amount (₹)
31-3-15	Nusrat's Current A/c	Dr.		300	
	To Interest on Drawings A/c				300
	(Being interest charged on drawings to Current A/c)				

Concept Applied

- When the total amount withdrawn is given but the dates of withdrawals are not specified, it is assured that the amount was withdrawn evenly throughout the year.

23. Journal

Date	Particulars		L.F.	Dr. Amount (₹)	Cr. Amount (₹)
31-3-15	Tom's Capital A/c	Dr.		2,000	
	To Interest on Drawings A/c				2,000
	(Being interest charged on Tom Drawings)				

24. (c) :

	R (₹)	S (₹)	T (₹)	Total (₹)
Interest on Capital	₹90,000	₹60,000	₹30,000	₹1,80,000
Salary	₹60,000	₹60,000	-	₹1,20,000
	₹1,50,000	₹1,20,000	₹30,000	₹3,00,000

Since, the Net Profits are sufficient profits will be distributed in Profit Sharing ratio *i.e.* 5 : 4 : 1.

25. (d) :

Partners	A (₹)	B (₹)
Closing Capital	30,000	10,000
Less : Net Profit (3 : 2)	3,000	2,000
Opening Capital	27,000	8,000
Interest on capital @ 10% p.a.	2,700	800

Note : Drawing will not be added back as it has not been treated while calculating closing capital.

26. (b) : Devi's interest on drawings

$$= \text{Total drawings} \times \frac{\text{Rate}}{100} \times \frac{\text{Avg. Period}}{12} = (₹\ 12{,}000 \times 12) \times \frac{12}{100} \times \frac{6}{12} = ₹\ 8{,}640$$

27. (c) : Since, the date of drawings is not given, we will calculate interest an drawings for an average period of 6 months.

$$\text{Interest on Drawings:} = \text{Total Drawing in a year} \times \frac{\text{Rate}}{100} \times \frac{6}{12} = ₹\left(6000 \times \frac{12}{100} \times \frac{6}{12}\right) = ₹\ 360$$

28.

Date	Particulars		Dr. (₹)	Cr. (₹)
	Chhavi's Capital/Current Account	Dr.	900	
	To Interest on drawings A/c			900
	(Being Interest on drawings charged)			

29. No, he is not correct in doing so.

Reason : Because rent paid is charge against profit so it should be debited to Profit and Loss Account.

30. **In the books of Jay and Vijay**

Profit and Loss Appropriation Account

Dr. *For the year ended 31st March, 2014* Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital Jay's Capital A/c ₹ 7,800 × 8/13 = 4,800 Vijay's Capital A/c ₹ 7,800 × 5/13 = 3,000	 7,800	By Profit and Loss A/c (Profit for the year)	7,800
	7,800		**7,800**

Working Notes :

Calculation of Interest on Capital :

(a) Interest on Jay's Capital = ₹ 80,000 × 9/100 = 7,200

(b) Interest on Vijay's Capital = ₹ 50,000 × 9/100 = 4,500

Total Interest : = 11,700

The available profit is ₹ 7,800, since the profit is less than interest, the available profit will be distributed amongst the partners in the ratio of their interest on capital *i.e.* 7,200 or 8 : 5.

31. **In the books of Brij and Nandan**

Profit and Loss Appropriation Account

Dr. *For the year ended 31st March, 2014* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Interest on Capital :			By Profit and Loss A/c	2,00,000
Brij's Capital A/c	80,000		(Net Profit)	
Nandan's Capital A/c	1,20,000	2,00,000		
		2,00,000		**2,00,000**

Working Notes :

Interest on capital of Brij = ₹ 1,20,000

Interest on capital of Nandan = ₹ 1,80,000

Proportionate profit = 1,20,000 / 3,00,000 × 2,00,000 = ₹ 80,000

= 1,80,000 / 3,00,000 × 2,00,000 = ₹ 1,20,000

The available profit is ₹ 2,00,000 since the profit is less than interest, the available profit will be distributed amongst the partners in the ratio of their interest on capital *i.e.* 1,20,000 : 1,80,000 or 12 : 18 or 2 : 3.

32. (a) Values highlighted :

- Adherence to law to manufacture ISI marked electronic goods.
- Sensitivity towards specially abled people.

(b) **Profit and Loss Appropriation Account**

Dr. *For the year ended 31st March 2013* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Interest on Capital :			By Profit and Loss A/c	3,37,800
Satnam's Capital A/c	25,500		(Net Profit)	
Qureshi's Capital A/c	12,300	37,800		
To profits transferred to :				
Satnam's Capital A/c	1,20,000			
Qureshi's Capital A/c	1,20,000			
Julee's Capital A/c	60,000			
		3,00,000		
		3,37,800		**3,37,800**

Working Notes :

Calculation of Interest on Capital :

(a) Interest on Satnam's Capital = (₹ 4,00,000 × 6/100) + (₹ 50,000 × 6/100 × 6/12)
= 24,000 + 1,500 = ₹ 25,500

(b) Interest on Qureshi's Capital = (₹ 2,00,000 × 6/100) + (₹ 20,000 × 6/100 × 3/12)
= ₹ 12,000 + 300 = ₹ 12,300

33. (a) Values highlighted : (any two)

(i) Recognition and promotion of female talent

(ii) Responsible citizen

(iii) Concern for the Environment

(b)

Profit & Loss Appropriation A/c

For the year ended March 31, 2013

Dr. Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Interest on Capital :			By Profit and Loss A/c	1,68,900
Singh's Capital A/c		6,750	(Net Profit)	
Gupta's Capital A/c		3,150		
To profits transferred to :				
Singh's Capital A/c	63,600			
Gupta's Capital A/c	63,600			
Shakti's Capital A/c	31,800			
		1,59,000		
		1,68,900		**1,68,900**

Working Notes :

Interest on Singh's Capital = ₹ 1,00,000 × 6/100 + ₹ 25,000 × 6/100 × 6/12 = ₹ 6,750

Interest on Gupta's Capital = ₹ 50,000 × 6/100 + ₹ 10,000 × 6/100 × 3/12 = ₹ 3,150

Commonly Made Mistake

- Often, students do not consider the word debit with profit and loss account and transfer its balance by crediting the partner's capital A/c.

34. **Journal of Sonu and Rajat**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
31st March	Profit and Loss Appropriation A/c To Sonu's Salary A/c (Being salary payable to Sonu)	Dr.		2,40,000	 2,40,000
31st March	Profit and Loss Appropriation A/c To Rajat's Commission A/c (Being Commission on turnover @5% payable to Rajat)	Dr.		1,00,000	 1,00,000
31st March	Profit and Loss Appropriation A/c To Sonu's Capital A/c To Rajat's Capital A/c (Being Interest on Capital @ 8%)	Dr.		1,12,000	 64,000 48,000
31st March	Sonu's Capital A/c Rajat's Capital A/c To Profit and Loss Appropriation A/c (Being Interest on drawings charged @ 6% p.a.)	Dr. Dr.		400 1650	 2050
31st March	Profit and Loss Appropriation A/c To Sonu's Capital A/c To Rajat's Capital A/c (Being Divisible Profit credited to Partners' Capital accounts)	Dr.		40,000	 24,000 16,000

Working Notes :

(a) Salary of Sonu : ₹20,000 × 12 = ₹2,40,000

(b) Commission of Rajat : 20,00,000 × $\frac{5}{100}$ = ₹1,00,000

(c) Interest on Capital :

(i) Sonu = ₹8,00,000 × $\frac{8}{100}$ = ₹64,000 (ii) Rajat= ₹6,00,000 × $\frac{8}{100}$ = ₹48,000

(d) Interest on Drawings :

(i) Sonu = ₹20,000 × $\frac{4}{12}$ × $\frac{6}{100}$ = ₹ 400

(ii) Rajat = ₹(5,000 × 12) × 6/100 × 5.5/12 = ₹1,650

(e) Computation of divisible profits :

Profit as per Profit and Loss A/c = ₹4,89,950.

Divisible Profits = Net Profit + Interest on Drawings – Interest on Capitals – Salary – Commission.

= 4,89,950 + 2050 – 1,12,000 – 2,40,000 –1,00,000

Divisible Profits = ₹40,000

∴ Share of Sonu = ₹40,000 × $\frac{3}{5}$ = ₹24,000

Share of Rajat = ₹40,000 × $\frac{2}{5}$ = ₹16,000

Answer Tips

- Sometimes, students pass extra entries, only necessary entries should be passed.

35. (d) : ₹ 5000

36. **Profit and Loss Appropriation A/c**

Dr. *for the year ended 31st March, 2020* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to			By Profit & Loss A/c balance b/d	17,50,000
W's Capital A/c	7,00,000			
-guarantee to X	(2,00,000)	5,00,000		
X's Capital A/c	7,00,000			
+Guaranteed Amount	3,00,000	10,00,000		
Y's Capital A/c	3,50,000			
- Guarantee to X	(1,00,000)	2,50,000		
		17,50,000		**17,50,000**

37. **Profit and Loss Appropriation A/c**

Dr. *(For the year ended 31st march 2015)* Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred to Capital A/c			By P & L A/c	4,00,000
P	2,18,750			
Less : to R	15,625	2,03,125		
Q	1,31,250			
Less : to R	9,375	1,21,875		
R	50,000			
Add : From P	15,625			
R	9,375	75,000		
		4,00,000		**4,00,000**

Being deficiency of R = 25,000 shared by P and R in the ratio of 5 : 3.

38.

Profit and Loss Appropriation A/c

(For the year ended 31st March 2015)

Dr. Cr.

Particulars		Amount (₹)	Particulars	Amount (₹)
To Profit transferred :			By Profit and Loss A/c	9,00,000
Vikas's Capital	4,72,500			
Less : To Vandana's	22,500	4,50,000		
Vivek's Capital	3,15,000			
Less : To Vandana's	15,000	3,00,000		
Vandana's Capital	1,12,500			
Add : from Vikas's	22,500			
From Vivek's	15,000	1,50,000		
		9,00,000		9,00,000

Deficiency of Vandana borne by Vikas $= 37{,}500 \times \frac{3}{5} = 22{,}500$ and Vivek $= 37{,}500 \times \frac{2}{5} = 15{,}000$

39.

Profit and Loss Appropriation Account

(For the year ended 31st March 2012)

Dr. Cr.

Particulars		₹	Particulars	₹
To interest on Capital			By profit and Loss A/c	2,00,000
Ali	40,000		(Net Profit)	
Bimal	30,000			
Deepak	20,000	90,000		
To Salary				
Bimal	24,000			
Deepak	12,000	36,000		
To Net profit transferred to				
Ali's Capital A/c				
[₹ 74,000 × 5/10]		37,000		
Bimal's Capital A/c	22,200			
(₹ 74,000 × 3/10)				
Add : Deficiency recovered	3,800	26,000		
From Deepak				
Deepak's Capital A/c	14,800			
(₹ 74,000 × 2/10)				
Less : Deficiency borne	3,800	11,000		
		2,00,000		2,00,000

Notes :

(i) After deducting ₹ 90,000 as interest on capital and ₹ 36,000 as salary from the Net Profit of ₹ 2,00,000 the balance profit of ₹ 74,000 is to be shared by the partners in the ratio of 5 : 3 : 2.

(ii) Bimal's Actual Share of Profit = ₹ 74,000 × 3/10 = ₹ 22,200

(iii) Bimal's Share of Profit + Salary = ₹ 22,200 + ₹ 24,000 = ₹ 46,200

(iv) Deficiency = Guaranteed Amount – ₹ 46,200 = ₹ 50,000 – ₹ 46,200 = ₹ 3,800

(v) Deficiency is to be born by Deepak = ₹ 3,800

Concept Applied

- Students should do proper calculation of different amounts while preparing various accounts, so that balance of debit and credit should be equal.

40. **Profit and Loss Appropriation A/c**

Dr. *For the year ended 31st March 2017* Cr.

Particulars		Amount	Particulars		Amount
To Interest on Capital			By P & L A/c		3,00,000
Moli's current A/c	25,000		(3,06,000 – 6,000)		
Bhola's current A/c	40,000		By interest on drawing		
Raj's current A/c	20,000	85,000	Moli's current A/c	1,800	
			Bhola's current A/c	3,300	
To Salary (Moli)		4,000	Raj's current A/c	2,400	7,500
To commission (Bhola)		30,000			
To profit transferred to					
Moli's Current A/c	(56,550 – 37,300)				
Bhola's current A/c	(56,550 – 37,300)				
Raj's current A/c	(75,400 + 74,600)				
		1,88,500			
		3,07,500			3,07,500

Dr. **Current A/c** Cr.

	Moli	Bhola	Raj		Moli	Bhola	Raj
To Interest on Drawings A/c	1,800	3,300	2,400	By Interest on Capital A/c	25,000	40,000	20,000
				By Salary A/c	4,000		
To Drawings A/c	40,000	60,000	80,000	By Commission A/c		30,000	
To Balance b/d	64,50	25,950	87,600	By Profit and Loss Appropriation A/c	19,250	19250	1,50,000
	48,250	89,250	1,70,000		48,250	89,250	1,70,000

Working Notes :

Interest on Drawing

$$\text{Moli} = 10{,}000 \times 4 \times \frac{12}{100} \times \frac{[9+0]}{2} \times \frac{1}{12} = ₹\,1{,}800$$

$$\text{Bhola} = 5{,}000 \times 12 \times \frac{12}{100} \times \frac{[11+0]}{2} \times \frac{1}{12} = ₹\,3{,}300$$

$$\text{Raj} = 40{,}000 \times 2 \times \frac{12}{100} \times \frac{[6+0]}{2} \times \frac{1}{12} = ₹\,2{,}400$$

41. (d) : **Adjustment table**

Particulars	Sangeet		Suman		Firm	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Salary Transfer to Suman (Cr.)	-	-	-	36,000	36,000	-
Profits Distributed wrongly	25,200	-	10,800	-	-	36,000
	25,200	-	10,800	36,000	36,000	36,000
Net effect	25,200 Dr.			25,200 Cr.		

Date	Particulars	L.F.	(Dr.)	(Cr.)
31st March 2021	Sangeet's Capital A/c Dr. To Suman's Capital A/c (Being adjusting entry passed)		25,200	 25,200

42. **Journal Entry**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	R's Capital A/c Dr. To P's Capital A/c (Interest on drawings omitted, now rectified)		1,500	 1,500

Working Notes : Statement showing Net Effect of Omission of Drawing

Particular		P(₹)	Q (₹)	R (₹)	Total (₹)
Interest on drawing	(Dr.)	1,000	1,500	2,500	5,000
Profit	(Cr.)	2,500	1,500	1,000	5,000
Adjustment		**1,500 (Cr.)**	-	**1,500 (Dr.)**	

43. **In the books of Puneet and Akshara**

Journal

Date	Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Puneet's Capital A/c (WN1) To Akshara's Capital A/c (Being interest on capital and commission not provided earlier, now rectified.)	Dr.		1,000	1,000

Working Notes :

(i) **Statement Showing Adjustment**

Particulars	Puneet		Akshara		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profits wrongly distributed	16,000		24,000			40,000
Interest on capital to be provided (WN2)		5,200		6,300	11,500	
Commission to partner (1,000 × 4)				4,000	4,000	
Right distribution of profits		9,800		14,700	24,500	
Net Effect	1,000 (Dr.)		1,000 (Cr.)		Nil	

(ii) **Calculation of opening capital and interest on capital of the partners**

Particulars	Puneet (₹)	Akshara (₹)
Capital of the partner as on 31st March, 2019	90,000	1,10,000
Add : Drawing made by the partners	(2,500 × 12) 30,000	(10,000 × 4) 40,000
Less : Profits distributed during the year	16,000	24,000
Opening Capital of the partners	1,04,000	1,26,000
Interest on Capital @5% per annum	5,200	6,300

44. **Statement Showing Calculation of Opening Capitals and Interest**

Particulars	P (₹)	Q (₹)
Closing Capitals	1,00,000	50,000
Capital in the beginning of the year	1,00,000	50,000
Interest on capital 10% P.a	$1,00,000 \times \frac{10}{100} = 10,000$	$50,000 \times \frac{10}{100} = 5,000$
Credit Interest on Capital	10,000	5,000
Debit Impact or Profit of this omission	7,500 2,500 Cr.	7,500 2,500 Dr.

Date	Particulars		L.F.	Amount Dr.	Amount Cr.
2016 March 31	Q's Current A/c To P's Current A/c	Dr.		2,500	2,500

Answer Tips

- For direct adjustment in partner's capital accounts, first a statement to ascertain the net effect of omission on partner's capital accounts will be worked out and then the adjustment entries can be recorded.

45. **Journal**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	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
	(Being change in the profit sharing ratio incorporated retrospectively)				

Working Notes :

Table Showing Adjustments

Particular	Prem (₹)	Param (₹)	Priya (₹)	Total (₹)
Profits already distributed (Dr.)	3,10,000	4,65,000	7,75,000	15,50,000
Profits to be distributed (Cr.)	6,20,000	3,10,000	6,20,000	15,50,000
Net effect	**3,10,000 (Cr.)**	**1,55,000 (Dr.)**	**1,55,000 (Dr.)**	-

46. **Journal**

Date	Particulars		L.F	Dr. (₹)	Cr. (₹)
2010 March 31	B's Capital A/c	Dr.		5,280	
	To A's Capital A/c				5,280
	(Being interest on capital and salary to A not charged now adjusted)				

Working Notes :

(i) **Calculation of Opening Capital**

Particulars	₹	₹
Closing Capital	60,000	20,000
Less : Profit (3 : 2)	18,000	12,000
	42,000	8,000
Add : Drawings	10,000	20,000
Capital in the beginning	52,000	28,000

Interest on A's Capital = ₹ 52,000 $\times \frac{12}{100}$ = ₹ 6,240 and Interest on B's Capital ₹ 28,000 $\times \frac{12}{100}$ = ₹ 3,360

(ii) **Table Showing Adjustment to be made**

Particulars	A's Capital A/c		B's Capital A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Interest on capital	-	6,240	-	3,360	9,600	-
Salary to A	-	12,000	-	-	12,000	-
Loss to be debited (3 : 2)	12,960	-	8,640	-	-	21,600
Net Balance (Effect)	12,960	18,240	8,640	3,360	21,360	21,600
	5,280 Cr.		**5,280 Dr.**		**NIL**	

47. **Journal**

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	A's Current A/c	Dr.		16,080	
	To B's Current A/c				14,253
	To C's Current A/c				1,827
	(Being adjustment entry passed through current A/c of Partners)				

Working notes :

	Interest on Capital	Salary Commission	Profits Payable	Total Payable	Profits distributed	Excess/ Deficiency
A	3,000		20,920	23,920	40,000	16,080
B	2,000	18,000	20,920	40,920	26,667	(14,253)
C	1,000	3,700	10,460	15,160	13,333	(1,827)

48. **Journal Entry**

Date	Particulars		L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Seerat's Capital A/c	Dr.		147	
	To Naveen's Capital A/c				5
	To Hina's Capital A/c				142
	(Being Adjustment entry passed).				

Working Notes : **Adjustment Table**

Particulars		Naveen (₹)	Seerat (₹)	Hina (₹)	Total (₹)
Interest on drawing	(Dr.)	350	360	-	710
Profit	(Cr.)	355	213	142	710
Net Effect		5 (Cr.)	147 (Dr.)	142 (Cr.)	-

(i) Calculate of Interest on Drawings :

Interest on Naveen's Drawings = ₹ $10{,}000 \times \frac{6}{100} \times \frac{7}{12}$ = ₹ 350 (for 7 months)

Interest on Seerat's Drawings = ₹ $12{,}000 \times \frac{6}{100} \times \frac{6}{12}$ = ₹ 360 (Date of drawings not given)

Interest on Drawings Against capital by Hina is not considered. It is considered to calculate interest on Capital.

(ii) (a) Values shown by the partners. (b) Help towards needy flood victims.

(c) Medical aid in flood affected areas.

CBSE Sample Questions

1. (d) : not entitled for any interest on their additional capitals. (0.80)

2. (i) In the absence of Partnership Deed, the provisions of Partnership Act 1932 will apply according to which no interest on capital is payable.

(ii) In the absence of partnership deed, the provisions of partnership act 1932 will apply according to which interest on loan by partner will be paid @6% p.a.

(iii) In the absence of partnership deed, the provisions of partnership act 1932 will apply according to which profits will be shared equally.

(iv) In the absence of partnership deed, the provisions of partnership act 1932 will be applicable according to which no salary/remuneration is payable to any partner.

(4 × 1)

3. (d) : ₹ 3,00,000 (1)

4. (d) : Debit P & L Appropriation A/c and Credit Partner's Capital A/c. (0.80)

5. **Calculation of Opening Capital**

Particulars	A (₹)	B (₹)
Closing Capital	1,60,000	1,40,000
Add : Drawings	30,000	30,000
Less : Profits	(37,800)	(25,200)
	1,52,200	1,44,800
Less : Interest on Capital	13,836	13,164
Opening Capital	1,38,364	1,31,636

Workings :

Total Closing Capital (of A and B) = 1,60,000 + 1,40,000 =	₹3,00,000
Add : Total Drawings (of A and B) =	₹60,000
Less: Profits (including interest on Capital)=	(₹90,000)
Total Capital in the beginning of the year =	**2,70,000**
Interest on Capital = 10% of 2,70,000 =	₹27,000
Divisible profits = 90,000 - 27,000 =	₹63,000

(2 + 2 = 4 marks)

6. (c) : ₹ 36,000 (1)

7. (a) : ₹ 1,80,000 (1)

8. (d) : ₹ 5,000 (1)

9. (d) : 12% p. a. (1)

10. (d) : ₹2,50,000. (0.80)

11. (a) : (A) is correct, but (R) is wrong. (0.80)

12. (a) : ₹10,000. (0.80)

13. (a) : ₹1,00,000 (0.80)

14. (c) : 7:6:2 (0.80)

15. (a) : Interest on Partner's Loan (1)

16. (d) : ₹ 2,000 (0.80)

17. (a) :

Samiksha's Capital A/c. Dr. To Arshiya's Capital A/c. To Divya's Capital A/c	9,000	 6,000 3,000

(1)

18. (d) : Share of Loss of Sohan –₹ 1,180 and Mohan – ₹ 1,770 (1)

19. (b) : Ajay's Current A/c will be Credited by ₹6,000 (0.80)

20. (a) : Profit ₹58,000 (0.80)

21. (a) : Profits for the accounting year (0.80)

22. (d) : ₹800 (0.80)

23.

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
31.3.20	Raina's Capital A/c Dr. To Rohit's Capital A/c To Raman's Capital A/c (Being adjustment entry passed)		11,410	 10,150 1,260

Adjustment Table

Particulars	Rohit	Raman	Raina	Firm
(i) Interest on Capital	10,000	6,000	8,000	(24,000)
(ii) Interest on Drawings	(300)	(300)	(300)	900
(iii) Profit Wrongly Distributed in equal ratio	(24,000)	(24,000)	(24,000)	72,000
Total	(14,300)	(18,300)	(16300)	(48,900)
Distribution of profit in the ratio of 5:4:1	24450	19560	4890	48900
Net Effect	10,150	1,260	(11410)	-

(1.5 + 2.5 = 4 marks)