

Computation of Appropriation Items & Change Items

1 Mark Questions

1. A partnership deed provides for the payment of interest on capital but there was a loss instead of profit during the year 2010-2011. At what rate will the interest on capital be allowed? (All India 2012)

Ans. No interest on capital will be allowed as there was loss in the firm.

2. Give the average period in months for charging interest on drawings for the same amount withdrawn at the beginning of each quarter. (All India 2011)

Ans. The average period for charging interest on drawings for the same amount withdrawn at the beginning of each quarter is $7\frac{1}{2}$ months which can be computed as follows = $12 + \frac{3}{2} = \frac{15}{2} = 7.5$

Interest on Drawings = Total Drawings x Rate/100 x $7\frac{1}{2}$ /12

3. How is interest on drawings calculated, if the drawings are made at regular intervals, as on the first day of each month? (Delhi 2009)

Ans. If the drawings are made regularly on the first day of each month, the interest on drawings will be calculated for $6\frac{1}{2}$ months which can be computed as follows:
= $12 + \frac{1}{2} = \frac{13}{2} = 6.5$

Interest on Drawings = Total Drawings x Rate/100 x $6\frac{1}{2}$ /12