

Accounting for Partnership Firms

Time allowed : 45 min.

Maximum Marks : 20

Q.1 By virtue of Section 464 of the Companies Act, 2013 the Central Government is empowered to prescribe maximum number of partners in a firm but the number of partners cannot be more than _____.

- (a) 50 (b) 100 (c) 20 (d) 10 (Choose the correct alternative) 1 mark

Q.2 Partnership firm cannot have a separate any legal entity. True/False? Give reason. 1 mark

Q.3 Persons who have entered into partnership with one another are individually called _____ and collectively called _____.

(Fill in the blanks) 1 mark

Q.4 Amit, Sumit and Samiksha are in partnership sharing profits in the ratio of 3:2:1. Samiksha's share in profit has been guaranteed by Amit and Sumit to be a minimum sum of ₹8,000. Profits for the year ended March 31, 2020 was ₹36,000. The share of profits of the partners will be:

(Choose the correct alternative) 1 mark

- (a) Amit ₹18,000; Sumit, ₹12,000; Samiksha, ₹6,000 (b) Amit ₹16,800; Sumit, ₹11,200; Samiksha, ₹8,000
(c) Amit ₹17,000; Sumit, ₹11,000; Samiksha, ₹8,000 (d) None of the above

Q.5 Karam Singh and Suleman decided to start a partnership firm. They contributed capitals of ₹2,00,000 and ₹1,00,000 respectively. On 1st April, 2019, Suleman expressed his willingness to admit Inderjeet, a very creative and intelligent person, as a partner without capital in the firm. Karam Singh agreed to this. It was decided that Karam Singh, Suleman and Inderjeet will share profits in the ratio of 2 : 2 : 1. Interest on capital will be provided @ 6% p.a. Due to shortage of capital, Karam Singh introduced ₹50,000 on 30th September, 2016 and Suleman contributed ₹20,000 on 1st January 2020 as additional capital. The profit of the firm for the year ended 31st March, 2020 was ₹2,00,300. Prepare profit and Loss Appropriation Account.

3 marks

OR

Raj and Suri are partners in a firm sharing profits equally. Their capitals as on April 1, 2019 were ₹2,50,000 and ₹1,50,000 respectively. On July 1, 2019. They decided that their capitals should be ₹2,00,000 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. Pass the necessary Journal Entries on July 1, 2019 and compute interest on partner's capitals for the year ending March 31,2020.

Q.6 Pinki, Deepti 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 ₹5,000. Deficiency, if any, would be borne by Pinki and Deepti equally. Profits for the year amounted to ₹40,000. Record necessary journal entries in the books of the firm showing the distribution of profit.

3 marks

Q.7 Anil, Vineet and Vipul were partners in a firm manufacturing food items. They were sharing profits in the ratio of 5 : 3 : 2. Their capitals on 1st April, 2019 were ₹4,00,000, ₹5,00,000 and ₹9,00,000 respectively. After the floods in Uttranchal, all partners decided to help the flood victims personally. For this Anil withdrew ₹30,000 from the firm on 30th September, 2019. Vineet instead of withdrawing cash from the firm took some food items amounting to ₹25,000 from the firm and distributed those to flood victims. On the other hand, Vipul withdrew ₹2,50,000 from his capital on 1st January, 2020 and built a shelter-home to help flood victims. The partnership deed provides for charging interest on drawings @6% p.a. After the final accounts were prepared it was discovered that interest on drawings had not been charged.

Give the necessary adjusting entry and show the working notes clearly.

4 marks

Q.8 Ajit, Choudhary and Vishal set up a partnership firm on January 1,2020. They contributed ₹50,000, ₹40,000 and ₹30,000 respectively as their capitals and decided to share profits in the ratio of 3 : 2 : 1. The partnership deed provided that Ajit is to be paid a salary of ₹1,000 p.m. and Choudhary a commission of ₹5,000. It also provided that interest on capital be allowed @ 6% p.a. The drawings for the year were: Ajit ₹6,000, Choudhary ₹4,000 and Vishal ₹2,000. Interest on drawings ₹270 on Ajit's drawings, ₹180 on Choudhary's drawings and ₹90 on Vishal's drawings. The net amount of profit as per the profit and loss account for the year ended 2020 was ₹35,660

You are required to record the necessary journal entries relating to appropriation of profit.

6 marks

Time allowed : 45 min.

Q.1 A partnership deed provides for the payment of interest on capital but there was a loss instead of profits during the year 2019-20. At what rate will the interest on capital be allowed? (Choose the correct alternative) 1 mark

- (a) 9% p.a. (b) 6% p.a.
(c) The rate specified in the partnership deed. (d) No interest on capital will be allowed.

True/False? Give reason. 1 mark

Q.2 The clauses of a partnership deed can be altered.

Q.3 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 firm was engaged in the sale of ready-to-eat food packets at three different locations in the city, each 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. 4 marks

Q.4 K and L were partners in a firm sharing profits in the ratio of 3 : 2. On 1.4.2020 their Balance Sheet was as follows :

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals: K	80,000	1,80,000	Sundry Assets		1,80,000
L	1,00,000				
		1,80,000			1,80,000

The profit for the year ended 31.3.2020, ₹90,000 was divided between the partners without allowing interest on capital at 6% per annum and a salary to K at ₹4,000 per quarter. During the year K withdrew ₹20,000 and L withdrew ₹27,000.

Pass a single adjustment entry to rectify the error. 6 marks

Q.5 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 :

- Interest on capital @ 5% p.a.
- Interest on drawing @ 12% p.a.
- Interest on partners' loan @ 6% p.a.
- Moli was allowed an annual salary of ₹4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ₹1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli : ₹5,00,000; Bhola : ₹8,00,000 and Raj : ₹4,00,000. On 1st April, 2019 Bhola extended a loan of ₹1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2020 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, 2020 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. 8 marks

Accounting for Partnership Firms

Time allowed : 45 min.

Maximum Marks : 20

- Q.1 Dev withdrew ₹10,000 on 15th day of every month. Interest on drawings was to be charged @ 12% per annum. Interest on Dev's drawings will be:
(a) ₹14,400 (b) ₹7,200 (c) ₹1,200 (d) None of these
(Choose the correct alternative) 1 mark
- Q.2 Under fixed capital method, the partner's capital account balance always remains fixed.
True/False? Give reasons. 1 mark
- Q.3 Kanha, Neeraj and Asha were partners in a firm. They admitted Raghav their Landlord as a partner in the firm. Raghav brings sufficient amount of capital and goodwill premium for his share in the profits. Raghav had given a loan of ₹1,00,000 @ 10% p.a. interest to the partnership firm before he became the partner. Now the accountant of the firm is emphasizing that the interest on loan should be paid @ 6% p.a.
Is he right in doing so? Give reason in support of your answer. 1 mark
- Q.4 Jain, Gupta and Singh were partners in a firm. Their fixed capitals were : Jain ₹4,00,000 ; Gupta ₹6,00,000 and Singh ₹10,00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in the processing and distribution of flavoured milk. The partnership deed provided for interest on capital at 10% per annum. During the year ended 31st March 2020 the firm earned a profit of ₹1,47,000.
Showing your working notes clearly, prepare Profit and Loss Appropriation Account of the firm. 3 marks

OR

- On 1.4.2019, Brij and Nandan entered into partnership to construct toilets in government girls schools in the remote areas of Uttarakhand. They contributed capitals of ₹10,00,000 and ₹15,00,000 respectively. Their profit sharing ratio was 2 : 3 and interest allowed on capital as provided in the Partnership Deed was 12% per annum. During the year ended 31.3.2020, the firm earned a profit of ₹2,00,000.
Prepare Profit and Loss Appropriation Account of Brij and Nandan for the year ended 31.3.2020. Show your workings clearly.
- Q.5 On March 31st, 2020, the balances in the capital accounts of Esha, Manav and Daman after making adjustments for profits and drawings were ₹3,20,000, ₹2,40,000 and ₹1,60,000 respectively. Subsequently, it was discovered that the interest on capital and drawings had been omitted. The profit for the year ended on 31st March, 2020 was ₹90,000. During the year, Esha and Manav each withdrew a sum of ₹48,000 in equal instalments in the middle of every month and Daman withdrew ₹60,000. The interest on drawings was to be charged @ 5% p.a. and interest on capital was to be allowed @ 10% p.a. The profit sharing ratio of the partners was 3 : 2 : 1.
Showing your workings clearly pass the necessary rectifying entry. 6 marks
- Q.6 On 1 April 2019, Sameer and Yasmin commenced a business in partnership with their fixed capitals of ₹15,00,000 and ₹10,00,000 respectively. They agree to share profits in the ratio of 3:2.
The books are closed on March 31, every year. Interest on capitals, salary and commission for partners are allowed even if it involves the firm to incur a loss. Interest on capital is provided @5% p.a. and Interest on drawing is charged @ 12% p.a.

Particulars	Sameer (₹)	Yasmin (₹)
Additional capital contributed on July 1, 2019	3,00,000	2,00,000
Drawings (during 2019-2020)	30,000	20,000
Salary	20,000	—
Commission	10,000	7,000
Share in loss for the year 2019-2020	60,000	40,000

Calculate the amount of net profit during the year 2019-20 and prepare partners' capital and current accounts. 8 marks

Time allowed : 45 min.

- Q.1 In the absence of Partnership Deed, interest on loan of a partner is allowed: (Choose the correct alternative) 1 mark
 (i) @ 8% p.a. (ii) @ 6% p.a. (iii) No interest is allowed. (iv) @ 12% p.a.
- Q.2 One of the partners in a partnership firm has withdrawn ₹9,000 at the end of each quarter, throughout the year. The interest on drawings at the rate of 6% per annum will be: (Choose the correct alternative) 1 mark
 (a) ₹540 (b) ₹2,160 (c) ₹810 (d) None of these
- Q.3 Following is the Balance Sheet of Neelkanth and Mahadev as on March 31, 2020, who share profits and losses in the ratio of 3:2:

Liabilities	Amount (₹)	Assets	Amount (₹)
Neelkanth's Capital	10,00,000	Sundry Assets	30,00,000
Mahadev's Capital	10,00,000		
Neelkanth's Current Account	1,00,000		
Mahadev's Current Account	1,00,000		
Profit and Loss Appropriation (March 2020)	8,00,000		
	30,00,000		30,00,000

During the year Mahadev's drawings were ₹30,000. Profits during 2019-20 is ₹10,00,000. Profits were distributed without providing interest on partners' capitals. The interest on capitals @ 5% p.a for the year ending March 31, 2020 will be: (Choose the correct alternative) 1 mark

- (a) ₹20,000 and ₹31,500 respectively (b) ₹50,000 each
 (c) ₹25,000 each (d) ₹27,000 and ₹18,000 respectively
- Q.4 The partnership deed should be properly drafted and prepared as per the provisions of the _____ and preferably registered with the _____ . (Fill in the blanks) 1 mark
- Q.5 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, 2019 were: Priya, ₹6,00,000 and Kajal, ₹8,00,000. The profit of the firm for the year ended 31 March 2020 is ₹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. 4 marks
- Q.6 Anubha and Dolly are partners of a firm sharing profits and losses in the ratio of 2:1. Their capital, were ₹90,000 and ₹60,000. The profit during the year were ₹45,000. According to partnership deed, both partners are allowed salary, ₹700 per month to Anubha and ₹500 per month to Dolly. Interest allowed on capital @ 5% p.a. The drawings at the end of the period were ₹8,500 for Anubha and ₹6,500 for Dolly. Interest is to be charged @ 5% p.a. on drawings. Prepare partners capital accounts, assuming that the capital account are fluctuating. 6 marks
- Q.7 On 31st March, 2020 the balance in the capital Accounts of Abhir, Bobby and Vineet, after making adjustments for profits and drawings were ₹8,00,000, ₹6,00,000 and ₹4,00,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were : Abhir – ₹20,000 drawn at the end of each month, Bobby – ₹50,000 drawn at the beginning of every half year and Vineet – ₹1,00,000 withdrawn on 31st October, 2019. The net profit for the year ended 31st March, 2020 was ₹1,50,000. The profit sharing ratio was 2 : 2 : 1. Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show year workings clearly. 6 marks

OR

A, B and C were partners in a firm. On 1 April, 2015 their fixed capitals stood at ₹50,000; ₹25,000 and ₹25,000 respectively. As per the provisions of the partnership deed, B was entitled for a salary of ₹5,000 p.a., all the partners were entitled to interest on capital @ 5% p.a. and profits were to be shared in the ratio of capitals. The net profits for the year ending 31 March, 2016 of ₹33,000 and 31 March, 2017 ₹45,000 was divided equally without providing for the above terms. Pass an adjustment journal entry to rectify the above error. Show your workings clearly.

Accounting for Partnership Firms – Basic Concepts

Time allowed : 45 min.

Maximum Marks : 20

Q.1 A and B are partners in a firm sharing profit in the ratio of 3 : 2. Their Balance Sheet on 31.3.20 is given below:

Liabilities		Amount (₹)	Assets		Amount (₹)
A's Capital	30,000	40,000	Drawings:		
B's Capital	<u>10,000</u>		A	4,000	6,000
			B	<u>2,000</u>	34,000
		40,000	Other Assets		40,000

Net Profit during the year ₹5,000 was divided without providing for interest on capital @ 10% p.a.

What will be the amount of Interest on A's Capital?

(Choose the correct alternative) 1 mark

- (a) ₹3,000 (b) Nil (c) ₹3,100 (d) ₹2,700

Q.2 X and Y are partners sharing profits and losses in the ratio of 3 : 2 having fixed capitals of ₹1,50,000 and ₹2,00,000 respectively. The partnership deed provides for interest on capital @ 8% p.a. The Net Profit of the firm during 2019-20 was ₹21,000. In what ratio the appropriation of profit will be made?

(Choose the correct alternative) 1 mark

- (a) 3 : 2 (b) 1 : 1 (c) 3 : 4 (d) 4 : 3

Q.3 A and B are partners. The net divisible profit as per Profit and Loss Appropriation A/c is ₹2,50,000. The total interest on partner's drawing is ₹4,000. A's salary is ₹4,000 per quarter and B's salary is ₹40,000 per annum. The net profit/loss earned during this year was:

(Choose the correct alternative) 1 mark

- (a) ₹3,02,000 (b) ₹1,98,000 (c) ₹3,06,000 (d) ₹2,50,000

Q.4 Explain briefly the provisions of the Indian Partnership Act, 1932 if there is no express agreement on (i) Remuneration for firm's work (ii) Interest on Advances (iii) Interest on Drawings. 3 marks

Q.5 Rajiv and Sanjeev were partners in a firm. Their partnership deed provided that the profits shall be divided as:

First ₹20,000 to Rajeev and the balance in the ratio of 4 : 1.

The profits for the year ended 31st March, 2020 were ₹60,000 which had been distributed among the partners.

On 1-4-2019 their capitals were Rajeev ₹90,000 and Sanjeev ₹80,000. Interest on capital was to be provided @ 6% p.a. While preparing the profit and loss appropriation interest on capital was omitted.

Pass necessary rectifying entry for the same. Show your workings clearly. 4 marks

Q.6 The partnership agreement between Maneesh and Girish provides that: (i) Profits will be shared equally (ii) Maneesh will be allowed a salary of ₹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% p.a. interest will be allowed on partner's fixed capital. (v) 2.5% p.a. interest will be charged on partner's annual drawings irrespective of the period of drawings. (vi) The fixed capitals of Maneesh and Girish are ₹1,00,000 and ₹80,000, respectively. Their annual drawings were ₹16,000 and ₹14,000, respectively. The net profit for the year ending March 31 2020 amounted to ₹40,000.

Prepare firm's Profit and Loss Appropriation Account for the year ending March 31, 2020. 4 marks

Q.7 (a) Ram and Shyam were partners in a firm sharing profits in the ratio of 3 : 5. Their Fixed Capitals were: Ram ₹5,00,000 and Shyam ₹9,00,000. After the accounts of the year had been closed, it was found that interest on capital at 10% per annum as provided in the partnership agreement has not been credited to the Capital Accounts of the partners. Pass a necessary entry to rectify the error.

(b) X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. After the final accounts have been prepared, it was discovered that interest on drawings @ 5% p.a. had not been taken into consideration. The drawings of the Partners were : X ₹15,000; Y ₹12,600; Z ₹12,000. Give the necessary adjusting journal entry. (3 + 3) 6 marks