



ACCOUNTANCY ACCOUNTING FOR PARTNERSHIP FIRMS- FUNDAMENTALS

Name: _____

Date: _____

Class: XII

1. A and B are partners with capitals of ₹60,000 and ₹20,000 respectively on 1st April, 2017. Net profit (before taking into account the provisions of the deed) for the year ended 31st March, 2018 was ₹24,000. The partnership deed provides for the following:
 - a) B is entitled to a salary of ₹6,000 p.a
 - b) Interest on capitals is to be allowed @6% p.a
 - c) Interest on drawings is to be charged @5% p.a

The drawings of the partners A and B were ₹6,000 and ₹4,000 respectively and interest on drawings for A being ₹200 and for B ₹100.

Prepare capital accounts of partners along with their drawings account:

 - i. If they are fixed and
 - ii. If they are fluctuating.

Salary or Commission to partner:

 - i. Percentage of net profit before charging commission:

$$\text{Net profit (before commission)} \times \frac{\text{rate of commission}}{100}$$
 - ii. Percentage of net profit after charging commission:

$$\text{Net profit (before commission)} \times \frac{\text{Rate of commission}}{100 + \text{rate of commission}}$$

 2. X and Y are partners in a firm. X is to get a commission of 10% of net profit before charging any commission. Y is to get a commission of 10% on net profit after charging all commissions. Net profit for the year ended 31st March 2018, before charging any commission was ₹55,000.

 3. A, B and C are partners in a firm. According to the Partnership deed, the partners are entitled to draw ₹7,000 per month. On the first day of every month A, B and C drew ₹7,000; ₹6,000 and ₹5,000 respectively. Interest on capitals and interest on drawings are fixed at 8% and 10% respectively. Profit for the year ended 31st March 2018 was ₹7,55,000 out of which ₹2,00,000 are to be transferred to General reserve. B and C are entitled to receive salary of ₹30,000 and ₹45,000 p.a respectively and A is entitled to receive a commission @10% on net distributable profits after charging such commission. On 1st April 2017, the balances of their capital accounts were ₹5,00,000 ; ₹4,00,000 ; ₹3,50,000 respectively.
- Prepare P&L appropriation A/c for the year ended 31st March 2018 and Capital Accounts



of Partners in the books of the firm

4. Calculation of Interest on Drawings: Simple method and product method:
In a partnership ,partners are charged interest on drawings @ 15% p.a .During the year ended 31st March ,2018 a partner drew as follows:

Date	1 st May 17	1 st Aug,17	30 th sep 17	31 st Jan 18	31 st Mar18
Amt(₹)	2,000	5,000	2,000	6,000	2,000

What is the interest chargeable from the partner?

5. (when drawings are made for a period of 6 months only)A B and C are partners sharing profits equally. A drew regularly ₹6,000 in the beginning of every month for six months ended 30th September ,2017.B drew regularly ₹6,000 at the end of every month for the six months ended 30th September ,2017.C drew regularly ₹6,000 in the middle of every month for the six months ended 30th September ,2017.Calculate interest on drawings @5% p.a when the books are closed on 31st March every year.
6. Average Period Method:
Interest on Drawings = $\frac{\text{Total Drawings} \times \text{Rate of Interest} \times \text{Average period}}{100 \times 12}$
Average Period = $\frac{\text{Months left after First Drawings} + \text{Months left after last Drawings}}{2}$
7. A Partner draws ₹1,000 per month. Under the Partnership Deed, interest on Drawings is to be charged @ 15% p.a .Calculate interest that should be charged to the partner if the drawings are made
- i. In the beginning of the month
 - ii. In the middle of the month or
 - iii. At the end of the month
8. Calculate interest in Drawings of Mr. Sidhu @ 10% p.a for the year ended 31st March ,2018in each of the following alternative cases:
Case.1 If he withdrew ₹6,000 in the beginning of each quarter
Case.2 If he withdrew ₹6,000 at the end of each quarter
Case.3 If he withdrew ₹9,000 in the middle of each quarter
9. Calculate interest on drawings of Rakesh @ 10% p.a for the year ended 31st March 2018 in each of the following alternative cases
Case.1 If his drawings during the year were ₹30,000
Case.2 If he withdraws ₹2,500 per month during the year.
10. Nusrat and Sonu were partners in a firm sharing profits in the ratio of 3 t 2. During the year ended 31st March, 2015 Nusrat had withdrawn ₹15,000. Interest on her drawings amounted to ₹1300.
Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fixed.

INDIAN SCHOOL NIZWA - WORKSHEET



11. Tom and Harry were partners in a firm sharing profits in the ratio of 5 : 3. During the year ended 31st March, 2015 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.
12. Give two circumstances under which the Fixed Capitals of partners may change?
Ans: (2) Addition to capital (ii) Withdrawal of capital
13. How will you calculate interest on drawings when partners withdrew different amounts at different time intervals
Ans: Interest on drawings = total of products x rate/100 x 1/12
14. On 1st April, 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 st March, 2014.
15. On 31st March, 2017 after the closing of books of accounts, the capital accounts of Ram, Shyam and Mohan showed balance of ₹24,000, ₹ 18,000 and ₹12,000 respectively. But, it was later discovered that interest on capital @ 5% had been omitted. The profit for the year ended 3 1st March, 201 7 amounted to ₹36,000 and the partners drawings had been Ram ₹3,600, Shyam ₹4,500 and Mohan ₹2,700. The profit-sharing ratio of Ram, Shyam and Mohan was 3:2 :1.
Calculate interest on capital.
16. Rakesh and Roshan are partners sharing profits in the ratio of 3:2 with capitals of ₹40,000 and ₹30,000 respectively. They withdrew from the firm the following firms for personal use
- | | Date | Amt(₹) |
|--------|---------------------------------|--------|
| Rakesh | 31 st May 2017 | 600 |
| | 30 th June 2017 | 500 |
| | 31st August 2017 | 1,000 |
| | 1 st November 2017 | 400 |
| | 31 st December ,2017 | 1,500 |
| | 31 st January,2018 | 300 |
| | 4 th March 2018 | 700 |
| Roshan | At the beginning of each month | 400 |
17. K and P were partners in a firm sharing profits in 4:3. Their capitals on 1.4.2016 were: K ₹80,000 and P ₹60,000. The partnership deed provided as follows:
- Interest on capital and drawings will be allowed and charged @ 12% p. a. and 10% p. a. respectively.
 - K and P will be entitled to get monthly salary of ₹2,000 and ₹3,000 respectively.



The profits for the year ended 31. 3. 2017 were ₹1,00,300. The drawings of K and P were ₹40,000 and ₹50,000 respectively. Interest on K's drawings was ₹2 000 and P's drawings ₹2,500.

Prepare Profit and Loss Appropriation Account of K and P for the year ended 31.3.2017 assuming that the capitals of the partners were fluctuating.

- 18 Arun and Arora were partners in a firm sharing profits in the ratio of 5:3. Their fixed capitals on 1-4-2016 were: Arun ₹60,000 and Arora ₹80,000. They agreed to allow interest on capital @ 12% p.a. and to charge on drawings @ 15% p.a. The profit of the firm for the year ended 31-3-2017 before all above adjustments was ₹12,600. The drawings made by Arun were ₹2,000 and by Arora ₹4,000 during the year. Prepare Profit and Loss Appropriation Account of Arun and Aron. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs loss.
- 19 A, B and C were partners in a firm having capitals of ₹60,000; ₹60,000 and ₹80,000 respectively. Their Current Account balances were A: ₹10,000; B: ₹5,000 and C: ₹2,000 (Dr). According to the partnership deed, the partners were entitled to interest on capital @ 5% p.a. C being the working partner was also entitled to a salary of ₹6,000 p.a. The profits were to be divided as follows:
(a) The first ₹20,000 in proportion to their capitals.
(b) Next ₹30,000 in the ratio of 5:3:2.
(c) Remaining profits to be shared equally.
The firm made a profit of ₹ 1, 56, 000 before charging any of the above items. Prepare Profit & Loss Appropriation A/c and pass necessary journal entry for apportionment of profit.
20. Tripathi and Chauhan are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were ₹ 60,000 and ₹40,000 as on 1st April, 2016. During the year, they earned a profit of ₹30, 000 after making appropriations for interest on capital, interest on drawings and salaries. According to the partnership deed, both the partners are entitled to ₹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 ₹12,000 for Tripathi ₹8 ,000 for Chauhan Prepare partners' capital accounts when capitals are fixed.
21. A and B entered into partnership on 1st April 2016 without any partnership deed. They introduced capitals of ₹5,00,000 and ₹3,00,000 respectively, on 31st October, 2016 A advanced ₹2,00,000 by way of loan to the firm without any agreement as to interest. The Profit and Loss A/c for the year ended 31.3.2017 showed a profit of ₹4,30,000, but the Partners could not agree upon the amount of interest on loan to be charged and the basis of division of profits. Pass a Journal entry for the distribution of the profit between the partners and prepare the Capital Accounts of both the partners and Loan Account of 'A'.
22. The firm of Harry, Potter and Ali who have been sharing profits in the ratio 2:2:1, have



existed for some years. Ali wants that he should get equal share in the profits with Harry and Potter and he further wishes that the change in the profit sharing ratio should come into effect retrospectively for the first three years. Harry and Potter have agreement on this account. the profits for the last three years were

2014-15 ₹22,000
 2015-16 ₹24,000
 2016-17 ₹29,000

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

23. A B and C were partners .Their capitals were ₹30,000 ₹20,000 and ₹10,000 respectively. According to the partnership deed they were entitled to an interest on capital at 5% p.a. In addition ,D was also entitled to draw a salary of ₹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 were ₹30,000, distributed in the ratio of their capitals with out providing for any of the above adjustments. The profits were to be shared in the ratio of 2:2:1. Pass the necessary adjustment entries showing the workings clearly.
- 24 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.
- 25 A and B are partners in a firm sharing profits and losses in the ratio of 3:2. Following was the balance sheet of the firm as at 31st March ,2018:

Liabilities	₹	Assets	₹
Capital A/c s		Sundry Assets	80,000
A	60,000		
B	20,000		
	80,000		80,000

Profit ₹30,000 for the year ended 31st March ,2018 was divided between the partners without allowing interest on capitals @12% p.a and salary to A @₹1,000 per month .During the year ,A withdrew ₹10,000 and B ₹20,000.

Pass necessary adjustment journal entry and show your workings clearly.



26 Manu and Shristhi are partners in a firm sharing profits in the ratio of 3:2. Following is the Balance Sheet of the firm as on 31st March,2018:

Liabilities	₹	Assets	₹
Manu's Capital 30,000		Drawings:	
Shristhi's Capital 10,000	40,000	Manu 4,000	
		Shrishti 2,000	6,000
		Other Assets:	34,000
	40,000		40,000

Profit for the year ended 31st March 2018 was ₹5,000 which was divided in the agreed ratio, but interest @5% p.a on capital and 6% p.a on drawings was omitted. Adjust interest on drawings on an average basis of 6 months .Give the adjustment entry