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Answers Key:

6 Marks

1. Case I = Rs.3,750,Case II = Rs 2,250, Case III = Rs.3,000
2. Rakesh's Interest on Drawings

	Drawings × Period	Product
31 May 2006 to 31 March 2007	600 × 10 =	6,000
30 June 2006 to 31 March 2007	500 × 9 =	4,500
31 August 2006 to 31 March 2007	1,000 × 7 =	7,000
1 November 2006 to 31 March 2007	400 × 5 =	2,000
31 December 2006 to 31 March 2007	1,500 × 3 =	4,500
31 January 2006 to 31 March 2007	300 × 2 =	6,00
31 March 2006 to 31 March 2007	700 × 1 =	700
	Sum of Product	25,300

Interest = Sum of Product x $\frac{\text{Rate}}{100} \times \frac{1}{12}$
$= 25,300 \times \frac{6}{100} \times \frac{1}{12}$
= Rs.126
Interest on Rohan's Capital
= Total Drawing × $\frac{\text{Rate}}{100} \times \frac{13}{2\times12}$
$= 4,800 \times \frac{6}{100} \times \frac{13}{2\times12}$
= Rs.156

3. JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
(i)	Interest on Capital A/c To C's Capital A/c (Being interest on C's capital calculated) $(8,00,000 \times \frac{9}{100})$	Dr.		72,000	72,000
(ii)	Interest on Partners Loan A/c To A's Capital A/c (Being interest on A's loan calculated) $(70,000 \times \frac{10}{100} \times \frac{6}{12})$	Dr.		3,500	3,500
(iii)	B's Capital A/c To Interest on Drawings A/c (Being interest on B's drawing calculate) $(20,000 \times \frac{12}{100})$	Dr.		2,400	2,400
(iv)	Profit and Loss Appropriation A/c To Interest on Capital A/c To Interest on Partners Loan A/c (Being amount transfer to profit and loss appropriation account)	Dr.		75,500	72,000 3,500
(v)	Interest on Drawings A/c To Profit and Loss Appropriation A/c (Being interest on drawing transfer to profit and loss appropriation account)	Dr.		2,400	2,400

4. JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	Profit and Loss A/c To E's Current A/c (3,00,000 x 12%) To F's Current A/c (4,00,000 × 12%) To G's Current A/c (5,00,000 x 12%) (Being interest on capital given)	Dr.		1,44,000	 36,000 48,000 60,000
	Profit and Loss A/c (2,10,000 - 1,44,000) To Profit and Loss Appropriation A/c (Being amount of profit transferred to profit and loss appropriation account)	Dr.		66,000	 66,000
	Profit and Loss Appropriation A/c To E's Curent A/c To F's Current A/c To G's Current A/c (Being distribution of profit among the partners)	Dr.		66,000	 19,800 19,800 26,400

5. (i)

Rectifying Journal Entry

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	A's Current A/c To C's Current A/c (Being interest on capital previously omitted, now adjusted)	Dr		10,000	 10,000

Adjustment Table

Particulars	A (Rs)	B (Rs)	C(Rs)	Total (Rs)
Amount to be Credited				
Interest on Capital	40,000	50,000	60,000	1,50,000
Amount to be Debited	50,000	50,000	50,000	1,50,000
	10,000 Cr	NIL	10,000 Dr	Nil

(ii)

Rectifying Journal Entry

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	R's Capital A/c To P's Capital A/c To Q's Capital A/c (Being interest on drawings previously omitted, now adjusted)	Dr		1,300	 400 900

Adjustment Table

Particulars	P (Rs)	Q (Rs)	R (Rs)	Total (Rs)
Amount to be Debited				
Interest on Drawings	1,000	500	2,000	3,500
Amount to be Credited	1,400	1,400	700	3,500
	400 Cr	900 Cr	1,300 Dr	Nil

3 Marks

6. Divisible Profit Rs.1,98,000 transferred to Sharma's Capital Rs.1.58,400 and Verma's Capital Rs.39,600.
7. Dr. B's Capital A/c; Cr. A's Capital A/c Rs. 60,000.
8. Divisible Profit Rs. 1,20,000 being Asha's share Rs. 60,000, Nisha Rs. 34,000 (i.e., Rs. 40,000 - 6,000) and Jagat Rs. 26,000 (i.e., Rs.20,000 + Rs. 6,000)
   Hint: As Asha's share of profit is equivalent to guaranteed amount therefore, no need to bear any amount by Nisha.
9. Dr. R's Current A/c, Cr. S's Current A/c by Rs. 264.
10. **Journal Entries**

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Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
2008					
March 31	Profit and Loss Appropriation A/c	Dr.		24,000	
	To Ram's Capital A/c				12,000
	To Rahim's Capital A/c				8,000
	To Raja's Capital A/c				4,000
	(For usual division of profit among partners in the ratio of 3 : 2 : 1)				
March 31	Ram's Capital A/c	Dr.		600	
	Rahim's Capital A/c	Dr.		400	
	To Raja's Capital A/c				1,000
	(For the deficit in guaranteed profit Rs. 1,000 (Rs. 5,0000 - Rs. 4,000) met by Ram and Rahim in their ratio 3 : 2)				

Note : Since minimum guarantee of profit is Rs. 10,000 for accounting period of 12 months, hence it becomes Rs. 5,000 (Rs. 10,000 × 6/12) for half yearly accounting period

Profit and Loss Appropriation A/c

Dr. for half-yearly ended on 31 st March, 2008 **Cr.**

Particulars		Rs.	Particulars	Rs.
To Ram's Capital A/c :			By Net Profits as per Profit & Loss A/c	24,000
Usual Share of Profit	12,000			
Less: Tr. to Raja's Capital	(600)	11,400		
To Rahim's Capital A/c :				
Usual Share of Profit	8,000			
Less: Tr. to Raja's Capital	(400)	7,600		
To Raja's Capital A/c :				
Usual Share of Profit	4,000			
Add : Tr. from Ram's Capital	600			
Add : Tr. from Rahim's Capital	400	5,000		
		24,000		24,000

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11. Actual average profit Rs.65,000 (i.e.,Rs.4,80,000 ÷ 6); value of Goodwill Rs.40,000 (i.e.,Rs.10,000 × 4)
12. profit transferred to capital account: X = Rs.32,000
13. Profit: R = Rs.84,000; Loss: P = Rs.2,23,000, Q = Rs.1,11,600
14. Goodwill = Rs.1,22,000
15. profit transferred to current account : X = Rs.15,470, Y = Rs.8,840, Z = Rs.19,890

Books of Yadu, Madhu and Vidu Profit and Loss

Appropriation Account for the year ending March 31, 201

Dr. Cr.

16.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Profit & Loss (Net Loss)	75,000	Partners' Current account (Distribution of Loss)	
		Yadu 30,000	
		Madhu 30,000	
		Vidu 15,000	75,000
	75,000		75,000

Dr. **Profit and loss Account for the year ending on 31 March, 2018** Cr.

17.

Particulars		Amt(Rs)	Particulars	Amt (Rs)
To Rent A/c			By Profit before any Interest	40,000
Arun	10,000			
Varun (1,000 x 12)	12,000	22,000		
To Profit and Loss Appropriation A/c (Distributable profits)		18,000		
		40,000		40,000

18. (i) Interest on drawings : Arvind - Rs. 1200, Anand- Rs. 840
(ii) Share of Loss : Arvind - Rs. 22,770, Anand- Rs. 7,590)
19. Interest on Capital

Rahul = $20,00,000 \times \frac{5}{100} = \text{Rs } 1,00,000$

Rohit = $18,00,000 \times \frac{5}{100} = \text{Rs } 90,000$

Karan = $16,00,000 \times \frac{5}{100} = \text{Rs}80,000$

20. Product Method

	Drawings × Period	Product
01 May, 2006 to 31 March	12,000 × 11 =	1,32,000
31 July, 2006 to 31 March 2007	6,000 × 8 =	48,000
30 September, 2006 to 31 March 2007	9,000 × 6 =	54,000
30 Nov. 2006 to 31 March 2007	12,000 × 4 =	48,000
01 Jan. 2007 to 31 March 2007	8,000 × 3 =	24,000
31 March 2007 to 31 March 2007	7,000 × 0 =	0
	Sum of Product	3,06,000

Here the formula will be
Interest on Drawings = Product $\frac{\text{Rate}}{100} \times \frac{1}{12}$
= 3,06,000 x $\frac{9}{100} \times \frac{1}{12}$
= Rs 2,295

21. Interest on Drawings Amit = $24,000 \times \frac{10}{100} \times \frac{6}{12} = 71,200$
Bhola = $16,000 \times \frac{10}{100} \times \frac{6}{12} = 7800$
If amounts (drawings) were withdrawn evenly, throughout the year, then interest on drawings is calculated for 6 months.

22. Interest on E's drawings = Rs.39.6; Debit E's current account with Rs.15.840 and Credit F's current account with Rs.15.840

23. Case 1 = Rs. 18,750; Case 2 = Rs. 11,250;Case 3 = Rs. 15,000

24. Total interest on Sunflower's Capital Rs. 22,500 and on Pink Rose's Capital, Rs. 17,500

25. Interest on Drawings (Product Method)

Date	Amount (Rs)	Period	Product
April 30, 2019	6,000	11	66,000
June 30, 2019	4,000	9	36,000
Sept. 30, 2019	8,000	6	48,000
Dec. 31, 2019	3,000	3	9,000
Jan. 31, 2020	5,000	2	10,000
Total			1,69,000

Interest on Drawings Math input error

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26. JOURNAL

Date	Particulars		LF	Amt (Dr)	Amt (Cr)
	B's Capital A/c To A's Capital A/c (Being the adjustment entry passed)	Dr		5,280	5,280

Working Notes

l. Calculation of Opening Capital and Interest on Capital

Particulars	A (Rs)	B(Rs)
Closing Capitals	60,000	20,000
(+) Drawings	10,000	20,000
(-) Share of Profit already Credited	(48,000)	(32,000)
(80,000 in 3:2)		
Opening Capitals	22,000	8,000
Interest @12%	2,640	960

2.

Adjustment Table

Particulars	A (Rs)	B (Rs)	Total (Rs)
I. Amount already Recorded	48,000	32,000	80,000
II. Amount which should have been Recorded			
Interest on Capital	2,640	960	3600
Salary to A	12,000	-	12,000
Share of Profit (64,400 in 3:2)	38,640	25,760	64,400
	53,280	26,720	80,000
III. Net Effect (I- II)	5,280 (Cr)	5,280 (Dr)	Nil

3. Calculation of Adjusted Profits

Adjusted Profits = Given Profit - Salary - Interest on Capital = 80,000 - 12,000 - (2,640 + 960) = Rs 64,400

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