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Answers Key:

3 Marks

1. Divisible Profit Rs. 28,000 transferred to K's Capital Rs. 16,000 and P's Capital Rs. 12,000.
2. Divisible Profit Rs.1,98,000 transferred to Sharma's Capital Rs.1.58,400 and Verma's Capital Rs.39,600.
3. Interest on Drawing D Rs. 4,400, E Rs 4,500 and F Nil; Divisible Profit Rs. 38,900 transferred to D's current A/c Rs 9,725, E's Current A/c Rs 13,615 and F's Current A/c Rs 15,560.
4. Dr. Profit and loss Appropriation Account for the year ended .... Cr.

Particulars	Amt (Rs.)	Amt (Rs.)	Particulars	Amt (Rs.)
To Interest on Capital			By Net Profit as per Profit and Loss Nc	1,56,000
A's Current A/c	3,000			
B's Current A/c	3,000			
C's Current A/c	4,000	10,000		
To Salary				
C's Current A/c		6,000		
To Profit Transferred to				
A's Current A/c	51,000			
B's Current A/c	45,000			
C's Current A/c	44,000	1,40,000		
		1,56,000		1,56,000

Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
	Profit and Loss Appropriation A/c Dr		1,40,000	
	To A's Current A/c			51,000
	To B's Current A/c			45,000
	To C's Current A/c			44,000
	(Being profit distributed among the partners)			

Working Note

1. Calculation of Interest on Capital

$A = 60,000 \times \frac{5}{100} = Rs.3,000; B = 60,000 \times \frac{5}{100} = Rs.3,000; C = 80,000 \times \frac{5}{100} = Rs.4,000$

2. Capital ratio of A, Band C =60,000 : 60,000 : 80,000, i.e. 3 : 3 : 4.

3.

Divisible Profit Rs. 1,40,000 viz.,	A Rs.	B Rs.	C Rs.
First Rs. 20,000 in 3 : 3 : 4	6,000	6,000	8,000
Next Rs. 30,000 in 5 : 3 : 2	15,000	9,000	6,000
Remaining profit Rs. 90,000 equally i.e. 1 : 1 : 1	30,000	30,000	30,000
	51,000	45,000	44,000

5. 31-3-2008 Share of Profit = P Rs. 20,000 and R Rs. 20,000 (i.e., Rs. 12,500 + 4,500+Rs. 3,000)
   31-3-2009 Share of Profit = P Rs. 36,000; Q Rs; 24,000 and R Rs. 20,000 (i.e., Rs. 13,333 + 4,000 + Rs. 2,6674)
6. 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.
7. Interest on Vinod's Drawings = Rs 3,840 Rs (3,84,000 × 12/100 × 1/12).
8. Interest on B's loan Rs. 3,000 salary Rs. 12,000 each. Divisible profit Rs. 58,000 transferred to A's capital and B's capital A/cs Rs. 29,000 each.
9.

	Rs.
Interest on Ram's Capital of Rs.5,00,000 @ 10%	50,000
Interest on Shyam's Capital of Rs.9,00,000 @ 10%	90,000
Total interest to be allowed	1,40,000

   Profit already distributed 140000 in the ratio 3 : 5 i.e 52500 and 87500 the difference is 2500. The entry is
   Ram A/C Dr 2500
   To Shyam A/C 2500
10. Dr. Malti's Current A/c and Arti's Current A/c by Rs. 200 each; Cr. Paro's Current A/c Rs. 400.

11. Dr. Kumar's Current A/c, Cr. Raja's Current A/c by Rs. 11,100.
12. Dr. R's Current A/c, Cr. S's Current A/c by Rs. 264.
13. Dr. X' Capital A/c Rs. 45,000 and Y's Capital A/c Rs. 50,000
14. Dr. Ramesh's Current A/c, Cr. Suresh's Current A/C by Rs 33,000.
15. 1993 - Share of Profit : P Rs. 22,500, Q Rs. 12,500 (i.e., Rs. 15,000 - Rs. 2,500) ; R Rs. 10,000 i.e., (Rs. 7,500 + Rs. 2,500)
    1994 - Share of Profit : P Rs. 37,500, Q Rs./ 25,000 and R Rs. 12,500.
    [**Hint :** If new partner's share of profit is more than the guaranteed amount than all his share of profit is given to them not guaranteed amount of profit.]
16. Divisible Profit Rs. 1,05,000 (Rs. 1,20,000 - Rs. 15,000) being share of profits. A Rs. 52,500; B Rs. 35,000 and C Rs. 17,500
    [**Hint:** Minimum guaranteed profit of C for 6 months = Rs. 30,000 × 6/12 = Rs. 15, 000. Hence no adjustment in C's share of profit is required. Interest on capital will be charged for 6 months.]
17. (i) Calculation of total commission:
    Commission = Net Profit $\times \frac{Rate}{100+Rate}$
    = Rs. 1,80,000 $\times \frac{20}{100+20}$ = Rs. 1,80,000 $\times \frac{20}{120}$ = Rs. 30,000
    (ii) **Profit and loss Appropriation A/c**

Dr. For the year ending 31st March, 2008 **Cr.**

Particulars		Rs.	Particulars	Rs.
To commission A/c :			By Net Profit as per profit & Loss A/c	1,80,000
A (Rs. 30,000 × 2/10)	6,000			
B (Rs. 30,000 × 3/10)	9,000			
C (Rs. 30,000 × 2/10)	6,000			
D (Rs. 30,000 × 3/10)	9,000	30,000		
To Divisible Profit transferred to Current A/cs :				
A 4/10	60,000			
B 3/10	45,000			
C 2/10	30,000			
D 1/10	15,000	1,50,000		
		1,80,000		1,80,000

18. **Dr.** **Table Showing Adjustments** **Cr.**

Particulars		A Rs.	B Rs.	C Rs.
Present Position				
(i) Salary of A and B @ Rs. 3,000 each per annum	Cr.	3,000	3,000	-
(ii) Commission of B	Cr.	-	5,000	-
(iii) Division of Profit	Cr.	30,000	20,400	13,600
	(Cr.)	33,000	28,400	13,600
Old Position				
Division of Profit Rs. 75,000 in the ratio 3 : 2 : 1, now cancelled by debiting it	(Dr.)	37,500	25,000	12,500
Net effect to be debited or credited to partners' captial a/cs	(Cr. - Dr.)	4,500	3,400	1,100
		(Dr.)	(Cr.)	(Cr.)

Journal Entry

Date	Particulars		L.F.	Dr. (Rs.)	Cr.(Rs.)
	A's Capital A/c	Dr.		4,500	
	To B's Capital A/c				3,400
	To C's Capital A/c				1,100
	(For adjustment entry passed for omission of salary, commission and change in profit sharing ratio)				

Note: Divisible profit Rs. 64,000 (Rs. 75,000 - Rs. 11,000) out of which Rs. 30,000 will be transferred to A as guaranteed profit and remaining Rs. 34,000 will be divided between B and C in the ratio of 3 : 2, i.e., Rs. 20,400 and Rs. 13,600 respectively.

19. Profit transferred to capital accounts:
    White = Rs.2,43,394, Black = Rs.2,43,394
    Red = Rs.2,43,392;
    Balance in partner's capital accounts:
    White = Rs.12,11,614, Black = Rs.10,08,994
    Red = Rs.9,57,392

Multiple Choice Question

20. (a) 6 % p.a even if the firm incurs loss
21. (c) an appropriation
22. (c) Rs.1,500

23. (a) only out of profits
24. (a) V=Rs.12,10,000,A=Rs.9,35,00
25. (b) Rs.32,700
26.
27. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
28. (d) A need to return Rs 2,35,000 to the firm
29. (c) Only (iii)
30. (d) Stamp Act, Registrar of Firms
31. (d) not entitled for any interest on their additional capitals.
32. (c) partner's loan account
33. (b) Rs 40,000 per quarter
34. (a) Rs 3,900
35. (b) $4\frac{1}{2}$ months
36. (d) Rs 27,000
37. (c) Both Assertion (A) and Reason (R) are incorrect
38. (a) Rs 10,000
39. (d) Share of Loss Sohan - Rs 1,180 Mohan - Rs 1,770
40. (b) Assertion (A) is correct, but Reason (R) is wrong
41. (a) Assertion (A) is correct, but Reason (R) is wrong
42. (a) Interest on partner's loan

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