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Questions:

3 Marks

1. K and P were partners in a firm sharing profits in 4 : 3 ratio. Their capitals on 1.4.2009 were : K Rs. 80,000 and P Rs. 60,000. The partnership deed provided as follows :
(i) Interest on capital and drawing will be allowed and charged @ 12% p.a. and 10% p.a. respectively.
(ii) K and P will be entitled to get monthly salary of Rs. 2,00 and Rs 3,000 respectively.
The profits for the year ended 31.3.2010 were Rs. 1,00,300. The drawings of K and P were Rs. 40,000 and Rs. 50,000 respectively. Interest on K's drawings was Rs. 2,000 and on P's drawings Rs. 2,500.
Prepare Profit and Loss Appropriation Account of K and P for the year ended 31.3.2010 assuming that the capitals of the partners were fluctuating.

2. Sharma and Verma were partners in a firm sharing profits in the ratio of 4 : 1. Their capitals on 01- 04 -2006 were Sharma Rs. 5,00,000 and Verma Rs. 1,00,000. The partnership deed provided that Sharma will get a commission of 10% on the profit after allowing a salary Rs. 5,000 per month to Verma. The profit of the firm for the year ended 31st March, 2007 was Rs. 2,80,000.
Prepare Profit and Loss Appropriation Account of Sharma and Verma for the year ended 31.03.2007.

3. D, E and F were partners in a firm sharing profits in the ratio of 5 : 7 : 8. Their fixed capitals were D Rs. 5,00,000, E Rs. 7,00,000. and F Rs. 8,00,000. Their partnership deed provided for the following :
(i) Interest on capital @ 10% p.a
(ii) Salary of Rs, 10,000 per month of F.
(iii) Interest on drawings @ 12% p.a.
D withdrew Rs. 40,000 on 31st January, 2009; E withdrew Rs. 50,000 on 31st March, 2009 and F withdrew Rs. 30,000 on 31st December, 2009.
During the year ended on 31st December, 2009 the firm earned a profit of Rs. 3,50,000.
Prepare the Profit and Loss Appropriation Account for the year ended 31st December, 2009.

4. A, B and C were partners in a firm having capitals of Rs. 60,000; Rs. 60,000 and Rs. 80,000 respectively. Their Current Account balances were A : Rs, 10,000; B : Rs 5,000 and C : Rs, 2,000 (Dr.). According to the partnership deed the partners were entitled to interest on capital @ 50% p.a. C being the working partner was also entitled to a salary of Rs. 6,000 p.a.
The profits were to be divided as follows:
(a) The first Rs. 20,000 in proportion to their capitals.
(b) Next Rs. 30,000 in the ratio of 5 : 3 : 2.
(c) Remaining profits to be shared equally.
The firm made a profit of Rs. 1,56,000 before charging any of the above items. Prepare the Profit & Loss Appropriation Account and pass necessary journal entry for appropriation of profit.

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5. P, Q and R are partners sharing profits in the ratio of 3 : 2 : 1. However, R is guaranteed Rs. 20,000 as his share of profits every year. Deficiency if any would be borne by the other partners. The profits for the two years ending 31.03.2008 and 31.03.2009 had been Rs. 75,000 and Rs 80,000 respectively. Show the Profit and Loss Appropriation Account for the two years.

6. Asha, Nisha and jagat are partners in a firm. On 1st April, 2011 the balance in their capital accounts stood at Rs. 8,00,000 and Rs. 4,00,000 respectively. They shared profits in the profits in the proportion of 3 : 2 : 1.
Partners are entitled to interest on capital @ 6 % per annum and salary to Asha @ Rs.4,000 per month and a commission of Rs. 6,000 per quater to jagat as per the provisions of the partnership deed.
Asha's share of profit excluding interest on capital is guaranteed at Rs. 60,000 p.a. Jagat;s share of profit including interest on capital but excluding salary is guaranteed at Rs. 60,000 p.a. Jagat's share of profit including interest on capital but excluding salary is guaranteed at Rs. 50,000 p.a.
Any deficiency arising on the account shall be met by nisha. The profit of the firm for the year ended 31st March, 2012 amounted to Rs. 3,00,000.
Prepare 'Profit and Loss Appropriation Account' for the year ended 31st March. 2012.

7. Vinod and Mohan was partners in a firm. The partnership agreement provided that interest on drawings was to be charged @ 12% p.a. Vinod had withdrawn the following amounts during the year ended 31.12.2005.

Date	Amount withdrawn
	Rs.
01.01.2005	10,000
31.03.2005	16,000
01.07.2005	20,000
31.12.2005	4,000

Calculate interest on Vinod's drawings.

8. A and B start business on July 1, 2004, each partner contributing Rs. 1,50,000 as his share of capital. Three months later, on October 1, 2004, B makes an additional contribution of Rs. 1,00,000 which is treated as a loan. The profit for the period ending March 2005 was Rs. 85,000 before charging any interest or salary. All the partners were entitled to a salary of Rs. 3,000 each, per quarter. The partners had drawn Rs. 24,000 each on 1st January 2005. Prepare the Profit and Loss Appropriation Account for the period ended March 31,2005.

9. Ram and Shyam were partners in a firm sharing profits in the ratio of 3 : 5. Their fixed capitals were : Ram Rs. 5,00,000 and Shyam Rs. 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 to the Capital Accounts of the partners. Pass a necessary entry to rectify the error.

10. Malti, Paro and Arti are partners in a firm having fixed capitals of Rs. 80,000; Rs. 50,000 respectively sharing profits as 7 : 6 : 4. The rate of interest on capital was agreed at 10% per annum, but was wrongly credited to them as 12% per annum. Give the necessary adjustment entry to adjust the balances of partners' capital accounts.

11. Kumar and Raja were partners in a firm sharing profits in the ratio of 7 : 3. Their fixed capitals were : Kumar Rs. 9,00,000 and Raja Rs. 4,00,000. The partnership deed provided for the following but the profit for the year was distributed without providing for :
(i) Interest on capital @ 9% per annum.
(ii) Kumar's salary Rs. 50,000 per year and Raja's salary Rs, 3,000 per month.
The profit for the year ended 31.3.2007 was Rs. 2,78,000.
Pass the adjustment entry.

12. R and S were partners in a firm sharing profits in 3 : 2 ratio. Their respective fixed capitals were Rs. 10,00,000 and Rs. 15,00,000. The partnership deed provided for the following :
(i) Interest on Capital @ 10% p.a.

(ii) Interest on drawing @ 12% p.a.
During the year ended 31.3.2007, R's drawings were Rs. 1,000 per month drawn at the end of every month and S's drawing were Rs. 2,000 per month drawn in the beginning of the every month. After the preparation of final accounts for the year ended 31.3.2007 it was discovered that interest on R's drawings was not taken into consideration.
Calculate interest on R's drawings and give necessary adjusting entry for the same.

13. X, Y and Z are partners in a firm who share profits in the ratio of 2 : 3 : 5. The firm earned a profit of Rs. 1,50,000 for the year ended December 31,2004. The profit by mistake was distributed among X, Y and Z in the ratio of 3 : 2 : 1 respectively. This error was noted only in the beginning of the next year. Pass necessary entry to rectify the error.

14. Suresh and Ramesh were partners in a firm sharing profits in the ratio of 3 : 2. Their fixed capitals were : Suresh Rs. 9,00,000 and Ramesh Rs. 6,00,000. The partnership deed provided for the following :
(i) Interest on capital @ 5% per annum.
(ii) Rs. 60,000 per annum salary to Suresh and salary Rs. 2,000 per month to Ramesh.
The profit earned by the firm for the year ended 31.3.2007 was Rs. 2,34,000.
The profits were divided equally without providing for the above.
Pass adjustment entry.

15. P, Q and R are partners in a firm. Their profit sharing ratio is 3 : 2 : 1. However, R is guaranteed a minimum amount of Rs. 10,000 as share of profit every year. Any deficiency arising on that account shall be met by Q. The profits for two years ending December 31st, 1993 and 1994 were Rs. 45,000 and Rs. 75,000 respectively. Prepare Profit and Loss Appropriation Account for the two years.

16. A, B and C entered into a partnership on October 1,2004 to share profits and losses in the ratio of 3 : 2 : 1. A, however personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs. 30,000 in any year. The capital contribution were A : Rs. 3 lakhs, B : 2 Rs. lakhs and C : Rs. 1 lakhs. The profits for the period ended March 31, 2005 were Rs. 1,20,000. Show the distribution of profits.

17. A, B C and D are the four partners sharing profit sharing profit as 4 : 3 : 2 : 1. They earned a profit of Rs. 1,80,000 for the year ended 31.3.2008. As per the deed they are to charge a commission @ 20% of the profit after charging such commission which they will share as 2 : 3 : 2 : 3.
Prepare Profit & Loss Appropriation Account showing the distribution of profits and the share of each partner assuming capital accounts are maintained on fixed capital system.

18. The partners of a firm distributed the profits for the year ended 31st March, 2003 Rs. 75,000 in the ratio of 3 : 2 : 1. without providing for the following adjustments:
(i) A and B were entitled to a salary of Rs. 3,000 each per annum.
(ii) B was entitled to a commission of Rs. 5,000
(iii) B and c had guaranteed a minimum profit of Rs. 30,000 p.a. to A
(iv) Profits were to be shared in the ratio of 3 : 3 : 2.
Pass necessary journal entry for the above adjustments in the books of firm.

19. White, Balck and Red are partners in a firm. On the first day of every month White, Black and Red drew rs.14,000, Rs.12,000 and Rs.10,000 respectively.
Interest on capital and Interest on Drawings are fixed @8% and 10% respectively.Profit for the year ended 31st March, 2018 was Rs.15,10,000 out of which Rs.4,00,000 are to be transferred to general reserve. Black and Red are entitled to receive salary of Rs.60,000 and Rs.90,000 per annum respectively and White is entitled to receive commission @10% on net distributable profits after charging such commission.
On 1st April, 2017 the balances of their capital account were RS.10,00,000, Rs.8,00,000 and Rs.7,00,000 respectively.You are required to show profit and loss appropriation account for the year ended 31st March, 2018 and capital account of partners in the books of the firm.

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Multiple Choice Question

20. A partnership deed is silent for the payment of interest on partners's loan but there was a loss instead of profits during the year 2013-14. At what rate will the interest on partner's loan be allowed?
(a) 6 % p.a even if the firm incurs loss (b) As per the partnership deed (c) No interest will be provided (d) None of these.

21. Interest on partner's capital is :
(a) a gain (b) a loss (c) an appropriation (d) None of these

22. A partner withdrew Rs.4,000 per month from 1st July, 2016, on beginning of every month. Accounts are closed at 31st March, 2017. Calculate interest on drawings while rate of interest is 10% per annum.
(a) Rs.1,600 (b) Rs.1,800 (c) Rs.1,500 (d) Rs.2,200

23. Where a partner is entitled to interest on capital contributed by him, such interest will be payable
(a) only out of profits (b) only out of capital (c) Both (a) and (b (d) None of these

24. Virat and Anushka are partners in a firm sharing profit and losses in 2: 1 ratio. Their capital balance were Rs.10,00,000 and Rs.8,00,000 respectively. The firm made profits during the year amounting to Rs.3,45,000. Both partners are allowed salary oft 2,500 per month. Interest on capital is allowed @ 5% on capital balance.
Calculate closing balance of capital for Virat and Anushka
(a) V=Rs.12,10,000,A=Rs.9,35,00 (b) V=Rs.2,35,000,A=Rs.9,10,000 (c) V=13,10,000,A=Rs.9,85,000 (d) None of these

25. The partnership agreement between Mahesh and Ramesh provides that
(i) profits will be shared equally.
(ii) Mahesh will be allowed a salary Rs. 400 per month.
(iii) Ramesh is allowed a commission @ 10% on net profits before adjusting any remuneration.
(iv) 10% per annum interest will be charged on drawings.
(v) their annual drawings were Rs. 16,000 and Rs. 14,000 respectively.
Net profit before above adjustments are Rs. 40,000. Calculate profits to be distributed between partners
(a) Rs.34,200 (b) Rs.32,700 (c) Rs.47,300 (d) Rs.29,700

26. 'N and 'B' were partners in a firm. They share profits in 2 : 3 ratio. They close their accounts on 31st December every year. 'Nwithdrew a fixed sum of Rs.2,000 at the beginning of every month starting form 1st July, 2017. You have to calculate interest on drawings while rate of interest is 12%.
(a) Rs.420 (b) Rs.720 (c) Rs.440 (d) Rs.580

27. Assertion (A) Batman, a partner in a firm with four partners has advanced a loan of Rs 50,000 to the firm for last six months of the financial year without any agreement. He claims an interest on loan of Rs 3,000 despite the firm being in loss for the year.
Reason (R) In the absence of any agreement/ provision in the partnership deed, provisions of Indian Partnership Act, 1932 would apply.
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

28. A, B and C are in partnership business. A used Rs 2,00,000 belonging to the firm without the information to other partners and made a profit of Rs 35,000 by using this amount. Which decision should be taken by the firm to rectify this situation?
(a) A need to return only Rs 2,00,000 to the firm (b) A is required to return Rs 35,000 to the firm (c) A is required to pay back Rs 35,000 only equally to B and C
(d) A need to return Rs 2,35,000 to the firm

29. In the absence of an agreement, partners are entitled to
(i) profit share in capital ratio.
(ii) commission for making additional sale.
(iii) interest on loan and advances by them to the firm.
(iv) salary for working extra hours.
(v) interest on capital.
(a) (i), (iv) and (v) (b) (ii) and (iii) (c) Only (iii) (d) (i) and (iii)

30. The partnership deed should be properly drafted and prepared as per the provisions of the _____ and preferably registered with the _____.
(a) Indian Partnership Act, 1932, Registrar of Companies (b) Indian Partnership Act, 1932, Registrar of Firms (c) Stamp Act, Registrar of Companies
(d) Stamp Act, Registrar of Firms

31. In the absence of partnership deed, a partner is entitled to an interest on the amount of additional capital advanced by him to the firm at a rate of
(a) entitled for 6% p.a. on their additional capital, only when there are profits. (b) entitled for 10% p.a. on their additional capital. (c) entitled for 12% p.a. on their additional capital.
(d) not entitled for any interest on their additional capitals.

32. Interest on partner's loan is credited to
(a) partner's fixed capital account (b) partner's current account (c) partner's loan account (d) partner's drawings account

33. A and B are partners. B draws a fixed amount at the end of every quarter. Interest on drawings is charged @15% p.a. At the end of the year interest on B's drawings amounted to Rs 9,000. Drawings of B were
(a) Rs 24,000 per quarter (b) Rs 40,000 per quarter (c) Rs 30,000 per quarter (d) Rs 80,000 per quarter

34. Hina and Neena are partners in a firm. Neena withdrew Rs 10,000 per month at the beginning of each month during the year ended 31 st March, 2022. Interest on drawings was to be charged @ 6% per annum.
Interest on Neena's drawings for the year ended 31st March, 2022 will be
(a) Rs 3,900 (b) Rs 325 (c) Rs 3,600 (d) Rs 3,300

35. Vibha and Asha are partners in firm. Asha withdrew Rs 1,000 at the end of each quarter during the year ended 31st March, 2022. Interest on drawings will be calculated for an average period of
(a) 6 months (b) $4\frac{1}{2}$ months (c) $7\frac{1}{2}$ months (d) $6\frac{1}{2}$ months

36. Aman and Chaman are partners in a firm. On Ist July, 2021 Aman advances a loan of Rs 6,00,000 to the firm. There is no partnership deed. On 31st March, 2022, Aman was entitled to get the following amount as interest on loan.
(a) Rs 36,000 (b) Rs 18,000 (c) Rs 9,000 (d) Rs 27,000

37. Assertion (A) Commission provided to partner is shown in profit and loss account.
Reason (R) Commission provided to partner is charge against profits and is to be provided at fixed rate.
(a) Assertion (A) is correct, but Reason (R) is wrong (b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A)
(c) Both Assertion (A) and Reason (R) are incorrect (d) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)

38. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to Rs 4,800 at the end of the year. What was the amount of his monthly drawings?
(a) Rs 10,000 (b) rs 5,000 (c) Rs 1,20,000 (d) Rs 48,000

39. Sohan and Mohan are partners sharing profits and losses in the ratio of 2 :3 with the capitals of Rs 5,00,000 and Rs 6,00,000 respectively. On 1st January, 2022, Sohan and Mohan granted loans of Rs 20,000 and Rs 10,000 respectively to the firm. Determine the amount of loss to be borne by each partner for the year ended 31st March, 2022 if the loss before interest for the year amounted to rs 2,500.
(a) Share of Loss Sohan - Rs 1,250 Mohan - Rs 1,250 (b) Share of Loss Sohan - Rs 1,000 Mohan - Rs 1,500 (c) Share of Loss Sohan - Rs 820 Mohan - Rs 1,230
(d) Share of Loss Sohan - Rs 1,180 Mohan - Rs 1,770

40. Assertion (A) The fixed capital account balance of a partner may change due to additional capital introduced or capital withdrawn or both, during the year.
Reason (R) Under fixed capital method, the partner's capital accounts balance always remains same.
(a) Both Assertion (A) and Reason (R) are correct (b) Assertion (A) is correct, but Reason (R) is wrong (c) Assertion (A) is wrong, but Reason (R) is correct
(d) Both Assertion (A) and Reason (R) are wrong

41. Assertion (A) Transfer to reserves is shown in profit and loss appropriation account.
Reason (R) Reserves are charge against the profits.
(a) Assertion (A) is correct, but Reason (R) is wrong (b) Both Assertion (A) and Reason (R) are correct (c) Assertion (A) is wrong, but Reason (R) is correct
(d) Both Assertion (A) and Reason (R) are wrong

42. Which of the following items is not dealt through profit and loss appropriation account?
(a) Interest on partner's loan (b) Partner's salary (c) Interest on partner's capital (d) Partner's commission

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