Assignment-1

Fundamentals of partnership Firms

1. Below are listed Content of partnership Deed except:
   a. Ratio in which profit or losses shall be share
   b. Interest on Partners capital and drawings
   c. Interest on Debentures
   d. Name of the firm.

2. Which Section of the Partnership Act defines Partnership as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all?
   a. Section 61
   b. Section 48
   c. Section 13
   d. Section 4

3. From the following, what is important for a partnership?
   a. More than 10 Persons
   b. Registration
   c. Sharing of Profits
   d. Capital more than 15 Crore

4. Interest on capital as a charge against profits in case of insufficient profit is
   a. Not allowed
   b. Allowed to the extent of profit
   c. Allowed in full irrespective of profit
   d. All of these

5. From the following, identify a situation when fixed capitals of the partners may change?
   a. When drawings are made by the partners
   b. When current accounts are opened
   c. When there is loss in the business
   d. When additional capital is introduced

6. Fill in the blanks: Manager's commission is a ________ against profits.

7. The net profit of X, Y and Z for the year ended March 31, 2016, was Rs 60,000 and the same was distributed among them in their agreed ratio of 3 : 1 : 1. It was subsequently discovered that the undermentioned transactions were not recorded in the books :
   (i) Interest on Capital @ 5% p.a.
   (ii) Interest on drawings amounting to X Rs 700, Y Rs 500 and Z Rs 300.
   (iii) Partner's Salary : X Rs 1000, Y Rs 1500 p.a.

The capital accounts of partners were fixed as : X Rs 1,00,000, Y Rs 80,000 and Z Rs 60,000. Record the adjustment entry.

8. Amann, Babita and Suresh are partners in a firm. Their profit sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of Rs 10,000 as share of profit, every year. Any deficiency on that account shall be met by Babita. The profits for two years ending December 31, 2016, and December 31, 2017, were Rs 40,000 and Rs 60,000, respectively. Prepare the Profit and Loss Appropriation Account for the two years.

9. Amit, Babita and Sona form a partnership firm, sharing profits in the ratio of 3:2:1, subject to the following:
   i. Sona's share in the profits, guaranteed to be not less than Rs 15,000 in any year.
   ii. Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the proceeding five years, when she was carrying on profession alone (which is Rs 25,000). The net profit for the year ended March 31, 2017, is Rs 75,000. The gross fee earned by Babita for the firm was Rs 16,000.

You are required to show Profit and Loss Appropriation Account (after giving effect to the alone)

10. P and Q are partners with capitals of Rs.6,00,000 and Rs.4,00,000 respectively. The profit and Loss Account of the firm showed a net Profit of Rs.4,26,800 for the year.

Prepare Profit and Loss Appropriation account after taking the following into consideration:-
   i. Interest on P's Loan of Rs. 2,00,000 to the firm

ii. Interest on capital to be allowed @ 6% p.a.
iii. Interest on Drawings @ 8% p.a. Drawings were ; P Rs 80,000 and Q Rs. 50,000.
iv. Q is to be allowed a commission on sales @ 3%. Sales for the year was Rs. 10,00,000
v. 10% of the divisible profits is to be kept in a Reserve Account.

11. Mohan, Neeraj and Peeyush are partners in a firm. They contributed Rs 75,000 each as capital three years ago. At that time, Peeyush agreed to look after the business as Mohan and Neeraj were busy. The profits for the past three years were Rs 45,000, Rs 30,000 and Rs 60,000 respectively. While going through the books of accounts, Mohan noticed that profit had been distributed in 1: 1: 2 ratio. When he enquired from Peeyush about this, Peeyush answered that since he looked after the business he should get more profit. Mohan disagreed and it was decided to distribute profits equally retrospectively for the last three years.
You are required to make necessary corrections in the books of accounts of Mohan, Neeraj and Peeyush by passing an adjustment entry.

12. Mona, Nisha and Priyanka are partners in a firm. They contributed Rs 50,000 each as capital three years ago. At that time, Priyanka agreed to look after the business as Mona and Nisha were busy. The profits for the past three years were Rs 15,000, Rs 25,000 and Rs 50,000 respectively. While going through the books of accounts, Mona noticed that the profit had been distributed in the ratio of 1: 1: 2. When she enquired from Priyanka about this, Priyanka answered that since she looked after the business she should get more profit. Mona disagreed and it was decided to distribute profit equally retrospectively for the last three years.
You are required to make necessary correction in the books of accounts of Mona, Nisha and Priyanka by passing an adjustment entry.

13. S and P are partners in a firm sharing profits and losses equally. On 1st April, 2011, the capitals of the partners were, S Rs 20,000 and P Rs 16,000. The profit and loss account of the firm showed a net profit of 37,500 (before interest on P's loan) for the year ended 31st March, 2012. Considering the following information, prepare the profit and loss appropriation account of the firm and the partners' capital account:
i. Interest on capital to be allowed @ 6% p.a.
ii. Interest on P's loan account of Rs 10,000 for the whole year.
iii. Interest on drawings of partners @ 6% p.a. Drawings being S Rs 4,000 and P Rs 3,000.
iv. Transfer 10% of the distributable profits of the reserve.

14. L, M, and N were partners in firm sharing profit in the ratio of 3:4:5. Their fixed capitals were L Rs 4,00,000 , M Rs 5,00,000 and N Rs 6,00,000 respectively. The partnership deed provided for the following:
i. Interest on capital @ 6% p.a.
ii. Salary of Rs 30,000 p.a. to N.
iii. Interest on partner's drawings will be charged @ 12% p.a.

During the year ended 31.3.2009, the firm earned a profit of Rs 2,70,000. L withdrew Rs 10,000 on 1.4.2008. M withdrew Rs 12,000 on 30.09.2008 and N withdrew Rs 15,000 on 31.12.2008. Prepare profit and loss appropriation account for the year ended 31.3.2009.