

### 3/4 Mark Questions:

1. Sanya and Sonya are partners in a firm sharing profits and losses in the ratio of 2:1. Their capital accounts as on 1<sup>st</sup> Jan, 2007 stand at ₹ 70,000 and ₹ 30,000 respectively. The partners are allowed interest on capital @ 10% p.a. the drawings of the partners during the year ended 31<sup>st</sup> Dec. 2007 amounted to ₹ 4,800 and ₹ 3,600 respectively. Interest is charged on drawings @ 10% p.a. Sanya has given a loan to the firm as on 1<sup>st</sup> Aug., 2007 of ₹ 20,000. The profit of the firm before above adjustments was ₹ 80,000. 10% of this profit is to be kept in the Reserve Account. Current account balances were Sanya ₹ 5,000 (Cr.), Sonya ₹ 23,000 (Dr.) Prepare P & L Appropriation A/c.

2. X, Y and Z are partners with fixed capitals of ₹ 1,50,000, ₹ 1,20,000 and ₹ 1,00,000 respectively. The balance of current accounts on 1<sup>st</sup> Jan. 2009 was X ₹ 8,000 (Cr.), Y ₹ 3,000 (Cr) and Z ₹ 2,000 (Dr.) X advanced ₹ 20,000 on July 1, 2009. The partnership deed provided for the following:

- Interest on capital at 5% p.a.
- Interest on drawings at 6% p.a. Each partner drew ₹ 10,000 on July 1, 2009
- ₹ 20,000 is to be transferred to a Reserve Account.
- Profit and loss to be shared in the proportion of 3:2:1 upto ₹ 60,000 and above ₹ 60,000 equally.

Net profit of the firm before above adjustments was ₹ 1, 15,400.

Prepare Profit and loss appropriation, capital account and current account of the partners.

3. R and S were partners in a firm sharing profits in 3:2 ratio. Their respective fixed capitals were ₹ 10,00,000 and ₹ 15,00,000. The partnership deed provided the following:

- Interest on capital @ 10% p.a.
- Interest on drawings @ 12% p.a.

During the year ended 31.3.2007, R's drawings were ₹ 1,000 per month drawn at the end of every month and S's drawings were ₹ 2,000 per month drawn in the beginning of 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.

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- a) Interest on capital at 5% p.a.
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- c) ₹ 20,000 is to be transferred to a Reserve Account.
- d) Profit and loss to be shared in the proportion of 3:2:1 upto ₹ 60,000 and above ₹ 60,000 equally.

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4. Ravi and Mohan were partners in a firm sharing profits of 7:5. Their respective fixed capitals were Ravi ₹ 10,00,000 and Mohan ₹ 7,00,000. The partnership deed provided for the following:
- Interest on capital @12%
  - Ravi's salary ₹ 6,000 per month and Mohan's salary ₹ 60,000 per year.
- The profit for the year ended 31.3.2007 was ₹ 5,04,000 which was distributed equally, without providing for the above. Pass an adjustment entry.

5. Calculate interest on capital @ 5% p.a. payable to A and B for the year ending 31 Dec.2010

Liabilities	₹	Assets	₹
A's capital	1,00,000	Sundry Assets	1,92,000
B's capital	80,000	Drawings : A	18,000
P&L appropriation A/c	<u>30,000</u>		
	2,10,000		2,10,000

During the year 1995, A's Drawings were ₹ 18,000 and B's Drawings were ₹ 12,000.  
Profit during the year 1995 was ₹ 58,000.

6. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. The following was the Balance sheet of the firm as on 31-3-2010.

Liabilities	₹	Assets	₹
Capital : A	60,000	Sundry	80,000
B	<u>20,000</u>	Assets	
	80,000		80,000

The Profits ₹ 30,000 for the year ended 31-3-2010 were divided between the partners without allowing interest on capital @ 12% p.a. and salary to A @ ₹ 1,000 per month. During the year A withdrew ₹ 10,000 and B ₹ 20,000.

7. Arun and Arora were partners in a firm sharing profits in the ratio of 5:3. Their fixed capitals on 1-4-2010 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 31-3-2011 before all above adjustments were ₹ 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 Arora. Show your calculations clearly. The interest on capital will be allowed even if the firm incurs loss.
8. Mona, Nisha and Priyanka are partners in a firm. They contributed ₹ 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 ₹ 15,000, ₹ 25,000 and ₹ 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 corrections in the books of accounts of Mona, Nisha and Priyanka by passing an adjustment entry.
  - Identify the value which was not practiced by Priyanka while distributing profits.

9. P and Q were partners in a firm sharing profits in the ratio of 5:3. On 1-4-2014 they admitted R as a new partner for  $\frac{1}{8}$ <sup>th</sup> share in the profits with a guaranteed profit of ₹ 75,000. The new profit sharing ratio between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio 3:2. The profit of the firm for the year ended 31-3-2015 was ₹ 4,00,000. Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31-3-2015.