SURE SHORT QUESTION FOR ACCOUNTANCY

CLASS XII

Chapter I Accounting for Partnership: Fundamental

One mark questions.

1. In the absence of a partnership deed, how are mutual relations of partners governed?

Ans. In the absence of Partnership deed, mutual relations are governed by the Partnership Act, 1932.

2. State the provision of 'Indian partnership Act 1932' relating to sharing of profits in absence of any provision in the partnership deed.

Ans. In the absence of any provision in the Partnership deed, profit or losses are share by the Partners equally.

3. Give two circumstances in which the fixed capital of partners may change.

Ans. Two circumstances in which the fixed capital of Partners may change are:

i) When additional capital is introduced by the Partners.

ii) When a part of the capital is permanently withdrawn by the Partners.

4. Ramesh, a partner in the firm has advanced a loan of a Rs. 1,00,000 to the firm and has demanded on interest @ 9% per annum. The partnership deed is silent on the matter. How will you deal with it?

Ans. Since the Partnership deed is silent on payment of interest, the provisions of the Partnership Act, 1932 will apply. Accordingly, Ramesh is entitled to interest @ 6% p.a.

5. Kanha, Neeraj and Asha were partners in a firm. They admitted Raghav their Landlord as a partner in the firm. Raghav brings sufficient amount of capital and goodwill premium for his share in the profits. Raghav had given a loan of Rs. 1,00,000 @ 10% p.a. interest to the partnership firm before he became the partner. Now the accountant of the firm is emphasizing that the interest on loan should be paid @ 6% p.a. Is he right in doing so ? Give reason in support of your answer.

Ans. He is not correct. He will only get interest on capital as per decided @10%p.a.

Three and Four mark questions.

1. X, Y, and Z are partners sharing profits in the ratio of 5: 4: 1. Z is given a guarantee that his share of profit in any given year would be Rs. 10000. Deficiency if any would be borne by X and Y equally. The profits for the year 2016 amounted to Rs.80000. Pass necessary entries in the books of the firm.

Solution:

Journal entries

(i) P & L Appropriation a/c Dr.		80000	
To X's capital a/c			40000
To Y's capital a/c			32000
To Z's capital a/c			8000
(For distribution of profit)			
(ii) A's capital a/c Dr.		1000	
B's capital a/c Dr.		1000	
To C's capital a/c			2000
(For deficiency of C)			

2. A, B and C are in partners sharing profits and losses in the ratio if 1:2:3. They have omitted interest on capital @8% p.a. for two year ended 31st March 2016. Their fixed capitals were Rs.4,00,000, Rs.6,00,000 and Rs.8,00,000 respectively. Pass the necessary adjusting entries

Ans. C's current ac Dr 16000

To A's current ac 16000

3. From the following balance sheet of X and Y, calculate interest on capitals @ 10% p.a. payable to X and Y for the year ended 31st December, 2016.

Liabilities	Amount	Assets	Amount
X's Capital	50,000	Sundry Assets	1, 00,000
Y's capital	40,000	Drawings X	10,000
P&L appropriation A/c (2016)	20,000		
	1,10,000		**1,10,000**

During the year 2016, X's drawings were Rs. 10,000 and Y's Drawing were Rs. 3,000. Profit during the year, 2008 was Rs.30, 000.

Ans : Calculation of Opening Capitals

Particulars	X Rs.	YRs.
Capitals as on 31st Dec., 2016	50,000	40,000
Add: Drawings (Previously deducted).	-	3,000
	50,000	43,000
Less: Profit distributed (30,000- 20,000 equally)	5,000	5,000
Opening Capitals	45,000	38,000

Interest on capitals: @ 10% p.a.;	**4,500**	**3,800**

Working Notes:

(1) As X's drawings are shown in the Balance Sheet, it means his drawings are not deducted. From his .capital till now, so his drawings are not included back.

(2) Profits for 2016 were Rs. 30,000 and profits ofRs. 20,000· are, shown in the Balance Sheet, which means only Rs. 10,000 profits were distributed between the partner.

4. A, B and C entered into partnership on 1st April, 2016 to share profits & losses in the ratio of 4:3:3. A, however, personally guaranteed that C's share of profit after charging interest on Capital @ 5% p.a. would not be less than Rs. 40,000 in any year. The Capital contributions were:

A Rs. 3, 00,000; B Rs. 2, 00,000 and C Rs. 1, 50,000.

The profit for the year ended on 31st March, 2016 amounted to Rs. 1, 60,000. Show the Profit & Loss Appropriation Account. .

Answer: **Profit and Loss Appropriation Account**

(*for the year ending on 31st March 2016*)

Particulars	**Amount** Rs.	**Particulars**	**AmountR s.**
To Interest on Capital:		By Profit before adjustments	1,60,000
A 15,000			
B 10,000			
C 7,500	32,500		
To net Profit transferred			
A. (51,000-1,750)49,250			
B. (1,27,500x3/10)38,250			
C. (38,250+1,750)40,000	1, 27,500		
	1,60,000		

Six mark questions.

1. Pappu and Munna are partners in a firm sharing profits in the ratio of 3:2. The partnership deed provided that Pappu was to be paid salary of Rs. 2,500 per month and Munna was to get a commission of Rs. 10,000 per year. Interest on

capital was to be allowed @5% per annum and interest on drawings was to be charged @ 6% per annum. Interest on Pappu's drawings Rs. 1,250 and on Munna's drawings Rs. 425. Capital of the partners were Rs. 2,00,000 and Rs. 1,50,000 respectively, and were fixed The firm earned a profit of Rs. 90,475 for the year ended 31.03.2014. Prepare Profit and Loss Appropriation Account of the firm.

Ans. Share in profit: PappuRs. 20,850 and MunnaRs. 13,900.

2. Ram and Shyam started a partnership business on 1st January, 2015. Their capital contributions were Rs. 2,00,000 and Rs. 10,0000 respectively. The partnership deed provided:

i. Interest on capitals @10% p.a.

ii. Ram, to get a salary of Rs. 2,000 p.m. and ShyamRs. 3,000 p.m.

iii. Profits are to be shared in the ratio of 3:2.

The profits for the year ended 31st December, 2015 before making above appropriations were Rs. 2,16,000. Interest on Drawings amounted to Rs. 2,200 for Ram and Rs. 2,500 for Shyam. Prepare Profit and Loss Appropriation Account.

Answer: **Profit and Loss Appropriation Account**

for the year ending on 31st Dec., 2007

Particulars		**Amount**	**Particulars**		**Amount**
To Interest on Capital:			By Profit		2,16,000
Ram	20,000		By Int. on Draw.		
Shyam	15,000	35,000	Amit	2,200	
To Salary			Vijay	2,500	4,700
Ram	24,000				
Shyam	36,000	60,000			
To Net profit transferred					
Ram Capital A/c	75,420				
Shyam Capital A/c	50,280	1,25,700			
		2,20,700			**2,20,700**

Q.3 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.

Answer :

Profit and Loss Account for the year ended..........

Particulars	Amount Rs.	Particulars	Amount Rs.
To Interest on P's Loan A/c	12000	By profit before interest	426800
To Profit transferred to P&L App. A/c	414800		
	426800		**426800**

<u>Profit and Loss Appropriation Account for the year ended...............</u>

Particulars	Amount	Particulars	Amount
To interest on Capital		By profit and Loss A/c (Profit)	414800
P 36000		By interest on drawings	
Q <u>24000</u>	60000	P 3200	
To Q's commission	60000	Q <u>2000</u>	5200
To reserve A/c	30000		
To profit			
P's Capital 135000			
Q's capital <u>135000</u>	270000		
	<u>420000</u>		**<u>420000</u>**

4.Satnam and Qureshi after doing their MBA decided to start a partnership firm to manufacture ISI marked electronic goods for economically weaker section of the society. Satnam also expressed his willingness to admit Juliee as a partner without capital who is specially abled but a very creative and intelligent friend of him. Qureshi agreed to this. They formed a partnership on 1st April 2012 on the following terms.

(i) Satnam will contribute Rs. 4,00,000 and Qureshi will contribute 2,00,000 as capitals.

(ii) Satnam, Qureshi and Juliee will share profits in the ratio of 2:2:1.

(iii) Interest on capital will be allowed @6%pa.

Due to shortage of capital Satnam contributed 50,000 on 30th September, 2012 and Quresh and Qureshi contributed 20,000 on 1st January, 2013 as additional capital.

The profit of the firm for the year ended 31st March,2013 was Rs.3,37,800.

Identify any two values which the firm wants to communicate to the society.

Prepare Profit and Loss Appropriation Account for the year ending 31st March 2013.

Answer: Value which the firm wants to communicate to the society.

(a) i. Adherence to law to manufacturing ISI Marked electronic goods

ii. Sensitivity towards specially able people

Divisible profit- Rs.3,00,000; share of Satnam-Rs.1,20,000; Share of Qureshi-Rs.1,20,000; Share of Juliee-60,000