PRACTICE QUESTIONS

MCQ

1. Loan has been given by wife of a partner to the firm. Now partner wants interest @ 6% per annum as per Partnership Act, 1932 while partnership deed is silent. Solve this issue.
(a) Provide 6% per annum interest as partnership act says
(b) Provision of interest on loan @ 6% per annum of the partnership act does not apply
(c) Provide 10% interest to solve the issue
(d) None of the above

2. A partner withdrew ₹4,000 per month from 1st July, 2020, on beginning of every month. Accounts are closed at 31st March, 2021. Calculate interest on drawings while rate of interest is 10% per annum.
(a) ₹1,600
(b) ₹1,800
(c) ₹1,500
(d) ₹2,200

3. In a firm, 10% of net profit after deducting all adjustments, including reserve is transferred to general reserve. The net profit after all adjustments but before transfer to general reserve is ₹44,000. Calculate the amount which is to be transferred to reserve.
(a) ₹2,500
(b) ₹4,000
(c) ₹4,400
(d) ₹2,200

4. 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 the above

5. A charitable dispensary is run by 8 members. A new member wants to join them. The new member is of the opinion that partnership deed must be written while other members refused to do that. They said this is not a partnership. Give reason(s) in favour of other members.
(a) There is no business
(b) There is no sharing of profits
(c) There is no motive of profit making
(d) All of the above

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

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

8. The capital balance of a partner at the end of the year (after adjusting for his drawings ₹3,500 and his share in the profit ₹ 2,300) is ₹12,000. Interest on capital is payable to him at 5% per annum. What will be the amount of interest on capital?
(a) ₹660
(b) ₹600
(c) ₹540
(d) None of these

9. Aman is a partner of Jivan firm with a fixed capital of ₹9,00,000. He withdrew ₹ 60,000 during financial year 2020-21. What will be the journal entry?

(a)	Drawings A/c Dr	60,000	
	To Aman's Current A/c		60,000
(b)	Drawings A/c Dr	60,000	
	To Aman's Capital A/c		60,000
(c)	Aman's Current A/c Dr	60,000	
	To Drawings A/c		60,000
(d)	Aman's Capital A/c Dr	60,000	
	To Drawings A/c Accountancy		60,000

10. Features of partnership include
(a) Two or more persons are carrying common business under an agreement
(b) They are sharing profits and losses in the fixed ratio
(c) Business is carried by all or any of them acting for all as an agent
(d) All of the above

11. If a partner withdraws equal amount at end of each quarter, then...... are to be considered for interest on total drawings.

(a) 5.5 months (b) 6 months
(c) 4.5 months (d) 7.5 months

12. Why a partnership firm needs partnership deed?
(a) It acts as a proof in any dispute
(b) It regulates rights of partners
(c) It represents duties and liabilities of partners
(d) All of the above

13. Under what circumstances, a partner can get exemption from sharing losses in a firm?
(a) If he is a senior citizen
(b) If he is senior
(c) If he is retiring partner
(d) All of the above

14. If partner's capitals are fixed, drawings will be recorded in
(a) partner's capital account
(b) partner's current account
(c) profit and loss appropriation account
(d) None of the above

15. 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

16. In case of partnership, the act of any partner is
(a) binding on all partners
(b) binding on that partner only
(c) binding on all partners except that particular partner
(d) None of the above

17. Following are essential elements of a partnership firm except
(a) atleast two persons
(b) there is an agreement between all partners
(c) equal share of profits and losses
(d) partnership agreement is for some business

18. The firm of Sonu and Monu earned a profit of ₹ 3,25,000 during the year ending on 31st March, 2019. They have decided to donate 10% of this profit to an NGO working for senior citizens. Pass the journal entry.
(a) Profit and Loss Appropriation A/c Dr 2,92,500
To Sonu's Capital A/c 1,46,250
To Monu's Capital A/c 1,46,250
(b) Sonu's Capital A/c Dr 1,46,250
Monu's Capital A/c Dr 1,46,250
To Profit and Loss Appropriation A/c 2,92,500
(c) Profit and Loss Appropriation A/c Dr 32,500
To Monu's Capital A/c 16,250
To Sonu's Capital A/c 16,250
(d) Profit and Loss A/c Dr. 2,92,250
To Sonu's Capital A/c 1,46,250
To Monu's Capital A/c 1,46,250

19. Pinky and Chinky are partners in a firm. They share their profits in 2 : 3 ratio. The accountant of the firm, finalised the profit and loss and capital account and presented the accounts to them.
Pinky disagreed with accounts because Pinky's capital account showed negative balance. Pinky is in doubt, this cannot happen. Give your opinion.
(a) Pinky is wrong
(b) Pinky is correct
(c) Accountant is defaulter
(d) None of the above

20. Manager's commission of ABC Ltd. (Partnership) was ₹33,000. What amount of net profit in manager's commission was to be charged @10% before charging such commission?
(a) ₹3,30,000
(b) ₹3,00,000
(c) ₹3,000
(d) ₹3,300

SUBJECTIVE QUESTIONS

1. P and Q were partners in a firm sharing profits and losses equally. Their fixed capitals were ₹2,00,000 and ₹3,00,000 respectively. The partnership deed provided for interest on capital @12% per annum. For the year ended 31st March, 2016, the profits of the firm were distributed without providing interest on capital.
Pass necessary adjustment entry to rectify the error.

2. Kajal, Neerav and Alisha are partners in a firm sharing profit in the ratio of 3:2:1. They decided to admit Rajan, their landlord as a partner in the firm. Rajan brought sufficient amount of capital and his share of goodwill premium. The accountant of the firm passed the entry of rent paid for the building to Rajan in 'Profit and Loss Appropriation Account'. Is he correct in doing so? Give reason in support of your answer.

3. A and B are partners. The net divisible profit as per Profit and Loss Appropriation Account is ₹2,50,000. The total interest on partners' drawing is ₹4,000. A's salary is ₹4,000 per quarter and B's salary is ₹40,000 per annum. Calculate the net profit/loss earned during the year.

4. A and B were partners in a firm sharing profits in the ratio of 5 : 3. Their fixed capitals on 31st March, 2017 were : A ₹ 60,000 and B ₹80,000. They agreed to allow interest on capital @ 12% p.a. The profit of the firm for the year ended 31st March, 2018 before allowing interest on capitals was ₹12,600.

Pass necessary journal entries for the above transactions in the books of A and B. Also show your working notes clearly.

5. Arun and Arora were partners in a firm sharing profits in the ratio of 5:3. Their fixed capitals on 1-4-2016 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 31-3-2017 before all above adjustments was ₹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.

6. 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.

7. A and B entered into partnership on 1st April, 2016 without any partnership deed. They introduced capitals of ₹5,00,000 and ₹3,00,000 respectively. On 31st October, 2016, A advanced ₹2,00,000 by way of loan to the firm without any agreement as to interest. The Profit and Loss Account for the year ended 31.3.2017 showed a profit of ₹4,30,000, but the partners could not agree upon the amount of interest on loan to be charged and the basis of division of profits. Pass a journal entry for the distribution of the profit between the partners and prepare the Capital Accounts of both the partners and Loan Account of 'A'.

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

9. P and Q were partners in a firm sharing profits in the ratio of 5 : 3. On 1st April, 2014 they admitted R as a new partner for 1/8th 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 31st March, 2015 was ₹4,00,000.
Prepare Profit and Loss Appropriation Account of P, Q and R for the year ended 31st March, 2015.

10. A, B and C were partners. Their capitals were ₹30,000, ₹20,000 and ₹10,000 respectively. According to the partnership deed, they were entitled

HOMEWORK

MCQ

1. When drawings of equal amount are made during a year, at the beginning of every month, the average period is __ months.
(a) 5.5 (b) 6
(c) 6.5 (d)7

2. Salary to a partner is _____ with respect to profit.
(a) charge (b) appropriation
(c) Both (a)and (b) (d) None of these

3. Which of these is not a feature of partnership?
(a) At least two persons
(b) Conduct of business for profit
(c) Written agreement between all partners
(d) Partners are agents and principals to business

4. Articles of partnership is also known as
(a) Partnership prospectus
(b) Partnership deed
(c) Principles of partnership
(d) None of the above

5. Formation of partnership deed is not mandatory.
(a) True (b) False
(c) Can't say (d) Partially true

6. Rob and Roy are partners in 2: 8. Before profit distribution, Roy is entitled to 5% commission of net profit (after charging such commission). Before charging commission, firm's profit was ₹2,10,000. Roy's share of profit was
(a) ₹1,68,000 (b) ₹1,60,000
(c) ₹1,70,000 (d) ₹10,000

7. Aman, Bhanu and Chandan are partners who share profits and losses in 2 : 3 : 2. Aman guaranteed Chandan a profit of ₹ 5,000. The firm earned ₹14,000. Aman's share will be
(a) ₹4,000 (b) ₹3,600
(c) ₹3,000 (d) ₹5,000

8. Match the following

Column – I (In absence of partnership deed)	**Column – II (Provision)**
A. Interest on Capital	(i) Allowed
B. Interest on partner's loan	(ii) 1 : 1
C. Profits/Losses	(iii) 6% p.a
D. Partners allowed to withdraw	(iv) Not allowed

	A	B	C	D
(a)	(i)	(ii)	(iii)	(iv)
(b)	(i)	(iv)	(ii)	(iii)
(c)	(ii)	(iii)	(iv)	(i)
(d)	(iv)	(iii)	(ii)	(i)

9. X, Y, Z are partners with ₹ 1,000, ₹ 2,000, ₹ 3,000 capital respectively. Profits are to be divided equally. Interest on capital to be provided @20% p.a. Net profit is ₹ 900. What is X's share of profit?
(a) ₹400 (b) ₹300
(c) ₹150 (d) Can't say

10. X,Y and Z are partners in the ratio of 1:2:3. Salary to X ₹10,000 per month and to Y ₹15,000 per quarter was omitted and profits were distributed. What will be the rectifying entry.

(a)	Z's Capital A/c	Dr.	90,000
	To X's Capital A/c		90,000
(b)	X's Capital A/c	Dr.	90,000
	To Z's Capital A/c		90,000
(c)	Z's Capital A/c	Dr.	60,000
	To X's Capital A/c		60,000
(d)	X's Capital A/c	Dr.	60,000
	To Z's Capital A/c		60,000

Directions for questions 11 to 15: There are two statements marked as Assertion (a) and Reason (R). Read the statements and choose the appropriate option from the options given below.
(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 false, but Reason (R) is true
(d) Assertion (a) is true, but Reason (R) is false

11. **Assertion** (A) Profit and loss adjustment account is required for rectification of errors or omissions.
Reason (R) This account is prepared to rectify those errors or omissions which are left while preparing final accounts and found after distribution of profits among partners.

12. **Assertion** (A) Interest on capital to a partner is payable only out of profits.
Reason (R) Interest on capital is an appropriation of profits which is required to be provided irrespective of profits or loss.

13. **Assertion** (A) It is considered desirable to have a partnership agreement in writing.
Reason (R) It helps in settling any disputes with regard to the terms of partnership and acts as an evidence in the court of law.

14. **Assertion** (A) The capital account of a partner does not show a debit balance inspite of regular and consistent losses year after year.
Reason (R) All transactions relating to loss or profit, drawings, salaries etc. are shown in the current account and not in capital account in case of fixed capitals.

15. **Assertion** (A) Salary paid to a partner is debited to profit and loss account.

Reason (R) Salary paid to a partner is an appropriation of profit.

Direction: Read the following case study and answer questions 16 to 20 on the basis of the same.

Aman and Dhruv are partners. Their capitals as on 1st April, 2020 are ₹1,00,000 and ₹2,00,000. Profits for year 2020-21 were ₹90,000. As per the agreement, interest on capitals were ₹10,000 and ₹ 20,000 respectively and interest on drawings was ₹6,000 and ₹10,000 respectively. Aman's salary was ₹ 2,000 per month and Dhruv's salary was ₹ 5,000 per year. Accountant, however, committed the mistake and credited the profit in the capital ratio, without taking interest on capitals/drawings and salary.

16. With what amount was Dhruv's account credited with initially?

(a) ₹30,000 (b) ₹45,000
(c) ₹60,000 (d) Can't say

17. What was the total salary required to be credited?

(a) ₹7,000 (b) ₹84,000
(c) ₹29,000 (d) Can't say

18. What was the interest rate of capitals?

(a) 5% (b)10%
(c)15% (d) Can't say

19. What was the amount of past adjustment entry?

(a) ₹20,500 (b) ₹21,500
(c) ₹23,500 (d) Can't say

20. What should have been Dhruv's original share of profit?

(a) ₹15,666 (b) ₹23,500
(c) ₹21,500 (d) ₹31,333

Directions: Read the following case study and answer questions 21 to 25 on the basis of the same.

Harsha and Kushal are partners in a firm. On 1st April, 2020, their capitals were ₹4,00,000 and ₹ 6,00,000. The profit for 2020-21 was ₹ 5,24,000. Partnership deed provided that interest on drawings/capital to be calculated @ 10%, Kushal had drawings of ₹ 1,00,000. He had withdrew this amount 31st December, 2020. In addition to this, rent (in case of any partner providing his premises for business) for premises decided to be ₹3,000 per month. Due to lockdown during pandemic, the partners decided to shut down factory and shifted to Harsha's farmhouse on 1st August, 2020.

21. What is amount transferred to profit and loss appropriation account?

(a) ₹5,24,000
(b) ₹5,00,000
(c) ₹4,88,000
(d) Can't say

22. What is interest on drawings of Kushal?

(a) ₹10,000 (b) ₹2,500
(c) ₹7,500 (d) Can't say

23. What is total interest on capitals of both partners?

(a) ₹1,00,000 (b) ₹50,000
(c) ₹2,00,000 (d) Can't say

24. What is net distributable profit?

(a) ₹5,00,000 (b) ₹4,00,000
(c) ₹5,02,500 (d) ₹4,02,500

25. What is the assumed profit sharing ratio?

(a) 3:1 (b) 3:2
(c) 1 : 1 (d) Can't say

Directions: Read the following case study and answer questions 26 to 30 on the basis of the same.

Lakhan and Karan are partners of a firm. Their capitals at the end of the year 2020-2021 was ₹3,00,000 and ₹1,50,000. During the year, Lakhan drawings were ₹40,000 and Karan drawings were ₹10,000. Profit from profit and loss account was ₹32,000. Out of this, ₹24,000 was credited in Lakhan's account and the balance was credited in Karan's capital account.

Karan also brought an additional capital of ₹32,000 on 1st October, 2020. The partnership deed provided for Interest on drawings @ 10% p.a. Interest on any capital introduced during the year @ 10%.

26. What was the profit sharing ratio of Lakhan and Karan?

(a) 2 : 1 (b) 1:1
(c) 3 : 1 (d) Can't say

27. What is Karan's interest on drawing ?

(a) ₹250
(b) ₹500
(c) ₹750
(d) ₹1,000

28. What is Lakhan's interest on capital?

(a) ₹3,200
(b) ₹1,600
(c) ₹ 800
(d) Can't say

29. What was initial capital of Lakhan?

(a) ₹3,16,000
(b) ₹1,20,000
(c) ₹3,40,000
(d) None of these

30. What was initial capital of Karan?

(a) ₹3,16,000
(b) ₹1,20,000
(c) ₹1,52,000
(d) ₹1,28,000

SUBJECTIVE QUESTIONS

1. Rakesh and Roshan are partners sharing profits in the ratio of 3:2 with capitals of ₹40,000 and ₹30,000 respectively. They withdraw from the firm the following amounts for personal use.

Partner	Date	Amount (₹)
Rakesh	31st May, 2017	600
	30th June, 2017	500
	31st August, 2017	1,000
	1st November, 2017	400
	31st December, 2017	1,500
	31st January, 2018	300
	1st March, 2018	700
Roshan	At the beginning of each month	400

Interest is to be charged @ 6% per annum. Calculate interest on drawing, assuming that books of accounts are closed on 31st March every year.

2. Kavita, Meenakshi and Gauri are partners doing a paper business in Ludhiana. After the accounts of partnership have been drawn up and closed, it was discovered that for the years ending 31st March, 2013 and 2014, Interest on capital has been allowed to partners@ 6% p.a. although there is no provision for interest on capital has been allowed by partnership deed. Their fixed capitals were ₹2,00,000; ₹1,60,000 and ₹1,20,000 respectively. During the last two years, they had shared the profits as under:

Year	**Ratio**
31st March, 2013	3:2:1
31st March, 2014	5:3:2

You are required to give necessary adjusting entry on 1st April, 2014.

3. Ahmad, Bheem and Daniel are partners in a firm. On 1st April, 2011 the balance in their capital accounts stood at ₹ 8,00,000, ₹6,00,000 and ₹ 4,00,000 respectively. They shared profits in the proportion of 5:3:2 respectively. Partners are entitled to interest on capital @5% per annum and salary to Bheem @ ₹3,000 per month and a commission of ₹12,000 to Daniel as per the provisions of the partnership deed.

Ahmad's share of profit, excluding interest on capital, is guaranteed at not less than ₹25,000 p.a. Bheem's share of profit, including interest on capital but excluding salary, is guaranteed at not less than ₹55,000 p.a. Any deficiency arising on that account shall be met by Daniel. The profit of the firm for the year ended 31st March, 2012 amounted to ₹2,16,000. Prepare 'Profit and Loss Appropriation Account' for the year ended 31st March, 2012.

4. A and B are partners sharing profits in the ratio of 3 : 2 with capitals of ₹50,000 and ₹30,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of ₹2,500. During the year ended 31st March, 2019 the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to ₹12,500. A provision of 5% of the profits is to be made in respect of manager's commission.
Prepare an account showing the allocation of profits and partners' capital accounts.

5. Shreya and Vivek were partners in a firm sharing profits in the ratio 3 : 2. The balances in their capital and current accounts as on 1st April, 2017 were as under :

Particulars	Shreya (₹)	Vivek (₹)
Capital accounts	3,00,000	2,00,000
Current accounts	1,00,000 (Cr.)	28,000 (Dr.)

The partnership deed provided that Shreya was to be paid a salary of ₹5,000 p.m. whereas Vivek was to get a commission of ₹30,000 for the year.

Interest on capital was to be allowed @ 8% p.a. whereas interest on drawings was to be charged @ 6% p.a. The drawings of Shreya were ₹3,000 at the beginning of each quarter while Vivek withdrew ₹30,000 on 1st September, 2017. The net profit of the firm for the year before making the above adjustments was ₹1,20,000.

Prepare Profit and Loss Appropriation Account and Partners' Capital and Current Accounts.

6. On 31st March, 2014 the balances in the Capital Accounts of Eleen, Monu and Ahmad after making adjustments for profits and drawings were ₹1,60,000, ₹1,20,000 and ₹80,000 respectively. Subsequently, it was discovered that the interest on capital and drawings had been omitted.
(i) The profit for the year ended 31st March, 2014 was ₹40,000.
(ii) During the year, Eleen and Monu each withdrew a total sum of ₹24,000 in equal instalments in the beginning of each month and Ahmad withdrew a total sum of ₹48,000 in equal instalments at the end of each month.
(iii) the interest on drawings was to be charged @5% p.a. and interest on capital was to be allowed @ 10% p.a.
(iv) The profit-sharing ratio among the partners was 2:1:1.

Showing your working notes clearly, pass the necessary rectifying entry.

7. R, S and T were partners in a firm sharing profits in the ratio of 5:3:2 with capitals of ₹50,000, ₹24,000 and ₹26,000 respectively. Partners were entitled to 6% per annum interest on their capitals. R and S guaranteed T that his share of profits in any year would not be less than ₹10,000 excluding interest. During the year the firm had earned a profit of ₹48,000 before charging the interest on capital. R and S had also withdrawn ₹5,000 and ₹7,400 respectively. Prepare the Profit and Loss Appropriation Account.

8. Complete the following accounts of a partnership firm:

Profit and Loss Appropriation Account
for the year ended 31st March, 2019

Dr. **Cr.**

Particulars		(₹)	Particulars		(₹)
To General Reserve		15,000	By Net Profit		1,50,000
To Salary:			By Interest on Drawings:		
Gambhir	24,000		Gambhir	2,700	
Nihaal	18,000	42,000	Nihaal	2,475	5,175
To Interest on Capital:					
Gambhir	....				
Nihaal	....	....			
To Profit transferred to Current A/cs:					
Gambhir	17,505				
Nihaal	11,670	29,175			
		1,55,175			1,55,175

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Gambhir (₹)	Nihaal (₹)	Particulars	Gambhir (₹)	Nihaal (₹)
To Cash A/c	—	10,000	By Balance b/d	3,00,000	2,50,000
To Balance c/d	....	....	By Cash A/c	60,000	—
	3,60,000	2,50,000		3,60,000	2,50,000

Dr.		Partner's Current Accounts			Cr.
Particulars	**Gambhir (₹)**	**Nihaal (₹)**	**Particulars**	**Gambhir (₹)**	**Nihaal (₹)**
To Drawings	40,000	40,000	By Salary	24,000	18,000
To Interest on Drawings	....	....	By Interest on Capital	39,600	29,400
To Balance c/d	....	....	By P & L App. A/c	....	....
	81,105	59,070		81,105	59,070

9. Following are the Profit and Loss Appropriation Account and Partners' Capital Accounts of Amar, Akbar and Anthony sharing profits and losses in ratio of 2:1:1. You are required to complete the missing entries and figures:

Profit and Loss Appropriation Account

Dr. for the year ended 31st March, 2019 Cr.

Particulars	₹	Particulars	₹
To Interest on Capitals Amar 1,000 Akbar 800 Anthony 200	2,000	By …………	………
To ……………	………		
To Akbar's Commission A/c (13,200 × 10/110)	1,200		
To Partner's Capital A/cs (Share in profit): Amar ……… Akbar ……… Anthony ………	………		
	17,200		17,200

Dr. Partner's Capital Accounts Cr.

Particulars	Amar	Akbar	Anthony	Particulars	Amar	Akbar	Anthony
To Drawings A/c	6,000	5,000	4,000	By Balance b/d	20,000	16,000	4,000
To Balance c/d	………	………	………	By Interest on Capital A/c	………	………	………
				By Salary A/c	………	………	2,000
				By Commission	………	………	………
				By P and L Appropriation A/c	6,000	3,000	3,000
	27,000	21,000	9,200		27,000	21,000	9,200

10. Anna and Bobby were partners sharing profits and losses in the ratio of 5 : 3. On 1st April, 2014 their Capital Accounts showed balances of ₹3,00,000 and ₹2,00,000 respectively. Calculate the amount of profit to be distributed between the partners if the Partnership Deed provided for Interest on Capital @ 10% p.a. and the firm earned a profit of ₹45,000 for the year ended 31st March, 2015.

SOLUTION FOR PRACTICE QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. **(b)**

2. **(c)** Interest on Drawings = 36,000 × $\frac{10}{100}$ × $\frac{5}{12}$ = ₹1,500

3. **(b)** Amount transferred to general reserve = 44,000 × $\frac{10}{110}$ = ₹4,000

4. **(a)**

5. **(d)**

6. **(a)** Divisible Profits = 3,45,000 – 60,000 – 90,000 = 1,95,000
   Virat's share of profit $\frac{2}{3}$ × 1,95,000 = ₹1,30,000
   Anushka's share of profit = $\frac{1}{3}$ × 1,95,000 = ₹65,000
   Closing capital of Virat = 10,00,000 + 30,000 + 50,000 + 1,30,000 = ₹12,10,000
   Closing capital of Anushka = 8,00,000 + 30,000 + 40,000 + 65,000 = ₹9,35,000

7. **(b)** Net profit as per Profit and Loss Account = ₹40,000
   Add: Interest on Drawings
   Ramesh (14,000 × $\frac{10}{100}$ × $\frac{6}{12}$) = ₹700
   Mahesh (16,000 × $\frac{10}{100}$ × $\frac{6}{12}$) = ₹800
   Less: Salary to Mahesh (12 ×400) = (4,800)
   Less: Commission to Ramesh (40,000 × $\frac{10}{100}$ = (4,000)
   Divisible Profits = ₹32,700

8. **(a)** Capital at beginning = 12,000 + 3,500 – 2,300 = ₹13,200
   Interest on Capital = 13,200 × $\frac{5}{100}$ = ₹660

9. **(c)**

10. **(d)**

11. **(c)** Time Period
    $= \frac{Time\ left\ after\ first\ drawings + Time\ left\ after\ last\ drawings}{2}$
    $= \frac{9+0}{2}$ = 4.5 months

12. **(d)**

13. **(b)**

14. **(b)**

15. **(a)**

16. **(a)**

17. **(c)**

18. **(a)**

19. **(a)**

20. **(a)** Let Profit be Y
    = Y × $\frac{10}{100}$ = 33,000 (Since before given)
    Y = ₹3,30,000

SUBJECTIVE QUESTIONS

1. **Journal**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 April1	P's Current A/c Dr. To Q's Current A/c (Being the adjustment of interest on capital omitted in previous year)		6,000	6,000

2. No, accountant of the firm is not correct in doing so. Because rent paid is a charge against the profit and not an appropriation of profit so it should be debited to Profit and Loss Account.

3 Net Profit during the year = Divisible profits + Salary to partners –– Interest on Drawings
= 2,50,000 + 16,000 + 40,000 – 4,000 = ₹3,02,000

4 **Journal**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018 **March 31**	Interest on Capital A/c	Dr.		12,600	
	To A's Current A/c				5,400
	To B's Current A/c				7,200
	(Being interest on capital credited to Partners' Current A/cs)				
	P& L Appropriation A/c	Dr.		12,600	
	To Interest on Capital A/c				12,600
	(Being interest on capital transferred to P& L Appropriation A/c)				

Working Notes:
Interest on Capitals:
A= 12% of ₹ 60,000 = ₹7,200, B = 12% of ₹80,000 = ₹9,600, Total interest = ₹16,800
Since profits are insufficient, Interest on capital will be credited in the ratio of 7,200:9,600
i.e. 3:4 so, A = 3/7 of ₹12,600 = ₹5,400, B = 4/7 of ₹12,600 = ₹7,200

5 **Profit and Loss Appropriation Account**
Dr. ***for the year ended 31st March, 2017*** **Cr.**

Particulars	(₹)	Particulars	(₹)
To Interest on Capital A/c:		By Profit and Loss A/c (Net profit)	12,600
Arun 7,200		Arun 150	
Arora <u>9,600</u>	16,800	Arora <u>300</u>	450
		By loss transferred to Partners Current A/cs:	
		Arun 2,343	
		Arora <u>1,407</u>	3,750
	16,800		16,800

Working Notes:
1. Interest on Capital:
Arun –– ₹60,000 × $\frac{12}{100}$ = ₹7,200, Arora – ₹80,000 × $\frac{12}{100}$ = ₹9,600
2. Interest on Drawings:
Arun — ₹2,000 × $\frac{15 \times 6}{100 \times 12}$ = ₹150, Arora – ₹4,000 × $\frac{15 \times 6}{100 \times 12}$ = ₹300.

6 **Journal Entry**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Priyanka's Capital A/c	Dr.		15,000	
	To Mona's Capital A/c				7,500
	To Nisha's Capital A/c				7,500
	(Being adjustment entry passed)				

Working Notes:
(i) **Statement Showing Adjustment**

Particulars	Mona (₹)	Nisha (₹)	Priyanka (₹)	Total (₹)
Profit wrongly credited in 1:1:2 now debited	22,500	22,500	45,000	90,000
Profit should be credited equally	30,000	30,000	30,000	90,000
Net Effect	(Cr.) 7,500	(Cr.) 7,500	(Dr.) 15,000	–

(ii) Total Profits = Profit of 1st year + Profit of 2nd year + Profit of 3rd year = ₹15,000 + ₹25,000 + ₹50,000 = ₹90,000

7. **Profit and Loss Appropriation Account**

for the year ended 31st March, 2017

Dr. Cr.

Particulars		(₹)	Particulars	(₹)
To A's Capital A/c	2,12,500		By Net Profit after interest on loan (₹4,30,000 – ₹5,000)	4,25,000
To B's Capital A/c	2,12,500	4,25,000		
		4,25,000		4,25,000

Partners' Capital Accounts

Dr. Cr.

Date	Particulars	A (₹)	B (₹)	Date	Particulars	A (₹)	B (₹)
31-3-17	To Balance c/d	7,12,500	5,12,500	1-4-16	By Bank A/c	5,00,000	3,00,000
				31-03-17	By Profit & Loss Appropriation A/c	2,12,500	2,12,500
		7,12,500	5,12,500			7,12,500	5,12,500

Journal Entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
31-3-17	Profit & Loss Appropriation A/c Dr.		4,25,000	
	To A's Capital A/c			2,12,500
	To B's Capital A/c			2,12,500
	(Being profit distributed between the partners)			

A's Loan Account

Dr. Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
31-3-17	To Balance c/d	2,05,000	31-10-16	By Bank A/c	2,00,000
			31-03-17	By Interest on loan A/c	5,000
		2,05,000			2,05,000

8.

Profit and Loss Appropriation Account

Dr. Cr.

Particulars		(₹)	Particulars	(₹)
To Interest on Capital:			By Profit and Loss A/c (Net Profit)	1,56,000
A	3,000			
B	3,000			
C	4,000	10,000		
To Salary to C		6,000		
To Profit transferred to Current A/cs:				
A (6,000 + 15,000 + 30,000)	51,000			
B (6,000 + 9,000 + 30,000)	45,000			
C (8,000 + 6,000 + 30,000)	44,000	1,40,000		
		1,56,000		1,56,000

Journal Entry

Date	Particulars	L.F.	Dr. (₹)	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)			

9 **Profit and Loss Appropriation Account of P, Q and R**

Dr. ***for the year ended 31st March, 2015*** **Cr.**

Particulars		**(₹)**	**Particulars**	**(₹)**
To Partners' Capital A/c (transfer of profit)			By Profit and Loss A/c (net profit)	4,00,000
P	2,18,750			
Less: Deficiency	15,000	2,03,750		
Q	1,31,250			
Less: Deficiency	10,000	1,21,250		
R	50,000			
Add: from P	15,000			
from Q	10,000	75,000		
		4,00,000		4,00,000

Working Note:

Calculation of New Profit-sharing ratio:

R's share $\frac{1}{8}$

Let total share = 1, Remaining share $= 1 - \frac{1}{8} = \frac{7}{8}$

P's share $= \frac{7}{8} \times \frac{5}{8} = \frac{35}{64}$; Q's share $= \frac{7}{8} \times \frac{3}{8} = \frac{21}{64}$

10. **Statement Showing Adjustment**

Particulars	**A**		**B**		**C**		**Firm**	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
Profit wrongly credited in capital ratio (I)	15,000		10,000		5,000			30,000
Appropriations to be made (II)								
(i) Interest on capital		1,500		1,000		500	3,000	
(ii) Salary to B				6,000			6,000	
(iii) Commission to C						1,350	1,350	
(iv) Divisible profit in 2:2:1		7,860		7,860		3,930	19,650	
Net effect (I — II)	5,640 (Dr.)		4,860 (Cr.)		780 (Cr.)		Nil	

Adjustment Entry:

A's Capital A/c	Dr	5,640
To B's Capital A/c		4,860
To C's Capital A/c		780
(Being adjustment entry passed)		

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (c)
2. (b)
3. (c)
4. (b)
5. (a)
6. (b)

Net Profit = ₹2,10,000; Commission $\left(2,10,000 \times \frac{5}{100}\right) =$ ₹10,000
Distribution Profit = 2,10,000 – 10,000 = ₹2,00,000
Roy's Share = 8/10 × 2,00,000 = ₹1,60,000

7. (c)

Particulars	**Aman(₹)**	**Bhanu(₹)**	**Chandan(₹)**
Initial share in 2 : 3 : 2	4,000	6,000	4,000
Guaranteed share	(1,000)	-	1,000
	3,000	6,000	5,000

8. (d)
9. (c)

Interest on capital
X = 1,000 × $\frac{20}{100}$ = ₹200; Y = 2,000 × $\frac{20}{100}$ = ₹200; Z = 1,000 × $\frac{20}{100}$ = ₹600;
So, total interest on capital = 200 + 400 + 600 = ₹1,200 which is less than net profit (i.e., ₹900)
Therefore, ₹900 will be divided in capital ratio between X, Y , Z i.e. 1,000 : 2,000 : 3,000 = 1 : 2 : 3
X's share 900 × $\frac{1}{6}$ = ₹150

10. (a)

Particulars	X	Y	Z	Total
Salary (Cr.)	1,20,000	60,000	-	1,80,000
1,80,000 in 1 : 2 : 3 (Dr.)	30,000	60,000	90,000	1,80,000
Net Effect	90,000(Cr.)	-	90,000 (Dr.)	-

11. (a)
12. (d)
13. (a)
14. (a)
15. (c)

Solutions for 16 to 20

Particulars	**Aman(₹)**	**Dhruv(₹)**
I. Amount already recorded (Dr.) 90,000 in (1 : 2) II. Amount which should have been recorded Interest on Capital Interest on Drawings Salary Share in Profit (in 1 : 1) (90,000 – 30,000 + 16,000 – 29,000)	30,000 10,000 (6,000) 24,000 23,500	60,000 20,000 (10,000) 5,000 23,500
Adjustment Entry	21,500 (Cr.)	21,500 (Dr.)

16. (c)

17. (c)

18. (b)

Interest on capital = Interest rate × Opening capital
Taking Aman's interest on capital in consideration,
10,000 = Interest rate × 1,00,000
Therefore Interest rate =10%

19. (b)
20. (b)

Solutions for 21 to 24

Particulars	**Amount(₹)**
Net Profits	5,24,000
(-) Rent for 8 months (8 × 3,000)	(24,000)
Profit in Profit and Loss Appropriation	5,00,0000
(+) Interest on Drawings $(1,00,000 \times \frac{10}{100} \times \frac{3}{12}$	2,500
(-) Interest on Capital $(10,00,000 \times \frac{10}{100})$	(1,00,000)
Net Distributable Profits	4,02,500

21. (b)

22. (b)

23. (a)

24. (d)

25. (c)

26. (c) Profit divided is ₹24,000 and ₹8,000 (32,000-8,000) i.e 3 : 1.

27. (b) Kush's interest on drawings= $10,000 \times \frac{6}{12} \times \frac{10}{100}$ = ₹500 (No date is given so 6 months)

28. (a) Luv's interest on capital = $32,000 \times \frac{10}{100} = 3,200$

29. (a) Statement showing Calculation of Capital at Beginning

Particulars	**Lakhan(₹)**	**Karan(₹)**
Capital at end	3,00,000	1,50,000
(+) Drawings	40,000	10,000
(-) Profit share	(24,000)	(8,000)
(-) Additional Capital	–	(32,000)
Capital in beginning	3,16,000	1,20,000

30. (b)

SUBJECTIVE QUESTIONS

1. Calculation of Interest on Rakesh's Drawings

Date of Drawings	Amt. withdrawn (₹)	Period (No. of Months up to 31st March, 2018)	Product (₹)
31st May, 2017	600	10	6,000
30th June, 2017	500	9	4,500
31st August, 2017	1,000	7	7,000
1st November, 2017	400	5	2.000
31st December, 2017	1,500	3	4,500
31st January, 2018	300	2	600
1st March, 2018	700	1	700
Total of Products			25,300

Interest on Rakesh's Drawings (By Product Method)
= Total of Product × $\frac{\text{Rate}}{100} \times \frac{1}{12} = 25{,}300 \times \frac{6}{100} \times \frac{1}{12}$ = ₹126.50
Interest on Rohan's Drawings (By Average Period Method)
= Total Drawings × $\frac{Rate}{100} \times \frac{6.5}{12} = 4{,}800 \times \frac{6}{100} \times \frac{6.5}{12}$ = ₹156

2.

TABLE SHOWING ADJUSTMENT

Particulars	Kavita (₹)		Meenakshi (₹)		Gauri (₹)		Firm (₹)	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Wrong Appropriation:								
Interest on Capital (2012-13)	12,000	9,600	7,200					28,000
Interest on Capital (2013-14)	12,000		9,600		7,200			28,800
Total (A)	24,000		19,200		14,400			57,600
Correct Appropriation:								
Profit to be credited (2012-13)		14,400		9,600		4,800	28,000	
Profit to be credited (2013-14)		14,400		8,640		5,760	28,800	
Total (B)		28,800		18,240		10,560	57,600	
Net Effect (A – B)	4,800 (Cr.)		960 (Dr.)		3,840 (Dr.)		Nil	

Journal

Particulars		L.F.	Dr. (₹)	Cr. (₹)
2014 April	Meenakshi's Current A/c Dr.		960	
	Gauri's Current A/c Dr.		3,840	
	To Kavita's Current A/c			4,800
	(Adjustment for interest on capital for the years 2012-13 and 2013-14)			

3.

Dr. **Profit and Loss Appropriation Account for the year ended 31st March, 2012** **Cr.**

Particulars		(₹)	Particulars	(₹)
To Interest on Capital			By Profit & Loss A/c (Net Profit)	2,16,000
Ahmad	40,000			
Bheem	30,000			
Daniel	20,000	90,000		
To Salary (to Bheem)		36,000		
To Commission (to Daniel)		12,000		
To Net Profit transferred to:				
Ahmad's Capital A/c				
₹78,000 × 5/10		39,000		
Bheem's Capital A/c				
75,000 × 3/10	23,400			
Add: Transferred from Daniel	1,600	25,000		
Daniel's Capital A/c				
₹78,000 × 2/10	15,600			
Less: Transferred to Bheem	1,600	14,000		
		2,16,000		2,16,000

Working Notes:

(i) Ahmad's Share of Profit is ₹39,000 which is more than guaranteed profit.

Bheem's Share of Profit = ₹78,000 × $\frac{3}{10}$ = ₹23,400.

Bheem's Share of Profit + Interest on Capital = ₹23,400 + ₹30,000 = ₹53,400 Guaranteed Amount = ₹55,000

(ii) Deficiency to be borne by Daniel = ₹55,000 – ₹53,400 = ₹1,600.

4.

Dr. **Profit and Loss Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To Manager's Commission (15,000 × 5/100)	750	By Profit b/d (12,500 + 2,500)	15,000
To Profit and Loss Appropriation A/c	14,250		
	15,000		15,000

Dr. **Profit and Loss Appropriation Account** **Cr.**

Particulars		(₹)	Particulars	(₹)
To Interest on Capital:			By Profit and Loss A/c	14,250
A (50,000 × 6/100)	3,000			
B (30,000 × 6/100)	1,800	4,800		
To B's Salary A/c		2,500		
To Profits transferred to:				
A's Capital A/c	4,170			
B's Capital A/c	2,780	6,950		
		14,250		14,250

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Balance c/d	57,170	37080	By Balance b/d	50,000	30,000
			By Interest on Capital	3,000	1,800
			By Partner's Salary	––	2,500
			By Profit and Loss Appr. A/c	4,170	2,780
	57,170	37,080		57,170	37,080

5. **Profit and Loss Appropriation Account**
for the year ended 31st March, 2018

Dr. **Cr.**

Particulars		(₹)	Particulars		(₹)
To Partners' Current A/cs:			By Profit and Loss A/c (Net Profit)		1,20,000
Shreya	78,508		By Interest on Drawings:		
Vivek	42,992	1,21,500	Shreya	450	
			Vivek	1,050	1,500
		1,21,500			1,21,500

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Shreya (₹)	Vivek (₹)	Particulars	Shreya(₹)	Vivek (₹)
To Balance c/d	3,00,000	2,00,000	By Balance b/d	3,00,000	2,00,000
	3,00,000	2,00,000		3,00,000	2,00,000

Dr. **Partner's Current Accounts** **Cr.**

Particulars	Shreya (₹)	Vivek (₹)	Particulars	Shreya (₹)	Vivek (₹)
To Balance b/d	...	28,000	By Balance b/d	1,00,000	—
To Drawings	12,000	30,000	By P& L Appropriation A/c	78,508	42,992
To Interest on Drawings	450	1,050	By Balance c/d	—	16,058
To Balance c/d	1,66,058				
	1,78,508	59,050		1,78,508	59,050

Working Notes

Particulars	Shreya (₹)	Vivek (₹)
Interest on Capital	24,000	16,000
Salary	60,000	—
Commission	—	30,000
Amount to be paid	84,000	46,000

Total amount to be paid = ₹1,30,000.
Since profits available are less than appropriations, i.e., ₹1,20,000 + ₹1,500 = ₹1,21,500, appropriations will be made to the extent of ₹1,21,500 only in the ratio of 42:23 (84,000:46,000)
Shreya's share = 42/65 × ₹1,21,500 = ₹78,508; Vivek's share = 23/65 × ₹1,21,500 = ₹42,992

6. **Journal**

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2014	Eleen's Capital A/c	Dr.		3,850	
Mar. 31	To Monu's Capital A/c				2,950
	To Ahmad's Capital A/c				900
	(Being the rectifying entry to correct the amounts of profits transferred to Capital Account)				

Working Notes:

1. **Calculation of Opening Capitals and Interest on Capitals:**

Particulars	Eleen (₹)	Monu (₹)	Ahmad (₹)
A. Closing Capitals	1,60,000	1,20,000	80,000
B. *Add:* Drawings already Debited	24,000	24,000	48,000
	1,84,000	1,44,000	1,28,000

C. *Less:* Profit already Credited	20,000	10,000	10,000
D. Opening Capitals	1,64,000	1,34,000	1,18,000
E. Interest on Capitals	₹1,64,000×10/100 = ₹16,400	₹1,34,000×10/100 = ₹13,400	₹1,18,000×10/100 = ₹11,800

2. Interest on Drawings:

Eleen = $₹24{,}000 \times \frac{5}{100} \times \frac{6.5}{12} = ₹650$

Monu = $₹24{,}000 \times \frac{5}{100} \times \frac{6.5}{12} = ₹650$

Ahmad = $₹48{,}000 \times \frac{5}{100} \times \frac{5.5}{12} = ₹1{,}100$

Total Interest on Drawings = ₹2,400

3. Statement Showing Adjustment

Particulars	Eleen (₹)		Monu (₹)		Ahmad (₹)		Firm (₹)	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Profits wrongly credited (A)	20,000		10,000		10,000			40,000
Appropriations to be made: (B)								
• Interest on capital (Cr.)		16,400		13,400		11,800	41,600	
• Interest on Drawings (Dr.)	650		650		1,100			2,400
• Divisible profit on 2:2:1		400		200		200	800	
Net effect (A – B)	3,850 Dr.		2,950 Cr.		900 Cr.		NIL	

7.

Dr. **Profit and Loss Appropriation Account** Cr.

Particulars		(₹)	Particulars	(₹)
To R's Capital A/c (interest on capital)		3,000	By Profit and Loss A/c (net profit)	48,000
To S's Capital A/c (interest on capital)		1,440		
To T's Capital A/c (interest on capital)		1,560		
To Profit transferred to Capital A/cs:				
R	21,000			
Less: Contribution to T	1,000	20,000		
S	12,600			
Less: Contribution to T	600	12,000		
T	8,400			
Add: Contribution by R and S	1,600	10,000		
		48,000		48,000

Working Note:

Deficiency in T's share = 10,000 – 8,400 = ₹1,600

Contribution to T by R = $1{,}600 \times \frac{5}{8} = ₹1{,}000$; Contribution to T by S = $1{,}600 \times \frac{3}{8} = ₹600$.

8.

Profit and Loss Appropriation Account

Dr. for the year ended 31st March, 2019 Cr.

Particulars		(₹)	Particulars		(₹)
To General Reserve		15,000	By Net Profit		1,50,000
To Salary:			By Interest on Drawings:		
Gambhir	24,000		Gambhir	2,700	
Nihaal	18,000	42,000	Nihaal	2,475	5,175
To Interest on Capital:					
Gambhir	39,600				
Nihaal	29,400	69,000			
To Profit transferred to Current A/cs:					
Gambhir	17,505				
Nihaal	11,670	29,175			
		1,55,175			1,55,175

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Gambhir (₹)	Nihaal (₹)	Particulars	Gambhir (₹)	Nihaal (₹)
To Cash A/c	—	10,000	By Balance b/d	3,00,000	2,50,000
To Balance c/d	*3,60,000*	*2,40,000*	By Cash A/c	60,000	—
	3,60,000	2,50,000		3,60,000	2,50,000

Dr. **Partner's Current Accounts** **Cr.**

Particulars	Gambhir (₹)	Nihaal (₹)	Particulars	Gambhir (₹)	Nihaal (₹)
To Drawings	40,000	40,000	By Salary	24,000	18,000
To Interest on Drawings	*2,700*	*2,475*	By Interest on Capital	39,600	29,400
To Balance c/d	*38,405*	*16,595*	By P & L App. A/c	*17,505*	*11,670*
	81,105	59,070		81,105	59,070

9.

Profit and Loss Appropriation Account

Dr. for the year ended 31st March, 2019 **Cr.**

Particulars		(₹)	Particulars	(₹)
To Interest on Capitals:			By Profit & Loss A/c	17,200
Amar	1,000			
Akbar	800			
Anthony	200	2,000		
To Anthony's Salary A/c		2,000		
To Akbar's Commission A/c (13,200 × 10/110)		1,200		
To Partners' Capital A/cs (Share in profit):				
Amar	6,000			
Akbar	3,000			
Anthony	3,000	12,000		
		17,200		17,200

Dr.			Partner's Capital Accounts				Cr.
Particulars	**Amar (₹)**	**Akbar (₹)**	**Anthony (₹)**	**Particulars**	**Amar (₹)**	**Akbar (₹)**	**Anthony (₹)**
To Drawings A/c	6,000	5,000	4,000	By Balance b/d	20,000	16,000	4,000
To Balance c/d	*21,000*	*16,000*	*5,200*	By Interest on Capital A/c	*1,000*	*800*	*200*
				By Salary A/c	—	—	2,000
				By Commission A/c	—	*1,200*	—
				By P & L Appr. A/c	6,000	3,000	3,000
	27,000	21,000	9,200		27,000	21,000	9,200

10. Profit of ₹45,000 is not adequate to pay Interest on Capital -Anna ₹30,000 and Bobby ₹20,000. Profit of ₹45,000 will be credited to their respective Capital Accounts in the ratio of ₹30,000: ₹20,000, i.e., 3 : 2. Thus, Anna will get ₹27,000 and Bobby will get ₹18,000.