CLASS XII ACCOUNTANCY
CHAPTER 1 – FUNDAMENTALS OF PARTNERSHIP

1. Select the Best Alternate Answer.
Features of a partnership firm are:
(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 tor all as an agent.
(D) All of the above.

2. 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

3. Which of the following statement is true
(A) a minor cannot be admitted as a partner
(B) a minor can be admitted as a partner, only into the benefits of the partnership
(C) a minor can be admitted as a partner but his rights and liabilities are same of adult
(D) None of the above

4. Following are essential elements of a partnership firm except:
(A) At least two persons
(B) There is an agreement between all partners
(C) Equal share of profits and losses
(D) Partnership agreement is for some business

5. Maximum number of partners in a partnership firm can be:
(A) 2
(B) 10
(C) 100
(D) 50

6. In the absence of Partnership Deed, the interest is allowed on partner's capital:
(A) @ 5% p.a.
(B) @ 6% p.a.
(C) @ 12% p.a.
(D) No interest is allowed

7. In the absence of a partnership deed, the allowable rate of interest on partner's loan account will be:

(A) No interest on loan
(B) 6% p.a.
(C) 12% p.a.
(D) 10%

8. A and B are partners in partnership firm without any agreement. A has given a loan of ₹50,000 to the firm. At the end of year loss was incurred in the business. Following interest may be paid to A by the firm:
(A) @5% Per Annum
(B) @ 6% Per Annum
(C) 12% per annum
(D) No interest on loan

9. A and B are partners in a partnership firm without any agreement. A has withdrawn RS50,000 out of his Capital as drawings. Interest on drawings may be charged from A by the firm:
(A) @ 5% Per Annum
(B) @ 6% Per Annum
(C) @ 6% Per Month
(D) No interest can be charged

10. In the absence of agreement, partners are not entitled to:
(A) Salary
(B) Commission
(C) Equal share in profit
(D) Both (a) and (b)

11. Which one of the following items cannot be recorded in the profit and loss appropriation account
(A) Interest on capital
(B) Interest on drawings
(C) Rent paid to partners
(D) Partner’s salary

12. On 1st June 2018 a partner introduced in the firm additional capital ₹50,000. In the absence of partnership deed, on 31st March 2019 he will receive interest:
(A) ₹3,000
(B) Zero
(C) ₹2,500
(D) ₹1,800

13. Which accounts are opened when the capitals are fixed?
(A) Only Capital Accounts
(B) Only Current Accounts
(C) Capital Accounts as well as Current Accounts
(D) Either Capital Accounts or Current Accounts

14. If the Partners' Capital Accounts are fixed 'salary payable to partner' will be recorded:
(A) On the debit side of Partners' Current Account
(B) On the debit side of Partners' Capital Account
(C) On the credit side of Partners' Current Account
(D) None of the above

15. On 1st April 2018, a partner, A's Capital was ₹2,00,000. On 1st October 2018, he introduces additional capital of ₹1,00,000. His interest on capital @ 6% p.a. on 31st March, 2019 will be :
(A) ₹9,000
(B) ₹18,000
(C) ₹10,500
(D) ₹15,000

16. Vidit and Seema were partners in a firm sharing profits and losses in the ratio of 3 : 2. Their capitals were Rs.1,20,000 and Rs.2,40,000, respectively. They were entitled to interest on capitals @ 10% p.a. The firm earned a profit of Rs.18,000 during the year. The interest on Vidit's capital will be:
(A) ₹12,000
(B) ₹10,800
(C) ₹7,200
(D) ₹6,000

17. Mohit, Shobhit and Rohit are partners sharing profits and losses in the ratio 2 : 1 : 1. Rohit is guaranteed a profit of Rs.14,000. The firm incurred a profit of Rs.20,000 during the year. Calculate the amount of deficiency borne by Mohit and Shobhit.
(A) Mohit Rs.4,500 and ShobhitRs.4,500
(B) Mohit Rs.3,000 and ShobhitRs.6,000
(C) Mohit Rs.3,000 and ShobhitRs.3,000
(D) Mohit Rs.6,000 and ShobhitRs.3,000

18. Give the average period in months for charging interest on drawings for the same amount withdrawn at the beginning of each quarter.
(A) 6 ½ Months
(B) 5 ½ Months
(C) 7 ½ Months
(D) 6 Months

19. P and Q are partners in a firm. They are entitled to interest on their capitals but the net profit was not sufficient for this interest. The net profit will be distributed between partners in –
(A) Agreed Ratio
(B) Profit Sharing Ratio
(C) Capital Ratio
(D) Equally

20. Assertion (A): A Firm should have a Partnership Deed.
Reason (R) : In case of dispute or any misunderstanding among partners , partnership deed

acts as evidence in the court of law.
(A) Both A and R are true and R is the correct explanation of A
(B) Both A and R are true and R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true

21. Assertion (A) : Fixed Capital Accounts of a partner never shows a debit balance in spite of regular and consistent losses year after year.
Reason (R) : When Capital Accounts are fixed , losses are recorded in Partners' Current Account.
(A) Both A and R are true and R is the correct explanation of A
(B) Both A and R are true and R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true

22. Assertion (A) : In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio , firm pays such interest on Partners' Capital.
Reason (R) : Interest on Capital is treated as a charge against profits.
(A) Both A and R are true and R is the correct explanation of A
(B) Both A and R are true and R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true

23. Match the columns.

I	Interest on Capital	A	Cr. Side of Profit & Loss Appropriation A/c
II	Interest on Drawings	B	Dr. Side of Profit & Loss Appropriation A/c
III	Interest on Partners' Loan	C	Dr. Side of Profit & Loss A/c

24. Match the columns.

I	When drawings are made in the beginning of every quarter	A	6 Months
II	When drawings are made in the middle of every quarter	B	4.5 Months
III	When drawings are made at the end of every quarter	C	7.5 Months

25. Match the columns.

I	Permanent Drawings	A	Credit side of Partners' Current A/c
II	Partners' Salary	B	Debit side of Partners' Capital A/c
III	Fresh Capital Introduced	C	Debit side of Partners' Current A/c
IV	Interest on Drawings	D	Credit side of Partners' Capital A/c

26. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals. Their capital contributions on the commencement of business were ₹ 80,000 and ₹ 60,000 respectively. The firm started business on April 1, 2019. According to the partnership agreement, interest on capital and drawings are 12% p.a. and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of ₹ 2,000 and ₹ 3,000, respectively.

The profits for year ended March 31, 2019 before making above appropriations was ₹ 1,00,300. The drawings of Ramesh and Suresh were ₹ 40,000 and ₹ 50,000, respectively. ₹Interest on drawings amounted to ₹ 2,000 for Ramesh and ₹2,500 for Suresh. Prepare Profit and Loss Appropriation Account and partners' capital accounts, assuming that their capitals are fluctuating.

27. Ravi and Mohan were partners in a firm sharing profits in the ratio of 7:5. Their respective fixed capitals were Ravi Rs. 10,00,000 and Mohan Rs. 7,00,000. The partnership deed provided for the following:-

(i) Interest on capital @ 12% p.a.

(ii) Ravi's salary Rs. 6000 per month and Mohan's salary Rs. 60000 per year.

The profit for the year ended 31-03-2007 was Rs. 5,04,000 which was distributed equally without providing for the above. Pass an adjustment Entry.

28. The capital accounts of Molu and Golu showed balances of ₹ 40,000 and ₹ 20,000 as on April 01, 2016. They shared profits in the ratio of 3:2. They were allowed interest on capital @ 10% p.a. and interest on drawings @ 12%p.a. Golu advanced a loan of ₹ 10,000 to the firm on August 01, 2016. During the year, Molu withdrew ₹ 1,000 per month at the beginning of every month whereas Golu withdrew ₹ 1,000 per month at the end of every month. Profit for the year, before the above-mentioned adjustments, was ₹ 20,950.
Prepare the Profit and Loss Appropriation Account.

29. Kanika and Gautam are partners doing a dry cleaning business in Lucknow, sharing profits in the ratio 2 : 1 with capitals ₹ 5,00,000 and ₹ 4,00,000 respectively. Kanika withdrew the following amounts during the year to pay the hostel expenses of her son:
1st April ₹ 10,000
1st July ₹ 9,000
1st October ₹ 14,000
1st January ₹ 5,000
Gautam withdrew ₹ 15,000 on the first day of April, July, October and January to pay rent for the accommodation of his family. He also paid ₹ 20,000 per month as rent for the office of partnership which was in a nearby shopping complex. Calculate interest on drawings @ 6% p.a.

30. Amit and Vijay started a partnership business on 1st April,2017. Their capital contributions were ₹ 2,00,000 and ₹ 1,50,000 respectively. The Partnership Deed provided that:
(a) Interest on capital be allowed @ 10% p.a.
(b) Amit to get a salary of ₹ 2,000 per month and Vijay ₹ 3,000 per month.

(c) Profits are to be shared in the ratio of 3 : 2.
Profit for the year ended 31st March, 2018 before above appropriations was ₹ 2,16,000. Interest on drawings amounted to ₹ 2,200 for Amit and ₹ 2,500 for Vijay and the drawings were ₹10,000 and ₹12,000 respectively. Prepare Profit and Loss Appropriation Account and capital accounts.

31. Amal, Bimal and Kamal are three partners. On 1st April, 2017, their Capitals stood as: Amal ₹ 40,000, Bimal ₹ 30,000 and Kamal ₹ 25,000. It was decided that:
(a) they would receive interest on Capital @ 5% p.a.
(b) Amal would get a salary of ₹ 250 per month.
(c) Bimal would receive commission @ 4% on net profit after deducting commission, interest on capital and salary, and
(d) After deducting all of these 10% of the profit should be transferred to the General Reserve.
Before the above items were taken into account, the profit for the year ended 31st March, 2018 was ₹ 33,360. Prepare Profit and Loss Appropriation Account and the Capital Accounts of the Partners.

32. Vikas and Vivek were partners in a firm sharing profits in the ratio of 3 : 2. On 1st April, 2017, they admitted Vandana as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 1,50,000. The new profit-sharing ratio between Vikas and Vivek will remain same but they decided to bear any deficiency on account of guarantee to Vandana in the ratio 3 : 2. The profit of the firm for the year ended 31st March, 2018 was ₹ 9,00,000. Prepare Profit and Loss Appropriation Account of Vikas, Vivek and Vandana for the year ended 31st March, 2018.

33. Ankur, Bhavns and Disha are partners in a firm. On 1st April, 2017, the balance in their Capital Accounts stood at ₹ 14,00,000, ₹ 6,00,000 and ₹ 4,00,000 respectively. They shared profits in the proportion of 7 : 3 : 2 respectively. Partners are entitled to interest on capital @ 6% per annum and salary to Bhavna @ ₹ 50,000 p.a. and a commission of ₹ 3,000 per month to Disha as per the provisions of the partnership Deed. Bhavna's share of profit (excluding interest on capital) is guaranteed at not less than ₹ 1,70,000 p.a. Disha's share of profit (including interest on capital but excluding commission) is guaranteed at not less than ₹ 1,50,000 p.a. Any deficiency arising on that account shall be met by Ankur. The profit of the firm for the year ended 31st March, 2018 amounted to ₹ 9,50,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2018.

Answers

1. D
2. A
3. B
4. C
5. D
6. D
7. B
8. B
9. D
10. D
11. C
12. B
13. C
14. C
15. D
16. D
17. D
18. C
19. C
20. D
21. A
22. C
23. I – B, II – A, III – C
24. I – C, II – A, III – B
25. I – B, II – A, III – D, IV – C

26. Ratio = 4:3

PROFIT AND LOSS APPROPRIATION ACCOUNT (3 ½)

Expenses	₹	Incomes	₹
To IOC Ramesh 9,600 Suresh 7,200	 16,800	By Net Profit By IOD Ramesh 2,000 Suresh 2,500	1,00,300 4,500
To Salary Ramesh 24,000 Suresh 36,000	 60,000		
To Profit transferred to Capital Accounts: Ramesh 16,000 Suresh 12,000	 28,000		
	1,04,800		1,04,800

CAPITAL ACCOUNT

Particulars	Ramesh	Suresh	Particulars	Ramesh	Suresh
To Drawings To IOD To Bal c/d	40,000 2,000 87,600	50,000 2,500 62,700		80,000 9,600 24,000 16,000	60,000 7,200 36,000 12,000
	1,29,600	1,15,200		1,29,600	1,15,200

27.

Particulars	RAVI		MOHAN		FIRM	
	DR	CR	DR	CR	DR	CR
IOC Salary Cancel Wrong Profit	 2,52,000	1,20,000 72,000	 2,52,000	84,000 60,000	2,04,000 1,32,000	 5,04,000
Net effect Correct profit	60,000	98,000	1,08,000	 70,000	 1,68,000	1,68,000
Net effect		38,000	38,000		1,68,000	1,68,000

Journal Entry:

Mohan's Capital Account Dr 38,000

To Ravi's Capital Account 38,000

28. PROFIT AND LOSS APPROPRIATION ACCOUNT

Expenses	₹	Incomes	₹
To IOC Molu 4,000 Golu 2,000 To Profit transferred to Capital Accounts: Molu 9,594 Golu 6,396	 6,000 15,990	By Net Profit 20,950 Less: IOL 400 By IOD Molu 780 Golu 660	 20,550 1,440
	21,990		21,990

29.

Interest on Kanika's Drawings = Rs.1,500
Interest on Gautam's Drawings = Rs.2,250

Working Notes :

1. Calculation of Interest on Kanika's Drawings

By Product Method

Date	Rs. (I)	Months (II)	Product (I × II)
Apr. 01	10,000	12	1,20,000
June 01	9,000	10	90,000
Nov. 01	14,000	5	70,000
Dec. 01	5,000	4	20,000
Sum of Product			**3,00,000**

$$\text{Interest on Drawings} = \text{Total Drawings} = \text{Sum of Product} \times \frac{\text{Rate}}{100} \times \frac{1}{12}$$

$$= 3,00,000 \times \frac{6}{100} \times \frac{1}{12}$$

$$= ₹1,500$$

2. Calculation of Interest on Gautam's Drawings

Gautam withdrew Rs. 15,000 in the beginning of every quarter.

$$\text{Interest on Drawings} = \text{Total Drawings} \times \frac{\text{Rate}}{100} \times \frac{7.5}{12}$$

$$= (15,000 \times 4) \times \frac{6}{100} \times \frac{7.5}{12}$$

$$= ₹2,250$$

30.

Profit and Loss Appropriation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Interest on Capital A/c			By Profit and Loss A/c (Net Profit)		2,16,000
Amit	20,000		By Interest on Drawings A/c		
Vijay	15,000	35,000	Amit	2,200	
Salary A/c to :			Vijay	2,500	4,700
Amit (2,000 × 12)	24,000				
Vijay (3,000 × 12)	36,000	60,000			
To Profit transferred to :					
Amit's Capital A/c	75,420				
Vijay's Capital A/c	50,280	1,25,700			
		2,20,700			**2,20,700**

Working Notes :

1. Calculation of Interest on Capital

$$\text{Interest on Amit's Capital} = 2,00,000 \times \frac{10}{100} = ₹20,000$$

$$\text{Interest on Vijay's Capital} = 1,50,000 \times \frac{10}{100} = ₹15,000$$

2. Calculation of Profit Share of each Partner

Divisible Profit = 2,16,000 + 4,700 - 35,000 - 60,000 = Rs.1,25,700

Profit sharing ratio = 3 : 2

$$\text{Amit's Profit Share} = 1,25,700 \times \frac{3}{5} = ₹75,420$$

$$\text{Vijay's Profit Share} = 1,25,700 \times \frac{2}{5} = ₹50,280$$

Dr Capital Account Cr.

Parti	Amit	Vijay	Parti	Amit	Vijay
To Drawings	10,000	12,000	By Balance b/d	2,00,000	1,50,000
To IOD	2,200	2,500	By IOC	20,000	15,000
To Bal. c/d	3,07,220	2,36,780	By Salary	24,000	36,000
			By P & L Appr (Profit)	75,420	50,280
	3,19,420	2,51,280		3,19,420	2,51,280

31.

Profit and Loss Appropriation Account
for the year ended March 31,2018

Dr Cr

Particulars		Rs.	Particulars	Rs.
To Interest on Capital A/c			By Profit and Loss A/c (Net Profit)	33,360
Amal	2,000			
Bimal	1,500			
Kamal	1,250	4,750		
To Salary to Amal A/c (250 ×12)		3,000		
To Commission A/c (Bimal)		985		
To General Reserve A/c		2,462		
To Profit transferred to :				
Amal's Capital A/c	7,388			
Bimal's Capital A/c	7,388			
Kamal's Capital A/c	7,387	22,163		
		33,360		33,360

Partner's Current Account

Dr Cr

Particulars	Amal	Bimal	Kamal	Particulars	Amal	Bimal	Kamal
To Balance c/d	52,388	39,873	33,637	By Balance b/d	40,000	30,000	25,000
				By Interest on Capital A/c	2,000	1,500	1,250
				By Salary A/c	3,000	-	-
				By Commission	-	985	-
				By P/L Appropriation A/c	7,388	7,388	7,387
	52,388	39,873	33,637		52,388	39,873	33,637

Working Note :

1. Calculation of Interest on Capital

$$\text{Interest on Amal's Capital} = 40,000 \times \frac{5}{100} = 2,000$$

$$\text{Interest on Bimal's Capital} = 30,000 \times \frac{5}{100} = 1,500$$

$$\text{Interest on Kamal's Capital} = 25,000 \times \frac{5}{100} = 1,250$$

2. Calculation of Commission to Bimal

Commission to Bimal = 4% on Net Profits after Commission

Profit after expenses = Rs.33,360 - Rs.4,750 - Rs.3,000 = Rs.25,610

32.

Profit and Loss Appropriation Account
for the year ended 31st March 18

Dr Particulars		Rs.	Particulars	Cr Rs.
To Profit transferred to :			By Profit and Loss A/c	9,00,000
Vikas's Capital A/c	4,57,500			
Vivek's Capital A/c	2,92,500			
Vandana's Capital A/c	1,50,000	9,00,000		
		9,00,000		**9,00,000**

Working Notes:

Profit Share on Vandana's $= 9,00,000 \times \frac{1}{8} = ₹1,12,500$

Remaining Profit = Rs.9,00,000 - Rs.1,12,500 = Rs.7,87,500

Profit on Vikas's Share $= 7,87,500 \times \frac{3}{5} = ₹4,72,500$

Profit on Vivek's Share $= 7,87,500 \times \frac{2}{5} = ₹3,15,000$

Minimum Guaranteed Profit Vandana = Rs.1,50,000

Deficiency = 37,500 (1,50,000 - 1,12,500)

Deficiency to borne by Vikas and Vivek in the ratio =2:3

Vikas's $= 37,500 \times \frac{2}{5} = ₹15,000$

Vivek's $= 37,500 \times \frac{3}{5} = ₹22,500$

Profit of Vikas after adjusting after deficiency = Rs.4,72,500 - Rs.15,000 = Rs.4,57,500

Profit on Vivek after adjusting after deficiency = Rs.3,15,000 - Rs.22,500 = Rs.2,92,500

33.

Profit and Loss Appropriation Account
for the year ended March 31,2018

Dr Particulars		Rs.	Particulars	Cr Rs.
To Interest on Capital to :			By Profit and Loss A/c (Net Profit)	9,50,000
Ankur	84,000			
Bhavna	36,000			
Disha	24,000	1,44,000		
To Salary to Bhavna		50,000		
To Commission to Disha(3,000 × 12)		36,000		
To Profit transferred to :				
Ankur	4,14,000			
Bhavna	1,80,000			
Disha	1,26,000	7,20,000		
		9,50,000		9,50,000

Working Notes :

Profit available for distribution

= Rs.9,50,000 - (Rs.1,44,000 + Rs.50,000 + Rs.36,000)

= Rs.7,20,000

Profit sharing ratio = 7 : 3 :2

$$\text{Ankur's Profit Share} = 7,20,000 \times \frac{7}{12} = 4,20,000$$

$$\text{Bhavna's Profit Share} = 7,20,000 \times \frac{3}{12} = 1,80,000$$

$$\text{Disha's Profit Share} = 7,20,000 \times \frac{2}{12} = 1,20,000$$

Bhavna's Minimum Guaranteed Profit = Rs.1,70,000 (excluding interest on capital)

But, Bhavna's Actual Profit Share = Rs.1,80,000

$\Rightarrow$ No Deficiency

Disha's Minimum Guaranteed Profit = Rs.1,50,000 (including interest on capital but excluding salary)

Disha's Minimum Guaranteed Profit (excluding interest) = Rs.1,50,000 - Rs.24,000 = Rs.1,26,000

But, Disha's Actual Profit Share = Rs.1,20,000

Deficiency in Disha's Profit Share = Rs.1,26,000 - Rs.1,20,000 = Rs.6,000

This deficiency is to be borne by Ankur alone

Therefore,

Ankur's New Profit Share = Rs.4,20,000 - Rs.6,000 = Rs.4,14,000

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