

Fundamental of Partnership

TIME 130: Hr

TEST

MARKS 30

Q.1 A, B and C are partners. Their fixed capitals as on 31st March, 2014 were A Rs 2,00,000, B Rs 3,00,000 and C Rs 4,00,000. Profit for the year ended 31st March 2014 amounting to Rs 1,80,000 which was distributed. Give necessary journal entry in each of the following cases

- A.** Interest on capital was credited @ 8% p.a. though there was no provision in the partnership deed.
- B.** Interest on capital was not credited @ 8% p.a. though there was such provision in the partnership deed.
- C.** Interest on capital was credited @ 8% p.a. instead of 10% p.a.
- D.** Interest on capital was credited @ 10% p.a. instead of 8% p.a.

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Q.2 Alex, John and Sam are partners in a firm. Their capital accounts on 1st April, 2011, stood at Rs 1,00,000, Rs 80,000 and Rs 60,000 respectively.

Each partner withdrew Rs 5,000 during the financial year 2011-12.

As per the provision of their partnership deed:

- A.** John was entitled to a salary of Rs 1,000 per month.
- B.** Interest on capital was to be allowed @ 10% p.a.
- C.** Interest on drawings was to be charged @ 4% p.a.
- D.** Profit and losses were to be shared in the ratio of their capitals.

The net profit of Rs 75,000 for the year ended 31st March 2012 was divided equally amongst the partners without providing for the terms of the deed.

You are required to pass a single journal entry to rectify the error.

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Q.3 A, B and C are partners in a firm. On 1st April, 2011 their capital account stood at Rs 4,00,000, Rs 3,00,000 and Rs 2,00,000 respectively. They shared profits and losses in the proportion of 5:3:2. Partners are entitled to interest on capital @ 10% per annum and salary to B and C @ Rs 2,000 per month and Rs 3,000 per quarter respectively as per the provisions of the deed.

B's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of Rs 50,000 p.a. Any deficiency arising on that account shall be met by C. The profit of the firm for the year ended 31st March, 2012 amounted to Rs 2,00,000. Prepare profit and Loss App. A/c for the year ended on 31st March, 2012.

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Q.4 P, Q and R are in partnership. P and Q sharing profits in the ratio of 4:3 and R receiving a salary of Rs 20,000 p.a. and 10% of the profit after charging his salary and commission, or 1/6th of the profit of the firm whichever is more. Any excess of the latter over the former received by R is, under the partnership deed, to be borne by P and Q in the ratio of 3:2. The profit for the year ending 31st March, 2012 came to Rs 3,85,000 after charging R's Salary. Divide the profit among partners by preparing Profit and Loss App. A/c.

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Q.5 A, B and C are partners in a firm. Partnership Deed does not allow interest on capital. But it has been allowed @ 5% p.a. for two year ended on 31st March, 2013 and 31st March 2014. Their Fixed Capital on which interest was allowed were: A Rs 5,00,000, B Rs 4,00,000 and C Rs 3,00,000. During the two year, they shared profits as follows:

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You are required pass an adjustment entry as at 1st April, 2014.

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Q.6 A and B were partner in a firm sharing profits in the ratio of 5:3. Their fixed capital on 1.4.2010 were A Rs 60,000 and B Rs 80,000. They agreed to allow interest on capital @ 12% per annum and to charge on drawings @ 15% per annum. The profit of the firm for the year ended 31.3.2011 before all above adjustment were Rs 12,600. The drawing made by A were Rs 2,000 and by B Rs 4,000 during the year. Prepare Profit and Loss App. A/c. The interest on capital will be allowed even if the firm incurs a loss.

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Q.7 A, B and C started a business in partnership. A contributed Rs 50,000 for the whole year. B introduces Rs 40,000 at first and increased it to Rs 46,000 at the end of four month but withdraws Rs 16,000 at the end of nine months. C invests Rs 80,000 at first but withdraws Rs 20,000 at the end of five months. Interest on capital is to be allowed @ 3% p.a.

Firm earned a profit of 23,750 during the year. You are required to show the division of profit by preparing Profit and Loss App. A/c.

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