

QB365 Question Bank Software Study Materials

Accounts of Partnership Firms-Fundamentals Important 2 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 40

2 Marks

20 x 2 = 40

- 1) Mannan and Ramesh share profits and losses in the ratio of 3:1. The capital on 1st April 2017 was Rs. 80,000 for Mannan and Rs. 60,000 for Ramesh and their current accounts show a credit balance of Rs. 10,000 and Rs. 5,000 respectively. Calculate interest on capital at 5% p.a. for the year ending 31st March 2018 and show the journal entries.

Answer : Calculation of interest on capital:

Interest on capital = Amount of capital × Rate of interest

Interest on Mannan's capital = 80,000 × 5/100 = Rs. 4,000

Interest on Ramesh's capital = 60,000 × 5/100 = Rs. 3,000

Note: Balance of current account will not be considered for calculation of interest on capital.

DATE	PARTICULARS	L.F.	DEBIT RS.	CREDIT RS.
2018	Interest on capital A/c	Dr.	7,000	
March 31	To Mannan's current A/c			4,000
	To Ramesh's current A/c			3,000
	(Interest on capital provided)			
"	Profit and loss appropriation A/c	Dr.	7,000	
	To Interest on capital A/c			7,000
	(Interest on capital closed)			

- 2) Antony and Akbar were partners who share profits and losses in the ratio of 3:2. Balance in their capital account on 1st January 2018 was Antony Rs. 60,000 and Akbar Rs. 40,000. On 1st April 2018 Antony introduced additional capital of Rs. 10,000. Akbar introduced additional capital of Rs. 5,000 during the year. Calculate interest on capital at 6% p.a. for the year ending 31st December 2018.

Answer : Calculation of interest on capital:

Interest on Antony's capital:

On opening capital for 1 year	$60,000 \times \frac{6}{100}$	Rs. 3,600
On additional capital for 9 months	$10,000 \times \frac{6}{100} \times \frac{9}{12}$	Rs. 450
Interest on capital		Rs. 4,050

Interest on Akbar's capital:

On opening capital for 1 year	$40,000 \times \frac{6}{100}$	Rs. 2,400
On additional capital for 6 months	$5,000 \times \frac{6}{100} \times \frac{6}{12}$	Rs. 150
Interest on capital		Rs. 2,550

Note: Since the date of additional capital introduced by Akbar is not given, interest on additional capital is calculated for an average period of 6 months.

- 3) The capital account of Arivazhagan and Srinivasan on 1st January 2017 showed a balance of Rs. 15,000 and Rs. 10,000 respectively. On 1st July 2017, Arivazhagan introduced an additional capital of Rs. 5,000 and on 1st September 2017 Srinivasan introduced an additional capital of Rs. 10,000. Calculate interest on capital at 6% p.a. for the year ending 31st December 2017.

Answer : Calculation of interest on capital:

Arivazhagan:

On opening capital for 1 year	$15,000 \times \frac{6}{100}$	Rs. 900
On additional capital for 6 months	$5,000 \times \frac{6}{100} \times \frac{6}{12}$	Rs. 150
Interest on capital		Rs. 4,050

Interest on Akbar's capital:

On opening capital for 1 year	$10,000 \times \frac{6}{100}$	Rs. 600
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On additional capital for 4 months	$10,000 \times \frac{6}{100} \times \frac{4}{12}$	Rs. 200
Total interest on capital		Rs. 800

Note: Since the date of additional capital introduced by Akbar is not given, interest on additional capital is calculated for an average period of 6 months.

- 4) Velan is a partner who withdrew Rs. 20,000 on 1st April 2018. Interest on drawings is charged at 10% per annum. Calculate interest on drawings on 31st December 2018 and pass journal entries by assuming fluctuating capital method.

Answer : Interest on drawings = Amount of drawings \times Rate of interest \times Period of interest

$$= \text{Rs. } 20,000 \times \frac{10}{100} \times \frac{9}{12} = \text{Rs. } 1,500$$

DATE	PARTICULARS	L.E.	DEBIT RS.	CREDIT RS.
2018	Velan's capital A/c	Dr.	1,500	
Dec. 31	To Interest on drawings A/c (Interest on drawings charged)			1,500
"	Interest on drawings A/c	Dr.	1,500	
	To Profit and loss appropriation A/c (Interest on drawings account closed)			1,500

- 5) Rajan is a partner who withdrew Rs. 30,000 during the year 2018. Interest on drawings is charged at 10% per annum. Calculate interest on drawings on 31st December, 2018.

Answer : Interest on Drawings = $30,000 \times \frac{10}{100} \times \frac{6}{12} = \text{Rs. } 1,500$

- 6) Vennila and Eswari are partners. Vennila draws Rs.5,000 at the beginning of each half year. Interest on drawings is chargeable at 4% p.a. Calculate interest on drawings for the year ending 31st December 2018 using average period.

Answer : Calculation of interest on drawings of Vennila (using average period)

Total amount of drawings = $5,000 \times 2 = \text{Rs. } 10,000$

If drawings are made at the end of every half year, average period = 9

$$\text{Interest on drawings} = \text{Total amount of drawings} \times \text{Rate of interest} \times \frac{\text{Average period}}{12}$$

$$= \text{Rs. } 10,000 \times \frac{4}{100} \times \frac{9}{12} = \text{Rs. } 300$$

- 7) Define partnership.

Answer : According to section 4 of the Indian partnership Act, 1932, partnership is defined as "the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".

- 8) Why is Profit and loss appropriation account prepared?

Answer : (i) The profit and loss appropriation account is an extension of profit and loss account prepared for the purpose of adjusting the transactions relating to amounts due to and amount due from partners. It is a nominal account in nature

(ii) The balance being the profit or loss is transferred to the partner's capital or current account in the profit sharing ratio.

- 9) Mani is a partner, who withdrew Rs. 30,000 on 1st September, 2018. Interest on drawings is charged at 6% per annum. Calculate interest on drawings on 31st December, 2018 and show the journal entries by assuming that fluctuating capital method is followed.

Answer : Interest on drawings = Amount of drawings \times Rate of Interest \times Period of interest

$$= \text{Rs. } 30,000 \times \frac{6}{100} \times \frac{4}{12} = \text{Rs. } 3,600$$

Interest on drawings of mani = Rs. 600

DATE	PARTICULAR	L.F	DEBIT RS.	CREDIT RS.
2018	Santhosh's capital A/c	Dr.	600	
Dec 31	To Interest on drawings A/c (Interest on drawings charged)			600
2018	Interest on drawings A/c	Dr	600	
Dec 31	To Profit and loss appropriation A/c (Interest on drawing account closed)			600

Journal entries

- 10) Kevin and Francis are partners. Kevin draws Rs. 5,000 at the end of each quarter. Interest on drawings is chargeable at 6% p.a. Calculate interest on drawings for the year ending 31st March 2019 using average period.

Answer : Calculation of interest on drawings of Kevin (using average period)

Total amount of drawings = Rs. 5,000 x 4 = Rs. 20,000

If drawings are made at the end of every quarter, average period = 4.5

Interest on drawings = Total amount of drawing x Rate of interest x $\frac{\text{Average period}}{12}$
= Rs. 20,000 x $\frac{6}{100}$ x $\frac{4.5}{12}$

Interest on drawings of Kevin = Rs. 450

11) What is drawing?

Answer : (i) Drawings is the amount withdrawn in each or in kind, for personal purposes.

(ii) A drawings account is opened in the name of each partner and the drawings are debited to this account.

(iii) At the end of every year, the drawings account is closed by a transfer to the respective partner's capital account or current account

12) A and B are partners in a firm without a partnership deed. A is an active partner and claims a salary of Rs. 18,000 per month. State with reasons whether the claim is valid or not

Answer : According to Indian partnership Act, 1932, no salary is allowed to partners in the absence of partnership deed so the claim of A for salary of Rs.18,000 per month is not valid.

13) Salary or commission paid to a partner is debited to profit and loss appropriation account and not to profit and loss account. Why?

Answer : It is so because salary or commission paid to a partner is not a charge on profit but an appropriation of profit.

14) An accountant of the firm has debited interest on partner's loan to the profit and loss appropriation account and credited to the partner's capital account. Is he correct?

Answer : No, the accountant is not correct. He has not recorded the interest on loan correctly because the interest on loan is a charge against profits and not an appropriation of profits.

15) State where the following items shall appear in case the capital contributed by partners remain fixed

i) Interest on capital

ii) Withdrawal of capital

iii) Fresh capital introduced

iv) Drawings

v) Share of profit by a partner

Answer : (i) Credit side of partner's current account.

(ii) Debit side of partner's capital account

(iii) Credit of partner's capital account

(iv) Debit side of partner's current account

(v) Credit side of partner's current account

16) How to calculate the interest on Capital of the partners?

Answer : Interest on capital is to be calculated in the capitals at the beginning for the relevant period. If there is any additional or withdrawn during the years, interest is to be calculated proportionately on the changed capitals.

17) X and Y had capitals of Rs. 1,60,000 and 80,000 respectively on 1.1.2010. X introduced additional Capital Rs. 20,000 on 30.6.2010. Y. withdrew Rs.10,000 from his capital on 1.10.2010. Calculate interest on Capital @ 5% for the year 2010.

Answer : Interest on capital of X.

$$= [1,60,000 \times \frac{5}{100} \times \frac{6}{12}] + [1,80,000 \times \frac{5}{100} \times \frac{6}{12}]$$

$$= 4,000 + 4,500$$

$$= \text{Rs.}8,500$$

Interest on capital of Y.

$$= [80,000 \times \frac{5}{100} \times \frac{9}{12}] + [70,000 \times \frac{5}{100} \times \frac{3}{12}]$$

$$= 3,000 + 875$$

$$= 3,875$$

18) Kokila and Eswari are partners, Kokila draws 10,000 at the beginning of each half year. Interest on drawing is Chargable @ 8% p.a. Calculate interest on-drawing for the year ending 31st Dec.2 using average period.

Answer : Total amount of drawing = 10,000 x 2

= Rs.20,000

If drawing are made at end of every half year average period: 9

$$\text{Total Amount} \times \frac{\text{Rate}}{100} \times \frac{\text{Average period}}{12}$$

Interest on drawing

$$= 20,000 \times \frac{8}{100} \times \frac{9}{12}$$

= Rs.1,200

- 19) A and B are partners. A draws Rs. 8,000 at the end of each quarter. Interest on drawings is chargeable @ 6% p.a Calculate interest on drawings for the year ending 31" December 201& Using average.period.

Answer : Total amount of drawings = 8,000 X 4 = Rs.32,000

If drawings are made at the end of every quarter average period = 4.5

$$\text{Interest on drawings} = \text{Total Amount} \times \text{Rate of interest} \times \frac{\text{Average period}}{12}$$

$$= 32,000 \times \frac{6}{100} \times \frac{4.5}{12}$$

= Rs.720

- 20) Karthik and Sethu are partners. Net Profit Rs. 2,20,000. Karthick get Commission of 10%. If net profit before Charging any commission. Sethu get a commission of 10%, on net profit after changing all Commission.

Answer : Net profit before the Commission $\times \frac{\% \text{ of Commission}}{100}$

$$= 2,20,000 \times 10 / 100 = \text{Rs. } 22,000$$

Commission to Sethu:

Net profit after Karthick's Commission

$$= \text{Rs. } 2,20,000 - 22,000$$

$$\text{Sethu's Commission} = \text{Net Profit after Karthick's comm.} \times \frac{\% \text{ of commission}}{100 + \% \text{ of commission}}$$

$$= 1,98,000 \times \frac{10}{110}$$

= Rs. 18,000