**CLASS : XII**

**SUBJECT :Accountancy**

* **Chapter 1 Fundamentals of partnership**

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| **Sr. No.** | **Knowledge Based** | **Marks** |
|  | 1. Define Partnership Deed.  2. Why it is considered desirable to make the partnership agreement in writing.  3. List the items which may be debited or credited in capital accounts of the partners when:  (i) Capitals are fixed.  (ii) Capital are fluctuating.  4. If a fixed amount is withdrawn on the first day of every quarter, for what period the interest on total amount withdrawn will be calculated? |  |
|  | In the absence of any provision in the partnership deed, what will be the interest on drawings? |  |
|  | Under which method of maintaining capital account, current account is maintained along with capital account? |  |
| **S. No.** | **Understanding Based** |  |
| 1. | 1. Mohan and Shyam are partners in a firm. State whether the claim is valid if the partnership agreement is silent in the following matters:  (i) Mohan is an active partner. He wants a salary of Rs. 10,000 per year;  (ii) Shyam had advanced a loan to the firm. He claims interest @ 10% per annum;  (iii) Mohan has contributed Rs. 20,000 and Shyam Rs. 50,000 as capital. Mohan wants equal share in profits.  (iv) Shyam wants interest on capital to be credited @ 6% per annum.  2. State whether the following statements are true or false:  (i) Valid partnership can be formulated even without a written agreement between the partners;  ii) Each partner carrying on the business is the principal as well as the agent for all the other partners;  (iii) Maximum number of partners in a banking firm can be 20;  (iv) Methods of settlement of dispute among the partners can’t be part of the partnership deed;  (v) If the deed is silent, interest at the rate of 6% p.a. would be charged on the drawings made by the partner;  (vi) Interest on partner’s loan is to be given @ 12% p.a. if the deed is silent about the rate. |  |
|  | X and Y are partners with capitals of Rs. 1,20,000 and Rs. 40,000 respectively on 1st April, 2005. the treading Profit (before taking into account the provisions of the deed) for the year ended 31st March, 2006 was Rs. 48,000. Interest on capitals is to be allowed at 6% per annum. Y is entitled to a salary of Rs. 12,000 per annum. The drawings of the partners were Rs. 12,000 and Rs. 8,000; the interest for X being Rs. 400 and for Y Rs. 200. Show how the profit will be divided between X and Y and also show the capital accounts (i) if they are fluctuating and (ii) if they are fixed.  **Ans. Profit – X-Rs.13,500; Y-Rs.13,500 Fluctuating cap. X-Rs.1,28,300; Y-Rs.59,700; Fixed cap. X-Rs.1,20,000; Y-Rs.40,000; Current A/c –X-Rs.8,300; Y-Rs.19,700** |  |
|  | Sohan is a partner in a firm. He withdraws the following amounts during the year 2005: **Rs.**  February 1 8,000  May 1 20,000  June 30 8,000  October 31 24,000  December 1 8,000  Interest on drawings is to be charged @ 7 ½% per annum.  Calculate the amount of interest to be charged on Mohan’s drawings for the year |  |
| **S. No.** | **Application** |  |
| 1. | The partnership agreement between Maneesh and Girish provides that:  (i) Profits will be shared equally;  (ii) Maneesh will be allowed a salary of Rs. 400 p.m;  (iii) Girish who manages the sales department will be allowed a commission equal to 10% of the net profits, after allowing Maneesh’s salary;  (iv) 7% interest will be allowed on partner’s fixed capital;  (v) 5% interest will be charged on partner’s annual drawings;  (vi) The fixed capitals of Maneesh and Girish are Rs. 1,00,000 and Rs. 80,000,respectively. Their annual drawings were Rs. 16,000 and 14,000, respectively. The net profit for the year ending March 31, 2006 amounted to Rs. 40,000;  Prepare firm’s Profit and Loss Appropriation Account.  (**Ans :** Profit transferred to the Capital accounts of Maneesh and Girish, Rs.10,290)  2. Simmi and Sonu are partners in a firm, sharing profits and losses in the ratio of 3:1. The profit and loss account of the firm for the year ending March 31, 2006 shows a net profit of Rs. 1,50,000. Prepare the Profit and Loss Appropriation Account by taking into consideration the following information:  (i) Partners capital on April 1, 2005;  Simmi, Rs. 30,000; Sonu, Rs. 60,000;  (ii) Current accounts balances on April 1, 2005;  Simmi, Rs. 30,000 (cr.); Sonu, Rs. 15,000 (cr.);  (iii) Partners drawings during the year amounted to  Simmi, Rs. 20,000; Sonu, Rs. 15,000;  (iv) Interest on capital was allowed @ 5% p.a.;  (v) Interest on drawing was to be charged @ 6% p.a. at an average of six months;  (vi) Partners’ salaries : Simmi Rs. 12,000 and Sonu Rs. 9,000. Also show the partners’ current accounts.  (**Ans :** Profit transferred to Simmi’s Capital, Rs. 92,587 and Sonu’s Capital, Rs. 30,863)  3. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs. 80,000 and Rs. 60,000 respectively. The firm started business on April 1, 2005.  According to the partnership agreement, interest on capital and drawings are 12% and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs. 2,000 and Rs. 3,000, respectively.  The profits for year ended March 31, 2006 before making above  appropriations was Rs. 1,00,300. The drawings of Ramesh and Suresh were Rs. 40,000 and Rs. 50,000, respectively. Interest on drawings amounted to Rs. 2,000 for Ramesh and Rs. 2,500 for Suresh. Prepare Profit and LossAppropriation Account and partners’ capital accounts, assuming that their capitals are fluctuating.  (**Ans :** Profit transferred to Ramesh’s Capital Rs.16,000 and Suresh’s Capital,  Rs.12,000)  4. The capital accounts of Moli and Golu showed balances of Rs.40,000 and Rs. 20,000 as on April 01, 2006. They shared profits in the ratio of 3:2. They allowed interest on capital @ 10% p.a. and interest on drawings, @ 12 p.a. Golu advanced a loan of Rs. 10,000 to the firm on August 01, 2006.  During the year, Moli withdrew Rs. 1,000 per month at the beginning of every month whereas Golu withdrew Rs. 1,000 per month at the end of every month. Profit for the year, before the above mentioned adjustments was Rs.20,950. Calculate interest on drawings show distribution of profits and prepare partner’s capital accounts.  (**Ans :** Interest on Drawings : Moli, Rs. 780; Golu, Rs. 660; Profits Moli, Rs. 9,594; Golu, Rs. 6,396)  5. Radha, Mary and Fatima are partners sharing profits in the ratio of 5:4:1. Fatima is given a guarantee that her share of profit, in any year will not be less than Rs. 5,000. The profits for the year ending March 31, 2006 amounts to Rs. 35,000. Shortfall if any, in the profits guaranteed to Fatima is to be borne by Radha and Mary in the ratio of 3:2. Record necessary journal entry to show  distributioin of profit among partner.  (**Ans :** Deficiency borne by Radha, Rs. 900 and Mary, Rs. 600)  6. X, Y and Z are in Partnership, sharing profits and losses in the ratio of 3 : 2 : 1,respectively. Z’s share in the profit is guaranteed by X and Y to be a minimum of Rs. 8,000. The net profit for the year ended March 31, 2006 was Rs. 30,000.  Prepare Profit and Loss Appropriation Account, indicating the amount finally due to each partner.  (**Ans :** Profit to X Rs.13,200; Y Rs.8,800; Z Rs.8,000)  7. Arun, Boby and Chintu are partners in a firm sharing profit in the ratio or 2:2:1. According to the terms of the partnership agreement, Chintu has to get a minimum of Rs. 60,000, irrespective of the profits of the firm. Any Deficiency to Chintu on Account of such guarantee shall be borne by Arun. Prepare the profit and loss appropriation account showing distribution of profits among partners in case the profits for year 2006 are: (i) Rs. 2,50,000; (ii) 3,60,000.  (**Ans :** (i) Profit to Arun Rs.90,000, Boby Rs.1,00,000 and Chintu Rs.60,000(ii) Profit to Arun Rs.1,44,000, Boby Rs.1,44,000 and Chintu Rs.72,000) |  |
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| **S.No.** | **Value Based** |  |
| 1. | Q1. A, B and C are partners sharing profits in the ratio 3:2:1 and contribute capital Rs. 1, 00,000; Rs. 80,000 and Rs. 60,000 respectively. Profit before adjustments is Rs. 84,000. Interest on capital  is to be provided @ 10% p.a. Since C has to take care of his physically challenged brother, his share of profit should not be less than Rs. 15,000. A and B have agreed to bear the deficiency. |  |
| 2. | Anand and Sonu were childhood friends and colleagues in a company who were thinking of starting something of their own someday. On 1st Jan, 2011 they thought of starting a stationery depot for the financially backward children of their area. They also admitted Manoj a differently abled educated youth who was unemployed as  a partner of their firm without any capital contribution. Sonu also approached Rohit Kaul from Jammu, who was also eager to start something of this sort having lot of funds at his disposal, and persuaded him to join them.The following terms where agreed upon:  i) Anand, Sonu and Rohit will contribute 30,000; 50,000 and 4,00,000 respectively as capital.  ii) Profit will be shared equally.  iii) Interest on capital will be allowed @ 5% p.a.  The Profits of the firm for the year ended 31st Dec 2011 were 50,000.  **a)** Identify any two values which according to you motivated them to startthe partnership firm. (2)  **b)** Prepare Profit & Loss Appropriation Account of the firm for the yearending 31st Dec 2011. (2) |  |
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| **S.No.** | **HOTS** |  |
| 1. | 1 The firm of Harry, Porter and Ali, who have been sharing profits in the ratio of 2 : 2 : 1, have existed for same years. Ali wants that he should get equal share in the profits with Harry and Porter and he further wishes that the change in the profit sharing ratio should come into effect retrospectively were for the last three year. Harry and Porter have agreement on this account.The profits for the last three years were:  2003-04 22,000  2004-05 24,000  2005-06 29,000  Show adjustment of profits by means of a single adjustment journal entry.  (**Ans :** Harry (Dr.) Rs.5,000, Porter (Dr.) Rs.5,000 and Ali (Cr.) Rs.10,000)  2 Mannu and Shristhi are partners in a firm sharing profit in the ratio of 3 : 2. Following is the balance sheet of the firm as on March 31, 2006.  **Balance Sheet as at March 31, 2006**  *Liabilities Amount Assets Amount*  Mannu’s Capital 30,000 Drawings :  Shristhi’s Capital 10,000 Mannu 4,000  Shristhi 2,000  Other Assets 34,000  **40,000 40,000**  Profit for the year ended March 31, 2006 was Rs. 5,000 which was divided in the agreed ratio, but interest @ 5% p.a. on capital and @ 6% p.a. on drawings was inadvertently enquired. Adjust interest on drawings on an average basis for 6 months. Give the adjustment entry.  (**Ans :** Mannu (Dr.) Rs.288 and Shrishti (Cr.) Rs.288)  3 On March 31, 2006 the balance in the capital accounts of Eluin, Monu and Ahmed, after making adjustments for profits, drawing, etc; were Rs. 80,000, Rs. 60,000 and Rs. 40,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 5% p.a. The drawings during the year were Eluin Rs. 20,000; Monu, Rs. 15,000 and Ahmed, Rs. 9,000. Interest on drawings chargeable to partners were Eluin Rs, 500, Monu Rs. 360  and Ahmed Rs. 200. The net profit during the year amounted to Rs. 1,20,000. The profit sharing ratio was 3 : 2 : 1. Pass necessary adjustment entries.  (**Ans :** Eluin (Dr.) Rs.570, Monu (Cr.) Rs.10 and Ahmed (Cr.) Rs.560)  4. Azad and Benny are equal partners. Their capitals are Rs. 40,000 and Rs. 80,000, respectively. After the accounts for the year have been prepared it is discovered that interest at 5% p.a. as provided in the partnership agreement,has not been credited to the capital accounts before distribution of profits. It is decided to make an adjustment entry at the beginning of the next year. Record the necessary journal entry.  (**Ans :** Azad (Dr.)1,000 and Benny (Cr.)1,000)  5. Kavita and Pradeep are partners, sharing profits in the ratio of 3 : 2. They employed Chandan as their manager, to whom they paid a salary of Rs. 750 p.m. Chandan deposited Rs. 20,000 on which interest is payable @ 9% p.a. At the end of 2001 (after the division of profit), it was decided that Chandan should be treated as partner w.e.f. Jan. 1, 1998 with 1/6 th share in profits. His deposit being considered as capital carrying interest @ 6% p.a. like capital of other partners. Firm’s profits after allowing interest on capital were as follows:  2001 Profit 59,000  2002 Profit 62,000  2003 Loss (4,000)  2004 Profit 78,000  Record the necessary journal entries to give effect to the above.  (**Ans :** Kavita (Dr.) 300, Pradeep (Dr.) 200 and Chandan (Cr.) 500)  6. Amit, Babita and Sona form a partnership firm, sharing profits in the ratio of 3 : 2 : 1, subject to the following :  (i) Sona’s share in the profits, guaranteed to be not less than Rs. 15,000 in any year.  (ii) Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the proceeding five years,when she was carrying on profession alone (which is Rs. 25,000). The net profit for the year ended March 31, 2007 is Rs. 75,000. The gross fee earned by Babita for the firm was Rs. 16,000.  You are required to show Profit and Loss Appropriation Account (after giving effect to the alone).  (**Ans :** Profit transferred to Capital Accounts of; Amit, Rs. 41,400, Babita,Rs.27,600 and Sona, Rs.15,000) |  |
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