

# **SURE SHORT QUESTIONS**

## **ACCOUNTANCY (055)**

### **PART A -60 MARKS**

#### **PARTNERSHIP AND COMPANY ACCOUNTS**

#### **CHAPTER – 1**

#### **ACCOUNTING FOR PARTNERSHIP FIRM - FUNDAMENTALS**

#### **1 MARK Questions**

1. What do you understand by 'Partner', 'firm' and 'firm's name'?

**Ans.** The persons who have entered into a Partnership with one another are individually called 'Partners' and collectively 'a firm' and the name under which the business carried is called 'the firm's name'.

2. What is the minimum and maximum number of partners in all partnership?

**Ans.** Minimum 2 and Maxi 20 (In banking 10)

3. What is the status of partnership from an accounting viewpoint?

**Ans.** From an accounting viewpoint, partnership is a separate business entity. From the legal viewpoint, however, a Partnership, is not separate from the owners.

4. In the absence of Partnership deed, how are mutual relations of partners governed?

**Ans.** Through Partnership Act, 1932.

5. Give two circumstances in which the fixed capital of partners may change.

**Ans.** (i) When additional capital is introduced by the partners.

(ii) When a part of the capital is permanently withdrawn by the Partners.

6. List the items that may appear on the debit side and credit side of a Partners' Fluctuating capital account.

**Ans.** On debit side: Drawing, interest on drawing, share of loss, closing credit balance of capital.

On credit side: Opening credit balance of capital, additional capital introduced, share of profit, interest on capital, salary to a Partner, commission to a Partner.

#### QUESTIONS: 4 & 6 Marks

1. A and B are partners sharing profits in the ratio of 3:2 with capitals of Rs. 8,00,000 and Rs. 6,00,000 respectively. Interest on capital is agreed @ 5% p.a. B is to be allowed an annual salary of Rs. 60,000 which has not been withdrawn. During 2013-14, the profits of the year prior to calculation of interest on capital but after charging B's salary amounted to Rs. 2,40,000. A provision of 5% of the profits is to be made in respect of Manager's commission.

Prepare an account showing the appropriation of profit.

**Solution:**

P&L A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Manager's Commission (3,00,000 X 5/100)	15,000	By Profit (Rs. 2,40,000+60,000)	3,00,000
To Profit tr. To P&L App. A/c	2,85,000		

	3,00,000		3,00,000
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## P &amp; L Appropriation A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To B's Salary	60,000	By Net Profit transferred from P & L A/c	2,85,000
To Interest on Capital			
A                      40,000			
B                      30,000	70,000		
To Profit tr. To			
A's capital        93,000			
B's capital        62,000	1,55,000		
	2,85,000		2,85,000

2. X and Y are Partners sharing Profit and Loss in the ratio of 2:3 with a capital of Rs. 20,000 and Rs. 10,000 respectively. Show distribution of Profit/losses for the year ended 31<sup>st</sup> march 2014 by preparing relevant account in each of the alternative cases.

Case 1. If Partnership deed is silent as to the interest on capital and the profit for year ended is Rs. 2,000.

Case 2. If Partnership deed provides for the interest on capital @ 6% p.a. and loss for the year is Rs. 1,500.

Case 3. If Partnership deed provides for interest on capital @ 6% p.a. and trading profit is Rs. 2,100.

**Solution:**

**Case 1.**

## P &amp; L Appropriation A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Profit transferred to		By Net Profit transferred from P & L A/c	2,000
X's capital        800			
Y's capital       1,200	2,000		
	2,000		2,000

**Case 2.**

## P &amp; L Appropriation A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To loss for the year (Trading loss)	1,500	By loss transferred to	
		X's Capital       600	
		Y's Capital       900	1,500
	1,500		1,500

**Case 3.**

## P &amp; L Appropriation A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Interest on Capital		By Profit & Loss A/c	2,100
X        1,200			
Y        600	1,800		
To Profit tr. To			
X's Capital    120			
Y's Capital    180	300		
	2,100		2,100

3. X and Y are partners in a firm. X is to get a commission of 10% of net profit before charging any commission. Y is to get a commission of 10% on net profit after charging all commission. Net profit for the year ended 31<sup>st</sup> March 2014 before charging any commission was Rs. 1,10,000. Find the commission of X and Y. Also show the distribution of profit.

**ANS .**

P &amp; L Appropriation A/c

For the year ended 31<sup>st</sup> March 2014

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To X's commission A/c (1,10,000 X 10/100)	11,000	By Profit before any commission	1,10,000
To Y's Commission (1,10,000 – 11,000) X10/110	9,000		
To Net Profit tr. To Capital A/c's			
X        45,000			

Y	45,000	90,000		
		1,10,000		1,10,000

4. A, B and C are Partners in a firm sharing Profit and Losses in the ratio 2:3:5. Their fixed capitals were 3,00,000; 6,00,000; and 1,20,000 respectively for the year 2014 interest on capital was credited to them @ 12% instead of 10%. Pass the necessary adjustment entry.

**Solution:**

**Table showing Adjustment**

Particulars	A	B	C	Total
Interest that should have been credited @ 10%	30,000	60,000	12,000	1,02,000
Interest already credited @ 12%	36,000	72,000	14,400	1,22,400
	<b>(6,000)</b>	<b>(12,000)</b>	<b>(2,400)</b>	<b>(20,400)</b>
By recovering the extra amount paid the share will increase and it will be credited in the ratio of 2:3:5	<b>(4,080)</b>	<b>(6,120)</b>	<b>(10,200)</b>	
<b>Net effect</b>	<b>(1,920)</b>	<b>(5,880)</b>	<b>7,800</b>	

<b>A's Current A/c Dr.</b>	<b>1,920</b>
<b>B's Current A/c Dr.</b>	<b>5,880</b>
<b>To C's Current A/c</b>	<b>7,800</b>

5. X, Y and Z were partners in a firm sharing profit and losses in the ratio of 2:1:2. Their capitals were fixed at Rs. 6,00,000; Rs. 2,00,000 and Rs. 4,00,000 for the year 2014. Interest on capital

was credited to them @ 9% instead of 10%p.a. the profit for the year before charging interest was Rs. 5,00,000.

Show your working note clearly and Pass necessary adjustment entry.

(Ans. Y's current A/c Dr. 400, Z's Current A/c Dr. 800, X 's current A/c Cr. 1,200)

6. A, B and C are partners in a firm sharing profits and losses in the ratio of 2:3:5. Their fixed capitals were 15, 00,000, Rs.30, 00,000 and Rs.60, 00,000 respectively. For the year 2009 interest on capital was credited to them @ 12% instead of 10%. Pass the necessary adjustment entry.

Ans:

TABLE SHOWING ADJUSTMENT

PARTICULARS	A Rs.	B Rs.	C Rs.	TOTAL Rs.
Interest that should have been credited @ 10%	1,50,000	3,00,000	6,00,000	10,50,000
Interest already credited @ 12%	1,80,000	3,60,000	7,20,000	12,60,000
Excess credit in partners account	(30,000)	(60,000)	(1,20,000)	(2,10,000)
By recovering the extra amount paid the share of profits will increase and it will be credited in the ratio of 2:3:5	42,000	63,000	1,05,000	2,10,000
Net effect	+12,000	+3,000	-15,000	Nil

Adjustment Entry:

C's current A/c	Dr.	15,000	
To A's Current A/c			12,000

To B's Current A/c		3,000
( For interest less charged on capital, now rectified)		

7. A, B and C are partners. They admit D and guarantee that his share of profit will not be less than Rs. 20,000. Profits to be shared 4:3:3:2 respectively. Total profits were Rs. 96,000. It was agreed that excess payable to D over his share will be borne by A, B and C in the ratio of 3:2:1. Calculate share of profit for each partner.

Books of A, B and C

Profit and Loss appropriation account for the year ending.....

Particulars	Rs.	Particulars	Rs.
To profit transferred to:		By Profit & Loss A/c	
A's Capital a/c			96,000
(Rs.96,000x4/12)      32,000			
Less: Deficiency borne <u>2,000</u>	32,000		
B's Capital A/c			
(96,000x3/12)      24,000			
Less: Deficiency borne <u>1,333</u>	22,667		
C's Capital A/C			
(Rs.96,000x3/12)      24,000			
Less: Deficiency borne <u>667</u>	23,333		
D's Capital A/C			
(Rs.96,000x2/12)      16,000			
Add: Deficiency recovered			
from the Capitals of:			
A      2,000			
B      1,333			
C <u>667</u>	20,000		