

Chapter : Fundamental Partnership
 Topic : preparation of partner's capital account
 12th Accountancy

- Q. 1 The Partnership agreement between Maneesh and Girish provides that:**
- (i) Profits will be shared in 3:2;**
 - (ii) Maneesh will be allowed a salary of ₹400 p.m;**
 - (iii) Girish who manages the sales department will be allowed a commission equal to 10% of the net profits**
 - (iv) 7% p.a. 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 ₹1,00,000 and ₹80,000 respectively. Their annual drawings are ₹16,000 and ₹14,000 respectively. The net profit for the year ending March 31, 2013 amounted to ₹40,000.**
- Prepare firm's Profit and Loss Appropriation Account**

Solution Profit and Loss App A/c

Particulars	Rs.	Particulars	Rs.
To Salary Maneesh	4800	By Net Profit	40,000
To Comm Girish	4000	By Interest on Drawings	
To Intt On Capital		Maneesh	800
Maneesh	7000	Girish	<u>700</u>
Girish	<u>5600</u>		1500
To Profit transferred			
Maneesh	12,060		
Girish	8,040		
	20,100*		
	41,500		41,500

Partner's capital account

Particulars	Maneesh	Girish	Particulars	Maneesh	Girish
To Drawings	16,000	14000	By Balance b/d	100,000	80,000
To Intt on drawings	800	700	By Commission	---	4,000
To Balance C/d	102,260	82,940	By Intt on capital	7,000	5,600
(bal. Figure)			By Profit	12,060	8,040
	119,060	97,640		119,060	97,640

Q.2 The Partnership agreement between Vinod and Manoj provides that:

- (i) Profits will be shared in 3:1;
- (ii) Manoj will be allowed a salary of ₹500 p.m;
- (iii) Vinod who manages the sales department will be allowed a commission equal to 10% of the net profits
- (iv) 10% p.a. interest will be allowed on partner's capital;
- (v) 5% interest will be charged on partner's annual drawings;
- (vi) The fixed capitals of Vinod and Manoj are ₹1,00,000 and ₹200,000 respectively. Their annual drawings are ₹10,000 and ₹20,000 respectively. The net profit for the year ending March 31, 2013 amounted to ₹60,000.

Prepare firm's Profit and Loss Appropriation Account

Q.3 K and P were partners in a firm sharing profits in 4 : 3 ratio.

Their capitals on 01.04.2017 were: K ₹80,000 and P ₹60,000. The partnership deed provided as follows:

- (i) Interest on capital and drawings will be allowed and charged @ 12% p.a. and 5% respectively.
- (ii) K and P will be entitled to a monthly salary of ₹2,000 and ₹3,000 respectively.

The profits for the year ended 31.03.2018 were ₹1,00,000. The drawings of K and P were ₹40,000 and ₹50,000 respectively.

Prepare Profit and Loss Appropriation Account and Capital Account of K and P for the year ended 31.3.2018

Q.4 Amit, Bunt, Chetan and Deepu are entered in the partnership as on 1st January 2019 with capital Rs.100,000 each, agreed

- a. share profit in 4 : 3 : 2 : 1.
- b. Allowed salary 6000 per annum to Deepu.
- c. interest on capital @ 6% per annum.

They earned a profit of ₹200,000 for the year ended 31st March 2019. Prepare Profit and Loss Appropriation Account to showing the distribution of profits.