

**Q1. In the absence of Partnership Deed, state the provisions of the partnership act ,1932 relating to**

- a) Salaries of partners
- b) Interest on partners capital
- c) Interest on loan by partner
- d) Division of profit
- e) Interest on partners drawings
- f) Interest on Loan given to Partners?

**Solution –**

- a) Not allowed
- b) Not allowed
- c) 6% p.a
- d) Equal
- e) Not charged
- f) Not Charged

**Q2. Mahesh, Ramesh and Suresh are partners in a firm. They do not have a Partnership Deed. At the end of the first year of the business, they faced the following problems:**

- a) Mahesh wants that interest on capital should be allowed to the partners but Ramesh and Suresh do not agree.
- b) Ramesh wants that the partners should be allowed to draw salary but Mahesh and Suresh do not agree
- c) Mahesh and Ramesh want that Suresh should pay interest on loan given to him by the firm but Suresh does not agree.
- d) Mahesh and Ramesh having contributed larger amounts of capital, desire that the profits should be distributed in the ratio of their capital contribution but Suresh does not agree.

**State how you will settle these dispute if the partners approach you for the purpose.**

**Solution –**

- a) Mahesh's claim is not accepted
- b) Ramesh's claim is not accepted

- c) Mahesh and Ramesh's claim is not accepted; Suresh will not pay interest in the absence of agreement
- d) Profits or Losses should be distributed among the partners equally. The claim made by Mahesh and Ramesh is not accepted.

**Q3. Following differences have arisen among P, Q and R. state that who is correct in each case:**

- a) P used 50,000 belonging to the firm and earned a profit of 5,000. Q and R want the amount to be given to the firm
- b) Q used 10,000 belonging to the firm and incurred a loss of 1,000. He wants the firm to bear the loss.
- c) P and Q want to purchase goods from Star Ltd., R does not agree.
- d) Q and R want to admit W as partner, P does not agree.
- e) R had given loan of 2, 00,000 to the firm and demands interest @ 10% p.a. P and Q do not want to pay the interest.

**Solution –**

- a) If any partner uses the money of the and earned a profit. He has to pay back the used money with profit hence; P has to back 55,000 to the firm.
- b) If any partner uses the firm money and incurred a loss. He has to bear the loss and the full amount of money taken by the partner has to return back the firm. Hence Q has to pay 10,000 to the firm.
- c) Any business decision is decided by the majority. Hence P and Q want to purchase goods from Star Ltd is accepted as there are only 3 partners and majority win.
- d) W as a partner can not be admitted as for a new partner all partners must agree.
- e) In the absence of partnership Deed. Provisions of Indian Partnership Act 1932 would apply. Only 6% p.a. rate of interest on the loan of partners to the firm would be charged. Hence on the place of 10% p.a. only 6% p.a. rate of interest would be charged.

**Q4. Barun, tarun and shivam are partners in a firm and do not have a Partnership Deed. Barun introduced further capital of 5, 00,000 on 1<sup>st</sup> October, 2023. Whereas shivam took a loan of 50,000 from the firm on 1<sup>st</sup> October, 2023 .Disputes have arisen among them on the following issues:**

- a) Barun demands interest @ 10% p.a. on 5, 00,000 being his extra capital.
- b) tarun desire that his son Deep should be admitted as partner and he will give him half of his share Barun and shivam do not agree.
- c) Barun and tarun are of the view that shivam should be charges interest on loan from the firm at the lending rate of the banks, which is 12% p.a.
- d) tarun has withdrawn 50,000 from the firm for his personal use. Barun and shivam are of the view that tarun should be charged interest @ 10% p.a.

**You are required to give solution to each issue of dispute.**

**Solution –**

- a) In the case of absence of Partnership Deed. Provisions of Indian partnership Act 1932 would apply. No interest on capital would be allowed.
- b) tarun son's Deep would not be admitted. As all partners are not agree .As in the case of absence of partnership deed. Provisions of Indian Partnership Act 1932 would apply.
- c) No interest of loan to shivam from the firm is given as in the case of absence of Partnership deed. Provisions of Indian partnership Act 1932 would apply.
- d) No interest on drawing would be charged as in the case of absence of partnership deed. Provisions of Indian Partnership Act 1932 would apply.

**Q5. Harshad and Dhiman are in partnership since 1<sup>st</sup> April, 2023. No partnership agreement was made. They contributed 4, 00,000 and 1, 00,000 respectively as capitals. In addition, Harshad had given loan of 1, 00,000 to the firm on 1<sup>st</sup> October, 2023. Due to long illness, Harshad could not participate in business activities from 1<sup>st</sup> August, 2023 to 30<sup>th</sup> September, 2023. Profit for the**

year ended 31<sup>st</sup> March, 2024 was 1, 80,000. Dispute has arisen between Harshad and Dhiman.

**Harshad Claims:**

- I. He should be given interest @ 10% per annum on capital and loan
- II. Profit should be distributed in the ratio of capital.

**Dhiman Claims:**

- I. Profit should be distributed equally
- II. He should be allowed 2,000 p.m. as remuneration for the period he managed the business in the absence of Harshad
- III. Interest on Capital and loan should be allowed @ 6% p.a.

You are required to settle the dispute between Harshad and Dhiman. Also prepare Profit & Loss Appropriation Account.

**Solution –**

Dr		Profit and Loss Account		Cr	
Particulars	Amount	Particulars	Amount		
To Interest on Partners Loan (Harshad = $1,00,000 \times 6/100 \times 6/12$ )	3,000	By Net Profit A/c	1,80,000		
To Profit & Loss Appropriation A/c	1,77,000				
	<u>1,80,000</u>				1,80,000

Dr		Profit and Loss Appropriation Account		Cr	
Particulars	Amount	Particulars	Amount		
To Profit Transfer to Partners A/c Harshad = $1,77,000 \times \frac{1}{2} = 88,500$ Dhiman = $1,77,000 \times \frac{1}{2} = 88,500$	1,77,000	By Balance b/d	1,77,000		
	<u>1,77,000</u>				
	1,77,000				1,77,000

**Harshad Claims:**

- I. He should get only interest on loan @ 6% p.a. as per the law.

- II. In the absence of Partnership Deed, Profit should be distributed in equal ratio not in proportion of capital.

Dhiman Claims:

- I. His Claim is correct and profit should be distributed in equal ratio.
- II. He should not be allowed salary for managing business.
- III. Payment of interest on loan will be @ 6% p.a. as per the law and no interest on capital will be allowed.

### Interest on Loan by Partner to the Firm:

**Q6.** X and Y are partners sharing profits and losses in the ratio of 2: 3 with capitals of 2, 00,000 and 3, 00,000 respectively. On 1<sup>st</sup> October, 2023, X and Y gave loans of 80,000 and 40,000 respectively to the firm. Show distribution of profit/losses for the year ended 31<sup>st</sup> March, 2024 in each of the following alternative cases:

**Case 1:** If the profit before interest for the year amounted to 21,000

**Case 2:** If the profit before interest for the year amounted to 3,000

**Case 3:** If the profit before interest for the year amounted to 5,000

**Case 4:** If the loss before interest for the year amounted to 1,400

**Solution – Case 1:** If Profits before any interest for the year amounted to 21,000.

Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on Partners Loan A/c		By Net Profit A/c	21,000
X = $80,000 \times \frac{6}{100} \times \frac{6}{12} = 2,400$			
Y = $40,000 \times \frac{6}{100} \times \frac{6}{12} = 1,200$	3,600		
To Balance c/d	17,400		
	21,000		21,000

Dr		Profit and Loss Appropriation Account		Cr	
Particulars		Amount	Particulars		Amount
To Profit Transfer to Partners A/c			By Balance b/d		17,400
X = 17,400 x 2/5 = 6,960					
Y = 17,400 x 3/5 = 10,440		17,400			
		17,400			17,400

**Case 2:** If the profit before interest for the year amounted to 3,000

Dr		Profit and Loss Account		Cr	
Particulars		Amount	Particulars		Amount
To Interest on Partners Loan A/c			By Net Profit A/c		3,000
X = 80,000 x 6/100 x 6/12 = 2,400			By Balance c/d		600
Y = 40,000 x 6/100 x 6/12 = 1,200		3,600			
		3,600			3,600

Dr		Profit and Loss Appropriation Account		Cr	
Particulars		Amount	Particulars		Amount
To Balance b/d		600	To Loss Transfer to Partners A/c		
			X = 600 x 2/5 = 240		
			Y = 600 x 3/5 = 360		600
		600			600

**Case 3:** If the profit before interest for the year amounted to 5,000

Dr		Profit and Loss Account		Cr	
Particulars		Amount	Particulars		Amount

To Interest on Partners Loan A/c		By Net Profit A/c	5,000
$X = 80,000 \times 6/100 \times 6/12 = 2,400$			
$Y = 40,000 \times 6/100 \times 6/12 = 1,200$	3,600		
To Balance c/d	14,00		
	5,000		5,000

Dr Profit and Loss Appropriation Account		Cr	
Particulars	Amount	Particulars	Amount
To Profit Transfer to Partners A/c		By Balance b/d	1,400
$X = 1,400 \times 2/5 = 560$			
$Y = 1,400 \times 3/5 = 840$	1,400		
	1,400		1,400

**Case 4:** If the loss before interest for the year amounted to 1,400

Dr Profit and Loss Appropriation Account		Cr	
Particulars	Amount	Particulars	Amount
To Net Loss A/c	5,000	By Loss Transfer to Partners A/c	
		$X = 5,000 \times 2/5 = 2,000$	
		$Y = 5,000 \times 3/5 = 3,000$	5,000
	5,000		5,000

**Q7.** Sita and Geeta are partners in a firm sharing profits in the ratio of 3:2. They had given loan to the firm of 30,000 in their profit-sharing ratio on 1<sup>st</sup> October, 2023. The partnership Deed is silent on interest on loans from partners. Compute interest payable by the firm to the partners, assuming the firm closes its books every year on 31<sup>st</sup> March.

**Solution –** According to Partnership act, 1932 absence of partnership deed.  
Interest on partners Loan will be allowed at 6% p.a. Ratio = 3:2

Interest on Loan Payable to Sita:

$$= 30,000 \times \frac{3}{5} \times \frac{6}{100} \times \frac{6}{12} = 540$$

Interest on loan Payable to Geeta:

$$= 30,000 \times \frac{2}{5} \times \frac{6}{100} \times \frac{6}{12} = 360$$

**Q8. Bat and Ball are partners sharing the profits in the ratio of 2:3 with capitals of 1, 20,000 and 60,000 respectively. On 1<sup>st</sup> October, 2023, Bat and Ball give loans of 2, 40,000 and 1, 20,000 respectively to the firm. Bat had allowed the firm to use his property for business for a monthly rent of 5,000. Loss for the year ended 31<sup>st</sup> March, 2024 before rent and interest amounted to 9,000. Show distribution of profit/loss.**

**Solution –**

**Profit & Loss Account**

**Dr**

**for the year ended March 31, 2024**

**Cr**

Particulars	Amount	Particulars	Amount
To Net Loss b/d	9,000	By Loss-Transferred	
To Interest on Loan A/c		Bat's Capital A/c 31,920	
Bat = $2,40,000 \times \frac{6}{100} \times \frac{6}{12}$	7,200	Ball's Capital A/c 47,880	79,800
Ball = $2,40,000 \times \frac{6}{100} \times \frac{6}{12}$	3,600		
To Rent ( 5,000 x 12)	60,000		
	79,800		79,800



### Ans-Journal entry

- ### Interest on Loan to the Firm by Partner and Loan by the Firm to Partner:

**Firm earns profit of 1, 03,000 (before above adjustments) for the year ended 31<sup>st</sup> March, 2024. Show the distribution of profit for the year.**

**Solution –****Profit & Loss Account****Dr****for the year ended March 31, 2024****Cr**

Particulars	Amount	Particulars	Amount
To Interest on Loan A/c Akhil = $1,00,000 \times 6/100 \times 6/12$	3,000	By Net Profit	1,03,000
To Rent ( Akhil) 5,000 x 12	60,000		
To Balance c/d	40,000		
	1,03,000		1,03,000

**Dr****Profit and Loss Appropriation Account****Cr**

Particulars	Amount	Particulars	Amount
To Profit Transfer to Partners A/c Akhil = $40,000 \times 3/5 = 24,000$ Bimal = $40,000 \times 2/5 = 16,000$	40,000	By Balance b/d	40,000
	40,000		40,000

**Q11.** Nirmal and Pawan are partners sharing profits in the ratio of 3:2 the firm had given loan to Pawan of 5, 00,000 on 1<sup>st</sup> April, 2023. Interest was to be charged @ 10% p.a. the firm took loan of 2, 00,000 from Nirmal on 1<sup>st</sup> October, 2023. Before giving effect to the above, the firm incurred a loss of 10,000 for the year ended 31<sup>st</sup> March, 2024. Determine the amount to be transferred to Profit & Loss Appropriation Account.

**Solution –****Profit & Loss Account****Dr****for the year ended March 31, 2024****Cr**

Particulars	Amount	Particulars	Amount
To Net Loss b/d	10,000	By Interest on Loan to pawan	50,000
To Interest on Loan A/c			
Nirmal = $2,00,000 \times 6/100 \times 6/12$	6,000	$5,00,000 \times 10/100$	
To Balance c/d	34,000		
	50,000		50,000

**Q12.** Ankit, Bhanu and Charu are partners in a firm sharing profits and losses equally with capital of 2, 50,000 each. On 1<sup>st</sup> October, 2023, Ankit and Bhanu gave loans of 2, 50,000 each to the firm whereas Charu took a loan of 1, 00,000 from the firm on the same date. It was agreed among the partners that Charu will be charged interest @ 6% p.a. Interest on loan from partners was paid on 10<sup>th</sup> April, 2024. The firm closes its books on 31<sup>st</sup> March each year. Pass the Journal entries in the books of the firm for the year ended 31<sup>st</sup> March, 2024.

**Solution –****Journal Entries**

Date	Particulars	L/F	Dr	Cr
31 Mar	Interest on Loan A/c .....Dr		15,000	
	To Akhil Loan			7,500
	To Bhanu Loan			7,500
	(Being Interest on Loan provided 6% p.a. on 2,50,000 for 6 month)			

Charu's Capital A/c	....Dr	3,000	
To Interest on Loan A/c			3,000
(Being Interest on Loan allowed to Charu 6% p.a. 1,00,000 for 6 month)			
		18,000	18,000

**13. Atul, Jetha and Tarak are partners sharing profits equally. Jetha was given loan by the firm on 1st July, 2023 of 6,00,000. Books are closed on 31st March. Pass the Journal entries if**

**(a) Rate of interest is not agreed; and**

**(b) Rate of interest to be charged is agreed @ 10% p.a?**

**Ans.: (a) Interest will not be charged. Hence, no Journal entry will be passed;  
(b) Interest on Loan to Jetha (up to 31st March, 2024) - ₹ 45,000. ( 9 month)**

**Q14 Parul, Paresh and Rahul are partners in a firm. Firm gave loan to Rahul on 1st February, 2024 of 6,00,000. Interest was agreed to be charged @ 6% p.a. Rahul paid interest by cheque up to February, 2024 on 5th March, 2024 and balance was paid by him on 5th April, 2024.**

**Pass the Journal entries for interest on loan to partner.**

**Ans- journal entry**

- 5 march Rahul capital a/c dr. 3000  
To interest on loan 3000

• 5 april	Rahul capital a/c dr.	3000
	To interest on loan	3000
	$600,000 \times 6\% \times 2/12 = 6000/2$	

**Q15. Vinod and Mohan are partners. Vinod's capital is 1, 00,000 and Mohan's capital is 60,000. Interest on capital is payable @ 6% p.a. Vinod is to get salary of 3,000 per month. Net Profit for the year is 80,000. Prepare Profit & Loss Appropriation Account.**

Dr		Profit and Loss Appropriation Account		Cr	
Particulars		Amount	Particulars	Amount	
To Interest on capital A/c			By Net Profit	80,000	
Vinod Capital A/c					
1,00,000 x 6/100 =      6,000					
Mohan Capital A/c					
60,000 x 6/100 = <u>3,600</u>		9,600			
To Salary to Vinod (3,000 x 12)		36,000			
To Profit Transferred to					
Vinod Capital A/c      17,200					
Mohan Capital A/c <u>17,200</u>		34,400			
		80,000			
				80,000	