

Q-46

A, B and C are partners. During the year ended 31st March, 2024, each of the partners withdrew 10,000 regularly. A withdrew in the beginning of the first 6 months of the year, B withdrew in the middle of the month for the first 6 months of the year and C withdrew at the end of the month for the first 6 months. calculate interest on drawings @ 6% p.a. for the year ended 31st March, 2024.

Total drawing of each partner = $10,000 \times 6 = 60,000$

1. A's interest on drawing

$$60,000 \times 6 \times 9.5 / 100 \times 12 = 2,850$$

$$\text{Average month } 12 + 7/2 = 9.5$$

2. B's interest on drawing

$$60,000 \times 6 \times 9 / 100 \times 12 = 2,700$$

$$\text{Average month} = 11.5 + 6.5 / 2 = 9$$

3. C's interest on drawing

$$60,000 \times 6 \times 8.5 / 100 \times 12 = 2,550$$

$$\text{Average month} = 11 + 6/2 = 8.5$$

Q47. Calculate the amount of Manan's monthly drawings for the year ended 31st March, 2024, in the following alternative cases when Partnership Deed allows interest on drawings @ 10% p.a.:

- I. If interest on drawings is 1,950 and he withdrew a fixed amount in the beginning of each month.
- II. If interest on drawings is 2,400 and he withdrew a fixed amount in the middle of each month.
- III. If interest on drawings is 2,750 and he withdrew a fixed amount at the end of each month.

Solution – Case 1:

$$\text{Average Month} = 12 + 1 / 2 = 12/2 = 6.5 \text{ months}$$

$$\text{Interest on Drawing} = \text{Monthly Drawings} \times 12 \times 10/100 \times 6.5/12$$

$$\begin{aligned} \text{Monthly Drawing} &= \frac{1,950 \times 100 \times 12 \times 10}{12 \times 10 \times 6.5} \\ &= \frac{1,950 \times 10 \times 10}{6.5} \\ &= 3,000 \end{aligned}$$

Case 2:

$$\text{Average Month} = 11.5 + .5 / 2 = 6 \text{ month}$$

$$\text{Interest on Drawing} = \text{Monthly Drawings} \times 12 \times 10/100 \times 6/12$$

$$\begin{aligned} \text{Monthly Drawing} &= \frac{2,400 \times 100 \times 12}{12 \times 10 \times 6} \\ &= 4,000 \end{aligned}$$

Case 3:

$$\text{Average Month} = 11 + 0 / 2 = 5.5 \text{ month}$$

$$\text{Interest on Drawing} = \text{Monthly Drawings} \times 12 \times 10/100 \times 5.5/12$$

$$\begin{aligned} \text{Monthly Drawing} &= \frac{2,750 \times 100 \times 12 \times 10}{12 \times 10 \times 5.5} \\ &= 5,000 \end{aligned}$$

Q-48

Calculate the amount of Shiv's quarterly drawings for the year ended 31st March, 2024, in the following alternative cases when Partnership Deed allows interest on drawings @ 12% p.a.:

- I. If interest on drawings is 1,500 and he withdrew a fixed amount in the beginning of each month.
- II. If interest on drawings is 1,200 and he withdrew a fixed amount in the middle of each month.
- III. If interest on drawings is 900 and he withdrew a fixed amount at the end of each month.

Solution – Case 1:

$$\text{Average Month} = 12 + 3/2 = 15/2 = 7.5 \text{ months}$$

$$\text{Interest on Drawing} = \text{Quarterly Drawings} \times 4 \times 12/100 \times 7.5/12$$

$$\begin{aligned} \text{Quarterly Drawing} &= \frac{1,500 \times 100 \times 12 \times 10}{4 \times 12 \times 7.5} \\ &= 5,000 \end{aligned}$$

Case 2:

$$\text{Average Month} = 10.5 + 1.5 / 2 = 12/2 = 6 \text{ month}$$

$$\text{Interest on Drawing} = \text{Quarterly Drawings} \times 4 \times 12/100 \times 6/12$$

$$\begin{aligned} \text{Quarterly Drawing} &= \frac{1,200 \times 100 \times 12}{4 \times 12 \times 6} \\ &= 5,000 \end{aligned}$$

Case 3:

$$\text{Average Month} = 9 + 0 / 2 = 4.5 \text{ month}$$

$$\text{Interest on Drawing} = \text{Quarterly Drawings} \times 4 \times 12/100 \times 4.5/12$$

$$\begin{aligned} \text{Quarterly Drawing} &= \frac{900 \times 100 \times 12 \times 10}{4 \times 12 \times 4.5} \\ &= 5,000 \end{aligned}$$

Q-49 Piyush, Harmesh and Atul are partners. Each partner regularly withdrew ₹ 20,000 per month as given below:

- (a) Piyush withdrew in the beginning of the month;
- (b) Harmesh withdrew in the middle of the month; and (
- c) Atul withdrew at the end of the month.

Interest on drawings charged for the year ended 31st March, 2024 was ₹ 15,600, ₹ 14,400 and ₹ 13,200 respectively.

Determine the rate of interest charged on drawings.

Ans-

(a)

$$\frac{\text{Interest on drawing}}{100} = \frac{\text{Drawings} \times \text{Rate of interest} \times 6.5}{12}$$

$$15600 = \frac{(20,000 \times 12)}{100} \times \text{Rate of interest} \times 6.5 / 12$$

$$\text{Rate of interest} = \frac{15600 \times 100 \times 12}{(20,000 \times 12) \times 6.5}$$

$$= 12\%$$

(b)

$$\frac{\text{Interest on drawing}}{100} = \frac{\text{Drawings} \times \text{Rate of interest} \times 6}{12}$$

$$14400 = \frac{(20,000 \times 12)}{100} \times \text{Rate of interest} \times 6 / 12$$

$$\text{Rate of interest} = \frac{14400 \times 100 \times 12}{(20,000 \times 12) \times 6}$$

$$= 12\%$$

(c)

$$\text{Interest on drawings} = \frac{\text{Drawings} \times \text{Rate of interest} \times 5.5}{100 \times 12}$$

$$13200 = \frac{(20,000 \times 12)}{100} \times \text{Rate of interest} \times \frac{5.5}{12}$$

$$\text{Rate of interest} = \frac{13200 \times 100 \times 12}{(20,000 \times 12) \times 5.5} = 12\%$$

Q-50

Calculate the Rate of interest on Drawings of Mohan in the following cases:

(a) If he withdrew ₹6,000 in the beginning of each quarter for the year ended 31st March, 2024 and interest on drawings is ₹1,500.

(b) If he withdrew ₹6,000 at the end of each quarter for the year drawings is ₹900. ended 31st March, 2024 and interest on

(c) If he withdrew ₹6,000 per quarter for the year ended 31st March, 2024 and interest on drawings is ₹1,200.

(a) $\text{Interest on Drawing} = \frac{\text{Drawings} \times \text{Rate of interest} \times 7.5}{100}$

100

12

$$1500 = 6000 \times \frac{4}{100} \times \text{Rate of interest} \times \frac{7.5}{12}$$

$$\text{Rate of interest} = \frac{1500 \times 100 \times 12}{(6000 \times 4) \times 7.5}$$

$$= 10\%$$

(b) $\text{interest on Drawing} = \frac{\text{Drawings} \times \text{Rate of interest} \times 4.5}{100 \times 12}$

$$900 = 6000 \times \frac{4}{100} \times \text{Rate of interest} \times \frac{4.5}{12}$$

$$\text{Rate of interest} = \frac{900 \times 100 \times 12}{(6000 \times 4) \times 4.5}$$

$$= 10\%$$

(c) $\text{interest on Drawing} = \frac{\text{Drawings} \times \text{Rate of interest} \times 6}{100 \times 12}$

$$1200 = 6000 \times \frac{4}{100} \times \text{Rate of interest} \times \frac{6}{12}$$

$$\text{Rate of interest} = \frac{1200 \times 100 \times 12}{(6000 \times 4) \times 6}$$

$$= 10\%$$

Profit & Loss Appropriation Account and Partners Capital Account:-

Q51. Amit and Vijay started a partnership business on 1st April, 2023. Their capital contributions were 2, 00,000 and 1, 50,000 respectively. The partnership deed provided as follow:

- a) Interest on capital is allowed @ 10% p.a.
- b) Amit to get a salary of 2,000 per month and Vijay 3,000 per month.
- c) Profits are to be shared in the ratio of 3:2

Net Profit for the year ended 31st March, 2024 was 2, 16,000. Interest on drawings amounted to 2,200 for Amit and 2,500 for Vijay.

Prepare Profit & Loss Appropriation Account.

Solution - Profit & Loss Appropriation Account
Dr for the year ended March 31, 2024

Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on capital A/c		By Net Profit	2,16,000
Amit (2,00,000 x 10%) 20,000		By Interest on drawings	
Vijay (1,50,000 x 10%) 15,000	35,000	Amit 2,200	
To Partner's Salary		Vijay 2,500	4,700
Amit (2,000 x 12) 24,000			
Vijay (3,000 x 12) 36,000	60,000		
To Profit Transferred to	1,25,700		

Amit Capital A/c			
1,25,700 x 3/5 = 75,420			
Vijay Capital A/c			
1,25,700 x 2/5 = 50,280			
	2,20,700		2,20,700

Q52. A & B are partners sharing profits and losses in the ratio of 3:1. On 1st April, 2023, their capitals were: A 500,000 and B 300,000. During the year ended 31st March, 2024, the firm earned a net profit of 500,000. The term of Partnership is:

- Interest on capital is to be allowed @ 6% p.a.
- A will get a commission @ 2% on turnover
- B will get a salary of 500 per month.
- B will get commission of 5% on profits after deduction of all expenses including such commission

Partner's drawings for the year were: A 80,000 and B 60,000. Turnover for the year was 3, 00,000. After considering the above facts, you are required to prepare Profit & Loss Appropriation Account and Partners Capital Account.

Solution -

Dr		Profit & Loss Appropriation Account		Cr			
Particulars		Amount		Particulars		Amount	
To Interest on capital A/c				By Net Profit		500,000	

A (500,000 x 6%)	30,000			
B (300,000 x 6%)	1,8000	4,8000		
To A's Commission A/c				
(30,00,000 x 2/100)		60,000		
To B's Salary (5000 x 12)		60,000		
To B's Commission				
(33,2000 x 5/105)		1,5810		
To Profit Transferred to Partners capitals A/c (3:1)		31,6190		
A 31,619 x 3/4 = 23,7142				
B 31,619 x 1/4 = 7,9047				
		500,000		500,000

Partner's Capital Account

Particulars	A	B	Particulars	A	B
To Drawings	80,000	60,000	By Balance b/d	500,000	300,000
A/c	74,7142	41,2857	By Interest on capital	3,0000	1,8000
To Balance c/d			By Commission	60,000	1,5810
			By Salary A/c (B's)		60,000
			By P/L App A/c	23,7142	7,9047
	82,714	47,286		82,714	47,286

Working Note 1:

B's Commission
= 500,000 – (4,8000+ 60,000 + 60,000)

= 33,2000

Q53. A, B and C were partners in a firm having capitals of 50,000, 50,000 and 1, 00,000 respectively. Their Current Account balance were A: 10,000 B: 5,000 and c: 2,000 (Dr). According to the Partnership Deed the partners were entitled to an interest on capital @ 10% p.a. C being the working partners was also entitled to a salary of 12,000 p.a. the profits were to be divided as:

- a) The first 20,000 in proportion to their capitals
- b) Next 30,000 in the ratio of 5:3:2
- c) Remaining profits to be shared equally

The firm earned net-profit of 1, 72,000 before charging any of the above items. Prepare Profit & Loss Appropriation Account and Pass necessary Journal entry for the appropriation of Profits.

Solution –

Dr		Profit & Loss Appropriation Account		Cr	
Particulars		Amount	Particulars	Amount	
To Interest on capital A/c			By Profit & Loss A/c	1,72,000	
A (50,000 x 10%)	3,000		(Net Profit)		
B (30,000 x 10%)	1,800				
C (1,00,000 x 10%)	10,000	20,000			
<hr/>					
To C's Salary		12,000			
To Profit Transferred to Partners capitals A/c		1,40,000			

A	50,000			
B	44,000			
C	46,000			
		1,72,000		1,72,000

Profit Distribution

Profit	A	B	C
1. First 20,000 Distribution in (1:1:2)	5,000	5,000	10,000
2. Next 30,000 is the ratio (5:3:2)	15,000	9,000	6,000
3. Remaining Profit to be shared equally (1,40,000 – 50,000 = 90,000)			
	30,000	30,000	30,000
	50,000	44,000	46,000

Journal Entries

Date	Particulars	Dr	Cr
	Interest on Capital A/cDr To A's Current A/c To B's Current A/c To C's Current A/c (Being interest on capital provided)	20,000	5,000 5,000 10,000
	Salary A/cDr To C's Current A/c	12,000	12,000

	(Being Salary Provided to Partner C)		
	Profit & Loss Appropriation A/cDr	1,40,000	
	To A's Current A/c		50,000
	To B's Current A/c		44,000
	To C's Current A/c		46,000
	(Being profit available for distribution transferred to Partners current a/c)		

Q54. Amit, Binita and Charu are three partners. On 1st April, 2023, their capitals stood as: Amit 1, 00,000, Binita 2, 00,000 and Charu 3, 00,000. It was decided that:

- a) They would receive interest on Capitals @ 5% p.a.
- b) Amit would get a salary of 10,000 per month
- c) Binita would received commission @ 5% of net profit after deduction of Commission
- d) 10% of the net profit would be transferred to the General Reserve.

Before the above items were taken into account, profit for the year ended 31st March, 2024 was 5, 00,000. Prepare Profit & Loss Appropriation Account and the Capital Accounts of the Partners.

Solution -

Dr				Profit & Loss Appropriation Account		Cr			
Particulars				Amount		Particulars		Amount	
To Interest on capital A/c						By Net Profit		5,00,000	
Amit's Capital A/c									
(1,00,000 x 5%) 5,000									
Binita Capital A/c									
(2,00,000 x 5%) 10,000									
Charu Capitals A/c									
(3,00,000 x 5%) <u>15,000</u>				30,000					
To Amit's Salary (10,000 x 12)				1,20,000					
To Commission to Binita									
(5,00,000 x 5/105)				23,810					
To General Reserve									
(5, 00,000 x 10%)				50,000					
To Profit Transferred to Partners A/c									
Amit 92,063									
Binita 92,063									
Charu <u>92,064</u>									
				5,00,000				<u>5,00,000</u>	

Partner's Capital Account

Particulars	Amit	Binita	Charu	Particulars	Amit	Binita	Charu
To Balance c/d	3,17,063	3,25,873	4,07,064	By Balance b/d	1,00,000	2,00,000	3,00,000
				By Int on capital	5,000	10,000	15,000
				By Salary A/c	1,20,000		
				By Commission		23,810	
				By P/L App A/c	92,063	92,063	92,064
	3,17,063	3,25,873	4,07,064		3,17,063	3,25,873	4,07,064

Q55. Yadu, Vidu and Radhu were partners in a firm sharing profits in the ratio of 4:3:3. Their fixed capitals on 1st April, 2018 were 9, 00,000, 5, 00,000 and 4, 00,000 respectively. On 1st November, 2018, Yadu gave a loan of 80,000 to the firm, as per the partnership agreement.

- I. The partners were entitled to an interest on capital @ 6% p.a.
- II. Interest on partner's drawings was to be charged @ 8% p.a.

The firm earned profit of 2, 53,000 (after interests on Yadu's Loan) during the year 2018-19. Partner's drawings for the year amounted to: Yadu – 80,000, Vidu – 70,000 and Radhu – 50,000 Prepare Profit & Loss Appropriation Account for the year ending 31st March, 2019.

Solution -

Profit & Loss Appropriation Account			
Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on capital A/c		By P/L A/c (Net Profit)	2,53,000

Yadu Capital A/c		By Drawings A/c	
(9,00,000 x 6%) 54,000		Yadu Capital A/c	
Vidu Capital A/c		(80,000 x $\frac{8}{100}$ x 6) 3,200	
(5,00,000 x 6%) 30,000		100 12	
Radhu Capitals A/c		Vidu Capital A/c	
(4,00,000 x 6%) 24,000	1,08,000	(70,000 x $\frac{8}{100}$ x 6) 2,800	
To Profit Transferred to Partners Capital A/c (4:3:3)	1,53,000	100 12	
Yadu 61,200		Radhu Capital A/c	
Vidu 45,900		(50,000 x $\frac{8}{100}$ x 6) 2,000	8,000
Radhu 45,900		100 12	
	2,61,000		2,61,000

Transfer of Profit to Reserve:-

Q56. Sajal and Kajal are partners sharing profit and losses in the ratio of 2:1 on 1st April, 2021, their Capitals were: Sajal – 5, 00,000 and Kajal – 4, 00,000. Prepare Profit & Loss Appropriation Account and the Partners Capital Accounts at the end of the year from the following information:

- I. Interest on Capital is to be allowed @ 5% P.a.
 - II. Interest on the loan advanced by Kajal for the whole year, the amount of loan being 3,00,000
 - III. Interest on Partners drawings @ 6% p.a. Drawings: Sajal 1, 00,000 and Kajal 80,000.
 - IV. 10% of the divisible profit is to be transferred to General Reserve.
- Profit before giving effect to the above, for the year ended 31st March, 2024 is 7, 02,600.

Solution –

Profit and loss a/c
For the year ended 31 march 2024

Interest on partners loan 6%(300,000*6%)	18000	Profit	702600
Profit transfer to p/l appreciation a/c	684600		
	702600		702600

Dr		Profit & Loss Appropriation Account		Cr	
Particulars		Amount	Particulars		Amount
To Interest on capital A/c			By Net Profit		6,84,600
Sajal Capital A/c			By Interest on Drawings A/c		
(5,00,000 x 5%)	25,000		Sajal	3,000	
Kajal Capital A/c			Kajal	2,400	5,400
(4,00,000 x 5%)	20,000	45,000			
To General Reserve		64,500			
To Profit Transferred to Partners Capital A/c (2:1)		5,80,500			
Sajal	3,87,000				
Kajal	1,93,500				
					6,90,000
		6,90,000			

Partner's Capital Account

Particulars	Sajal	Kajal	Particulars	Sajal	Kajal
To Drawings A/c	1,00,000	80,000	By Balance b/d	5,00,000	4,00,000
To Interest on Drawings			By Interest on capital	25,000	20,000
	3,000	24,000	By P/L App A/c	3,87,000	1,93,500
To Balance c/d	8,09,000	5,31,700			
	9,12,000	6,13,500		9,12,000	6,13,500

Working Note 1:

- I. Net Profit – 7,02,600 – 18,000 = 6,84,600
- II. Interest on Drawings :
 Sajal – 1, 00,000 x 6/100 x 6/12 = 3,000
 Kajal – 80,000 x 6/100 x 6/12 = 2,400
- III. Calculation of General Reserve
 = (6, 84,600 + 5,400) – 45,000
 = 6, 45,000 x 10%
 = 64,500

Q57. Ali & Bahadur are partners in a firm sharing profits and losses as Ali 70% and Bahadur 30%. Their respective capitals as at 1st April, 2023 stand as Ali 25,000 and Bahadur 20,000. The partners are allowed interest on capitals @ 5% p.a. Drawings of the partners during the year ended 31st March, 2024 were 3,500 and 2,500 respectively.

Profit for the year, before allowing interest on capital and annual salary of Bahadur @ 3,000 was 40,000 10% of divisible profit is to be transferred to Reserve. Prepare Partner's Current Accounts and Capital Accounts recording the above transaction.

Solution –

Profit & Loss Appropriation Account			
Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on capital A/c		By P/L A/c (Net Profit)	40,000
Ali Capital A/c			
(25,000 x 5%) 1,250			
Bahadur Capital A/c			
(20,000 x 5%) <u>1,000</u>	2,250		
To Bahadur's Salary	3,000		
To Reserve			
(40,000 – (3,000 + 2,250) = 34,750 x 10%	3,475		
To Profit Transferred to Partners Capital A/c (7:3)	31,275		
Ali 21,892			
Bahadur <u>9,383</u>			
	40,000		40,000

Partner's Capital Account

Particulars	Ali	Bahadur	Particulars	Ali	Bahadur
To Balance c/d	25,000	20,000	By Balance b/d	25,000	20,000
	<u>25,000</u>	<u>20,000</u>		<u>25,000</u>	<u>20,000</u>

Partner's Current Account

Particulars	Ali	Bahadur	Particulars	Ali	Bahadur
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To Drawing A/c	3,500	2,500	By Interest on Cap	1,250	1,000
To Balance c/d	19,642	10,883	By Salary A/c		3,000
			By P/L App. A/c	21,892	9,383
	23,142	13,383		23,142	13,383

Q58. Kabir, Zoravar and Parul are partners sharing profits in the ratio of 5:3:2. Their capitals as on 1st April, 2023 were: Kabir- 5, 20,000, Zoravar- 3, 20,000 and Parul – 2, 00,000.

The partnership Deed provided as follows:

- I. Kabir and Zoravar each will get salary of 24,000 p.a
- II. Parul will get commission of 2% of Sales.
- III. Interest on capital is to be allowed @ 5% p.a.
- IV. Interest on Drawings is to be charged @ 5% p.a.
- V. 10% of Divisible Profit is to be transferred to General Reserve.

Sales for the year ended 31st March, 2022 were 50, 00,000. Drawings by each of the partners during the year were 60,000. Net profit for the year was 1, 55,500. Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024.

Solution –

Profit & Loss Appropriation Account			
Dr			Cr
Particulars	Amount	Particulars	Amount
To Profit Transferred to Partners Capital A/c (7:3)	1,60,000	By P/L A/c (Net Loss)	1,55,500
Kabir		By interest on Drawings	4,500
(1,60,000 x 5/20) = 40,000		Kabir	
Zoravar		(60,000 x 5/100 x 6/12)	
(1,60,000 x 4/20) = 32,000			1,500
Parul		Zoravar	1,500
(1,60,000 x 11/20) = 88,000		Parul	1,500

	1,60,000		1,60,000

Working Note 1:

Appropriation	Kabir	Zoravar	Parul
Interest on Capital 5% p.a. to Partners	(5, 20,000 x 5%) 26,000	(3, 20,000 x 5%) 16,000	(2, 00,000 X 5%) 10,000
Partners Salary	24,000	24,000	(50, 00,000 X 2%) 1,00,000
Parul Commission			
Share of appropriation	50,000	40,000	1,10,000

Ratio of Appropriation = 50,000: 40,000: 1, 10,000
= 5:4:11

Q59. X & Y entered into partnership on 1st April, 2018. Their capitals as on 1st, 2021 were 2, 00,000 and 1, 50,000 respectively. On 1st October, 2023, x gave 50,000 as loan to the firm. As per the provisions of the partnership Deed:

- I. 20% of Profits before charging interest on drawings but after making appropriations was to be transferred to General Reserve.
- II. Interest on capital is to be allowed @ 12% p.a. and Interest on Drawings is to be charged @ 10% p.a.
- III. X to get monthly salary of 5,000 and Y to get salary of 22,500 per quarter.
- IV. X is entitled to a commission of 5% on Sales. Sales for the year were 3, 50,000.
- V. Profit to be shared in the ratio of their capitals up to 1, 75,000 and balance equally.

Profit for the year ended 31st March, 2024, before allowing or charging interest was 4, 61,000. The drawings of X and Y were 1, 00,000 and 1, 25,000 respectively. Pass the necessary Journal entries relating to appropriation of profit. Prepare Profit & Loss Appropriation Account and the Partners Capital Accounts

Solution –

Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on capital A/c		By P/L A/c	
X Capital A/c		(4,61,000 – 1,500)	4,59,500
(2,00,000 x 12%) 24,000		By Interest on Drawings	11,250
Y Capital A/c		X – 1,00,000 x 10/100 x 6/12	
(1,50,000 x 12%) 18,000	42,000	= 5,000	
To Capital A/c(Commission)		Y – 1,25,000 x 10/100 x 6/12	
3,50,000 x 5%	17,500	= 6,250	
To Salary A/c			
X – 5,000 x 12 = 60,000			
Y – 22,500 x 4 = 90,000	1,50,000		
To General Reserve			
(4,59,500 – (42,000 + 17,500			
+ 150,000) = 2,09,500			
4,59,500 – 2,09,500			
2,50,000 x 10%			
To Profit Transferred to			
Partners Capital A/c (4:3)	50,000		

X	1,18,125	2,11,250		
Y	93,125			
		4,70,750		4,70,750

Partner's Capital Account

Particulars	X	Y	Particulars	X	Y
To Drawing A/c	1,00,000	1,25,000	By Balance b/d	2,00,000	1,50,000
To Interest on Drawings	5,000	6,250	By Interest on Capital	24,000	18,000
To Balance c/d	3,14,625	2,19,875	By Salary	60,000	90,000
			By Commission	1,75,00	
			By P/L App A/c	1,18,125	93,125
	4,19,625	3,51,125		4,19,625	3,51,125

Working Note 1:

Division of Profit (4:3)

Partners	Up to 1,75,000	(1,75,000 – 2,11,250)	Total
	(1,75,000 x 4:3)	= 36,250	
X	1,00,000	18,125	1,18,125
Y	75,000	18,125	93,125

<u>1</u>	<p>Interest on loan Alc Dr.</p> <p> TO loan a/c</p> <p>(Loan allowed on x loan)</p> <p>Profit and loss Alc</p> <p> To Interest on x Loan Alc</p> <p>(xs Loan transterred to P/L Alc)</p>		
<u>2</u>	<p>Profits and loss a/c Dr.(461000-1500)</p> <p> To Protit s Loss App Alc</p> <p>(Net Profit transferd to P/L App Alc)</p>		
<u>3</u>	<p>X Capital Alc Dr.</p> <p>Y capital a/c Dr.</p> <p> To Interest on Drawings Ac</p> <p>(Interest on Drawings Charged)</p>		
<u>4</u>	<p>Intersest on drawing a/c Dr.</p> <p> To profit and loss</p> <p> appropriation a/c</p> <p>(interest on drawing transfer to p/l appropriation a/c)</p>		

<u>5</u>	<p>Interest on Capital Alc</p> <p>To X Capital Alc</p> <p>To y Capital Alc</p> <p>(Interest on Capital Provided on capital)</p>		
<u>6.</u>	<p>Profit & Loss Appr. A/c Dr.</p> <p>To Interest on capital Alc</p> <p>(Interest on Capital transferred to P/L App Alc)</p>		
<u>7</u>	<p>Partner's Salary A/c</p> <p>To X Capital A/c</p> <p>To y Capital A/c</p> <p>(Partner's Salary allowed.)</p>		
<u>8</u>	<p>Profit & Loss Appropriation Alc</p> <p>To Partner's Salary Alc</p> <p>(Partner Salary transferred to P/L app. a/c)</p>		
<u>9</u>	<p>Partner Commission Alc</p> <p>To xs Capital Alc</p>		

	(Partner' Commission allowd)		
<u>10</u>	Profit & loss Appropriation A/c To Partner's Commission Alc (Partners Commission transfer to P/C App. Alc)		
<u>11</u>	Profit and loss app. a/c Dr. To General Reserve Ale (Profit transferred to General Reserve)		

Adjusting and transfer entries

Q-60

Aditi, Bobby and Krish were partners in a firm sharing profits and losses in the ratio of 5: 3:2. Their capitals were 5,00,000, 4,00,000 and * 2,00,000 respectively. The partnership deed provided for the following:

- a) Interest on capital @ 10% per annum.**
- b) Interest on drawings @ 6% per annum.**
- c) Interest on partner's loan to the firm @ 9% per annum.**
During the year, Aditi had withdrawn 60,000 and Bobby 50,000. On 1st September, 2021, Krish had given a loan of 40,000 to the firm.

Pass necessary journal entries in the books of the firm for the following transactions for the year ended 31st March, 2022:

- i. Allowing interest on Bobby's capital.
- ii. Charging interest on Aditi's drawings.
- iii. Providing interest on Krish's loan to the firm.

Also pass transfer entries in the Profit and Loss Account/Profit and Loss Appropriation Account, as the case may be

Solution

1. Allowing interest on bobby's capital

Interest on capital a/c Dr.	40,000
To bobby's capital a/c	40,000

Transfer entry

P/L appropriation a/c Dr.	40,000
Interest on capital a/c	40,000

2. Charging interest on aditi's drawing

Aditi capital a/c Dr.	1800
To interest on drawing a/c	1800

Transfer entry

interest on drawing a/c Dr.	1800
P/L appropriation a/c	1800

3. Providing interest on Krish's loan to the firm.

Interest on krish loan a/c Dr.	2100
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To krish loan a/c	2100
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Transfer entry

P/L a/c Dr.	2100
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To Interest on krish loan a/c	210
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