

Q31. Amit and Bramit started business on 1st April, 2023 with capitals of 15, 00,000 and 9, 00,000 respectively. On 1st October, 2023, they decided that their capitals should be 12, 00,000 each. The necessary adjustments in capitals were made by introducing or withdrawing by cheque. Interest on capital is allowed @ 8% p.a. Compute interest on capital for the year ended 31st March, 2024.

Solution – Calculation of Interest on Amit's Capital

Date	Capital	Period	Product
1 April 2023 to 30 Sep 2023	1,500,000	X 6 =	90,00,000
1 Oct 2023 to 31 March 2024	1,200,000	X 6 =	72,00,000
			1,62,00,000

Interest on Capital:

Total of Product x Rate of Interest x 1/12

100

= 162, 00,000 x 8/100 x 1/12 = 1, 08,000

Calculation of Interest on Bramit's Capital

Date	Capital	Period	Product
1 April 2020 to 30 Sep 2020	9,00,000	X 6 =	54,00,000
1 Oct 2020 to 31 March 2021	12,00,000	X 6 =	72,00,000
			1,26,00,000

Interest on Capital:

Total of Product x Rate of Interest x 1/12

100

= 1, 26, 00,000 x 8/100 x 1/12 = 84,000

Q32. Moli and Bholi contribute 20,000 and 10,000 respectively towards capital. They decide to allow interest on capital @ 6% p.a. Their respective share of profits is 2:3 and profit for the year is 1,500. Show distribution of profits:

- I. When there is no agreement except for interest on capitals**
- II. When there is an agreement that the interest on capital is a charge.**

Solution – Calculation of Interest on capital:

Interest on Moli's Capital = $20,000 \times 6\% = 1,200$

Interest on Bholi's Capital = $10,000 \times 6\% = 600$

Total amount of Interest on capital = $1,200 + 600 = 1,800$

Case 1: Profit year ended = 1,500

Total Interest = 1,800

Interest on capital is more than profit. Hence profit would be distributed as interest on capital among partners in their Interest on Capital

Ratio- $1,200:600 = 2:1$

Moli's Interest on capital = $1,500 \times \frac{2}{3} = 1,000$

Bholi's Interest on Capital = $1,500 \times \frac{1}{3} = 500$

Case 2:

Hence profit 1,500 and Interest on capital 1,800. It means firm loss for 300. Then they distribute loss into ratio 2:3

Loss of Moli – $300 \times \frac{2}{5} = 120$

Loss of Bholi – $300 \times \frac{3}{5} = 180$

Salary or Commission to Partners:-

Q33. Shiv, Mohan and Gopal are partners sharing profits and losses in the ratio of 2:2:1 Shiv is entitled to a commission of 10% on the net profit. Net profit for the year is 1, 10,000.

Determine the amount of commission payable to Shiv.

Solution –

Net profit before charging Commission = 1, 10,000

Commission to Shiv 10%

$$= 1, 10,000 \times \frac{10}{100} = 11,000$$

Q34. Abha, Bobby and Vineet are partners sharing profits and losses equally. As per Partnership Deed, Vineet is entitled to a commission of 10% on the net profit after charging such commission. The net profit before charging commission is 2, 20,000.

Solution –

Net profit before charging commission = 2, 20,000

$$\begin{aligned} \text{After charging commission} &= 2, 20,000 \times \frac{10}{100 + 10} \\ &= 20,000 \end{aligned}$$

Q35. A, B, C and D are partners in a firm sharing profits in the ratio of 4:3:2:1. It earned net profit of 1, 80,000 for the year ended 31st March, 2024. As per the Partnership Deed, they are to charge a commission @ 20% of the profit after charging such commission which they will share as 2:3:2:3.

You are required to show appropriation of profit among the partners.

Solution –

Dr		Profit and Loss Appropriation Account		Cr	
Particulars		Amount	Particulars	Amount	
To Partners Commission			By Net Profit	1,80,000	
A's Capital	6,000				
B's Capital	9,000				
C's Capital	6,000				
D's Capital	9,000	30,000			
To Profit Transferred to		1,50,000			
A's Capital	60,000				
B's Capital	45,000				
C's Capital	30,000				
D's Capital	15,000				
		1,80,000		1,80,000	

Working Note 1:

After Charging Commission

$$= 1,80,000 \times 20/120 = 30,000$$

Commission Distributed in Partners:

$$A - 30,000 \times 2/10 = 6,000$$

$$B - 30,000 \times 3/10 = 9,000$$

$$C - 30,000 \times 2/10 = 6,000$$

$$D = 30,000 \times 3/10 = 9,000$$

Q36. X and Y are partners in a firm. X is entitled to a salary of 10,000 per month and commission of 10% of the net profit after partner's salaries but before charging commission. Y is entitled to a salary of 25,000 p.a. and commission of 10% of the net profit after charging all commission and partners' salaries. Net profit before providing for partners salaries and commission for the year ended 31st March, 2024 was 4,20,000. Show distribution of profit.

Solution -

Dr		Profit and Loss Appropriation Account		Cr	
Particulars	Amount	Particulars	Amount		
To X's Salary (10,000 x 12) =	1,20,000	By Net Profit	4,20,000		
To Y's Salary	25,000				
	1,45,000				
To X's Commission	27,500				
To Y's Commission	22,500				
	50,000				
To Profit Transferred to	2,25,000				
X's Capital A/c	1,12,500				
Y's Capital A/c	1,12,500				
	4,20,000				
					4,20,000

Working Note 1:

Calculation of Commission

Commission of X 10% of Net Profit but before charging such commission

$$\begin{aligned}\text{Profit after Partners Salary} &= 4,20,000 - 1,45,000 \\ &= 2,75,000\end{aligned}$$

$$\text{Commission to X} = 2,75,000 \times 10\% = 27,500$$

$$\begin{aligned}\text{Commission of Y after charging all commission and Salary} \\ &= 4,20,000 - 2,75,000 - 27,500 = 2,47,500 \\ &= \frac{2,47,500}{110} \times 100 = 22,500\end{aligned}$$

Calculation of Interest on Partners Drawings & Amount of Drawings:-

Q37. Ram and Mohan partners, drew for their personal use 1, 20,000 and 80,000. Interest is chargeable @ 6% p.a. on the drawings. What is the amount of interest chargeable from each partner?

Solution – Calculation of interest on drawings of both the Partners:

When the dates of drawings are not given, interest on drawings is calculated on the total amount of drawings for average period of 6 months.

Interest on Ram's Drawings

$$1,20,000 \times \frac{6}{100} \times \frac{6}{12} = 3,600$$

Interest on Mohan's Drawings

$$80,000 \times \frac{6}{100} \times \frac{6}{12} = 2,400$$

Q38. Brij and Mohan are partners in a firm. They withdrew 48,000 and 36,000 respectively during the year evenly in the middle of every month. According to the Partnership Deed, interest on drawings is to be charged @ 10% p.a. Calculate on drawings of the partners using the appropriate formula.

Solution – If drawings are made in the middle of every month. It is charged for 6 months.

Interest on Brij's Drawings

$$48,000 \times 140/100 \times 6/12 = 2,400$$

Interest on drawings

$$36,000 \times 10/100 \times 6/12 = 1,800$$

Q39. Dev withdrew 10,000 on 15th day of every month. Interest on drawings was to be charged @ 12% per annum. Calculate interest on Dev's Drawings.

Solution – Dev Withdrew 10,000 on 15th day of every month. So yearly drawings is $10,000 \times 12 = 1,20,000$

Then calculate Interest on Drawings for 6 months of average period

$$1,20,000 \times 12/100 \times 6/12 = 7,200$$

Q40. One of the partners in a partnership firm has withdrawn 9,000 at the end of each quarter, throughout the year. Calculate interest on drawings at the rate of 6% per annum.

Solution –

Quarterly drawings given then what is Annual Drawings?

$$9,000 \times 4 = 36,000$$

Formula of Quarterly drawings

$$\frac{\text{Total drawings} \times \text{Rate of Interest} \times 4.5}{100 \times 12}$$

$$= 36,000 \times 6/100 \times 4.5/12$$

$$= 810$$

Q41. A & B are partner s sharing profit equally. A drew regularly 4,000 in the beginning of every month for six months ended 30th September, 2023. Calculate interest on drawings @ 5% p.a. for a period of six months 30th September, 2023

Solution – If the drawings are made in the beginning of every month after 30th September. Interest is charged for 3.5 months.

$$\text{Average period} = 6 + 1/2 = 3.5$$

$$\frac{\text{Interest on drawings} \times \text{Rate} \times 3.5}{100 \times 12}$$

$$= \frac{(4,000 \times 6) \times 5 \times 3.5}{100 \times 12}$$

$$= 350$$

Q42. A & B are partners sharing profits equally. A drew regularly 4,000 at the end of every month for six months ended 30th September, 2023. Calculate interest on drawings @ 5% p.a. for a period of six months 30th September, 2023

Solution – If fixed amount is withdraw during 6 month at end of each month

Average period = $5 + 0/2$

$$\frac{\text{Interest on Drawings} \times \text{Rate} \times \frac{2.5}{12}}{100}$$

$$A = 4,000 \times 6 = 24,000$$

A's Interest on Drawings

$$= \frac{24,000 \times 5 \times \frac{2.5}{12}}{100}$$

$$= 250$$

Q-43 B & C are partners sharing profits equally. A drew regularly 5,000 per month in the beginning of six months ended 30th September, 2023. Calculate interest on drawings @ 12% p.a. for the year ended 31 march 2024

Solution – If fixed amount is withdraw during 6 month at beginning of every month

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

$$\frac{\text{Interest on Drawings} \times \text{Rate} \times \frac{9.5}{12}}{100}$$

$$A = 5,000 \times 6 = 30,000$$

A's Interest on Drawings

$$= \frac{30,000 \times 12 \times \frac{9.5}{12}}{100}$$

= 2850

Q44. Calculate interest on drawings of Sanjay @ 10% p.a. for the year ended 31st March, 2024, in each of the following alternative cases:

Case 1: If he withdrew 7,500 in the beginning of the each quarter.

Case 2: If he withdrew 7,500 at the end of each quarter.

Case 3: If he withdrew 7,500 during the middle of each quarter.

Solution – Calculating Interest on Drawings

Total Drawings = 7,500 x 4
= 30,000

Case 1: $\frac{30,000 \times 10}{100} \times \frac{7.5}{12} = 1,875$

Average period = $12 + 3/2 = 7.5$

Case 2: $\frac{30,000 \times 10}{100} \times \frac{4.5}{12} = 1,125$

Average period = $9 + 0/2 = 4.5$

Case 3: $\frac{30,000 \times 10}{100} \times \frac{6}{12} = 1,500$

Q45. The capital accounts of Tisha and Divya showed credit balances of 10,00,000 and 7,50,000 respectively after taking into account drawings and net profit of 5,00,000. The drawings of the partners during the year ended 31st March 2024 were:

I. Tisha withdrew 25,000 at the end of each quarter.

II. Divya's drawings were:

31st May, 2023 20,000

1st November, 2023 17,500

1st February, 2024 12,500

Calculate interest on partner's capital @ 10% p.a. and interest on partner's drawings @ 6% p.a. for the year ended 31st March, 2024.

Solution –

Tisha Drawings = 25,000 x 4 = 1,00,000

Divya Drawings = 20,000 + 17,500 + 12,500 = 50,000

Calculation of Opening Capital

Particulars	Tisha	Divya
Closing Capital	10,00,000	7,50,000
Add: Drawings	1,00,000	50,000
Less: Share of Profit (1:1)	2,50,000	2,50,000
	8,50,000	5,50,000

1. Interest on Trisha's Capital

$$8,50,000 \times 10/100 = 85,000$$

2. Interest on Divya's Capital

$$5,50,000 \times 10/100 = 55,000$$

1. Interest on Drawings (Quarterly Method)

$$(25,000 \times 4) \times 6/100 \times 4.5/12 = 2,250$$

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

2. Interest on Drawings (Product Method)

Date of Drawings	Amount	Period	Product
31 st May 2023	20,000	10	2,00,000
1 st Nov 2023	17,500	5	87,500
1 st Feb 2024	12,500	2	25,000
			3,12,500

Interest on Drawings:-

$$3,12,500 \times 6/100 \times 1/12 = 1,562.5 \text{ or } 1,563$$

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