

OOEN STUDENT FOUNDATION

Date : 18-02-2024

STD 12 Commerce Elements of Account

Total Marks : 50

Time : 1 hour 30 Minute

Practice Sheet Day 1 (Part 1 - Ch.1)

Section A

* Choose The Right Answer From The Given Options. [10]

1. Where would you show share of loss of a partner? In which account and on which side?
(A) Capital A/c, Cr. side (B) Capital A/c, Dr. side (C) Current A/c, Cr. side (D) Current A/c, Dr. side
Ans. : (B) Capital A/c, Dr. side
2. In the fluctuating capital account method, when partner brought additional capital, it will be credited to account.
(A) Cash A/c (B) Capital A/c (C) Current A/c (D) Bank A/c
Ans. : (B) Capital A/c
3. How many methods are there to keep capital accounts in a partnership firm?
(A) One (B) Two (C) Three (D) Four
Ans. : (B) Two
4. For the partner of a partnership concern, his liability is.....
(A) Unlimited (B) Limited (C) Limited to the capital (D) None of the given
Ans. : (A) Unlimited
5. In which year Partnership Act is implied in India?
(A) 1932 (B) 1947 (C) 1956 (D) 1965
Ans. : (A) 1932
6. Debit balance of profit and loss appropriation account means.....
(A) Gross profit (B) Gross loss (C) Divisible profit (D) Divisible loss
Ans. : (D) Divisible loss
7. In the fixed capital account method, to which account, balance of drawing account is transferred at the end of the year?
(A) Capital A/c (B) Current A/c (C) Profit-loss A/c (D) Profit-loss Appropriation A/c
Ans. : (B) Current A/c
8. In the fixed capital account method, where would you give the effect of adjustment of fluctuation of capital?
(A) Fixed capital A/c (B) Profit and loss No (C) Current A/c (D) Profit and loss appropriation A/c
Ans. : (A) Fixed capital A/c

[1]

9. Generally, current account has balance.
(A) Debit (B) Debit or Credit (C) Credit (D) None of the given
Ans. : (C) Credit
10. When partner withdraws equal amount at the end of every month, for how many months interest on drawings be calculated?
(A) 66 (B) 72 (C) 12 (D) 78
Ans. : (A) 66

Section B

* Answer The Following Questions In One Sentence. [5]

11. Why is it necessary to have written partnership deed?
Ans. : On the basis of written partnership deed, the solution of any misunderstanding dispute in future can be obtained.
12. How salary, bonus or commission be given to the active partner of business, if no provision is there for the same in the partnership deed?
Ans. : Salary, bonus or commission will not be given to the active partner of business, if no provision is there for the same in the partnership deed.
13. In the fixed capital account method, permanent changes in the capital are to be recorded to which account?

Ans. : Permanent changes in the capital are recorded in the fixed capital accounts when fixed capital account method is adopted.

14. In the fixed capital account method, to which account profit share of partner be credited?

Ans. : Profit share of partner will be credited to partners current account when fixed capital account method is adopted.

15. Farmers drawing account will be closed and transferred to which account at the end of the year?

Ans. : At the end of financial year (1) In case of fluctuating capital account method, partners drawing account will be closed and transferred to partners capital account and (2) In case of fixed capital I account method partners drawings account will be closed and transferred to partners current account.

Section C

* Answer The Following Questions.

[15]

16. Lata, Geeta and Pravina are partners of a partnership firm. After distribution of the profit of the year it was realized that charging of interest on partners drawing account respectively Rs. 2,700 Rs. 1,200 and Rs. 1,500 was missed out. Write an entry for the rectification of error.

[2]

Ans. :

Particulars	Lata (Rs.)	Geeta(Rs.)	Parvina (Rs.)	Total(Rs.)
Interest on drawing (Amt. Payable)	2,700	1,200	1,500	5,400
Total interest on drawing Rs. 5,400				
Equally dist. among partners.	1,800	1,800	1,800	5,400
Difference of amount	-900	+600	+300	-

Rectification entry:

Journal Proper

Date	Particulars	L.F	Debit(Rs.)	Credit(Rs.)
31-3-2017	Lata's Capital/Current A/c Dr To Geeta's Capital/Current A/c To Pravina's Capital/Current A/c (Being rectification entry for the interest on drawing omitted)		900	600 300

17. The closing capital of Raghuvir is Rs. 80,000. In which Rs. 12,500 drawings of current year and profit of Rs. 17,800 are recorded. What will be the interest at 6% p.a. on the opening capital?

Ans. :

Opening balance of capital amount can be found out as under:

Closing capital balance Rs. 80,000

+ Drawings Rs. + 12,500
Rs. 92,500

- Profit Rs. - 17,800
Rs. 74,200

Interest on capital $74,200 \times \frac{6}{100}$
= Rs. 4,482

18. A, B and C are the partners sharing profit/loss in equal proportion. Their total capital is of Rs. 4,50,000. Their proportion of capital is 1 : 3 : 2. Firm pays interest on capital at 9% p.a. Partner C has received Rs. 73,500 including interest on capital. Determine the amount payable including interest on the capital of A and B?

Ans. :

Particulars	A(Rs.)	B(Rs.)	C(Rs.)
Capital (in 1:3:2 ratio)	75,000	2,25,000	1,50,000
Interest on capital @ 9%	6,750	20,250	13,500

Partner 'C' received Rs. 73,500 including interest on capital.

Partner 'C' received Rs. 60,000 towards profit share [73,500 - 13,500]

Now A, B and C are partners sharing profit and loss equally.

We can say that partners A and B also received Rs. 60,000 as profit share.

Partner A received Rs. 66,750 including interest on capital [Rs. 6,750 (int.) + Rs. 60,000 (profit)] and partner B received Rs. 80,250 including interest on capital [Rs. 20,250 (int.) + Rs. 60,000 (profit)].

19. Describe the accounting provisions of partnership Act 1932, in absence of a Partnership deed.

Ans. :

The following provisions of partnership Act 1932, will be applicable if no partnership deed is prepared or no clarification is made in the partnership deed.

- (1) Each partner contributes capital in the firm by mutual agreement. It is not mandatory to bring a capital for each partner.
- (2) Interest on capital cannot be paid and interest on drawings cannot be charged.
- (3) The distribution of profit and loss would remain in equal ratio.
- (4) Salary, bonus, commission or remuneration cannot be paid to the partners.
- (5) 6% pa. interest is payable for the loan given by any partner to the firm.
- (6) In case of any reasonable expense incurred by the partner for the firm, the partner has right to reimburse it.

20. What is profit-loss appropriation account ? Which items are disclosed in it?

Ans. : Profit and Loss Appropriation Account is an extension of the Profit and Loss account which is prepared to show the appropriation of the net profit among the partners. The items of appropriation of the profit such as interest on capital, salary/commission payable to partners and transfer to reserve, etc., and the items of income being debited to the partners' capital or current accounts such as interest on drawings are disclosed in the Profit and Loss Appropriation Account.

Section D

* Answer The Following Questions With Necessary Calculations.

[20]

21. Fluctuating capital accounts of partners

Ans. : Under Fluctuating Capital Accounts method, only one account namely 'Capital Account' is maintained for each partner. All transactions of a partner such as capital introduced or withdrawn, salary or commission payable, drawings, interest on drawings, interest allowed on capital, and share of profit or loss are recorded in his Capital Account. As a result, the balance in the Capital Account fluctuates with every transaction making it fluctuating capital account of the partner.

22. Perna, Paras and Jaishri are the partners of a firm. On 1-4-2016 their capital was ₹ 1,50,000, ₹ 90,000 and ₹ 60,000 respectively. Their drawings were as follows : Perna ₹ 15,000 on 1-7-2016 and Paras ₹ 24,000 on 30-10-2016 They distribute half profit in the capital proportion and remaining in the ratio of 2: 2: 1 . Jaishri has lent out loan of ₹ 30,000 on 1-10-2016 to the firm. As per partnership deed per annum 5 % interest on capital, per annum 12 % interest on drawings is to be calculated. Paras is to be paid annual salary of ₹ 18,000 for his active role in the firm. 10 % commission is to be given to Perna from surplus of profit after providing for above mentioned provisions and after deduction of her such commission. For the year ending on 31-3-2017 profit of the firm before

incorporation of the above mentioned adjustments but after charging interest on loan of

Jaishri was ₹ 1,29,450 profit-loss to capital account, total capital of the firm would be identical to the opening capital, which should be in the proportion of 2: 2: 1 . For this purpose required amount will be introduced by the partners and excess amount will be withdrawn by the partners. Prepare profit and loss appropriation account, partners' capital accounts for the year ending on 31-3-2017

Ans. :

Profit and Loss Appropriation Account Dr. for the year ended 31 st March, 2017 Cr.			
Particulars	Rs.	Particulars	Rs.
To Interest on Capital A/cs:		By Net Profit	1,29,450
Prema 7,500		By Interest on	
Paras 4,500		Drawings	
Jaishri 3,000	15,000	A/c: Prema	2,550
To Paras's Salary A/c	18,000	Paras	
To Prema's Commission A/c	9,000		
To Profit transferred to Current A/cs			
Prema 40,500	90,000		
Paras 31,500			
Jaishri 18,000			
	1,32,000		1,32,000

Dr. Partners' Capital Accounts				Cr.			
Particulars	Prema (Rs.)	Paras (Rs.)	Jaishri (Rs.)	Particulars	Prema (Rs.)	Paras (Rs.)	Jaishri (Rs.)
To Drawings A/c	15,000	24,000		By Balance b/d	1,50,000	90,000	60,000
To Interest on Drawings A/c	1,350	1,200		By Interest on Capital A/cs	7,500	4,500	3,000
To Bank A/c	70,650		21,000	By Paras's Salary A/c		18,000	
To Balance c/d	1,20,000	1,20,000	60,000	By Prema's Commission	9,000		
				By Profit & Loss Appropriation A/c	40,500	31,500	18,000
				By Bank A/c		1,200	
	2,07,000	1,45,200	81,000		2,07,000	1,45,200	81,000

23. Sheela, Surbhi and Seema are partners sharing profit-loss in the ratio of 5 : 7 : 9. Manager Sanket is entitled to receive 10% commission from profit after deduction of his such commission. Surbhi receives share in profit .7000. Determine the amount of commission of Sanket. Also determine amount of profit before the commission of manager.

Ans. :

- (i) Manager is entitled to get commission from the profit after the deduction of his own commission. It means commission will be calculated on divisible profit.

Surbhi receives ₹ 7000 of divisible profit for her share of $\frac{7}{21}$. Assume total profit of the firm is 1.

Thus, $\frac{7}{21}$ share of Surbhi = Total profit of firm = ₹ 1

∴ ₹ 7000 share of Surbhi = Total profit (?)

$$= \frac{1}{7} \times \frac{7000 \times 21}{7}$$

= ₹ 21,000 divisible profit

- (ii) Manager Sanket is entitled to get 10 % commission from the divisible profit

$$= ₹ 21,000 \times \frac{10}{100}$$

= ₹ 2100

- (iii) Profit before commission of manager = Divisible profit + Commission of manager

$$= ₹ 21,000 + ₹ 2100$$

= ₹ 23,100

24. Ram, Laxman and Sita are partners of a firm. On 1-4-2016 their capital was ₹ 40,000 , ₹ 30,000 and ₹ 80,000 respectively. At the end of the year after distribution of profit it was realised that charging of interest on capital at 12% is missed out. Write journal entry for rectification.

Ans. :

Particular	Ram (₹)	Laxman (₹)	Sita (₹)	Total (₹)
Interest on capital at 12 %	+ 4800	+ 3600	+ 9600	+ 18,000
Reduction in profit equal to amount of interest (₹ 18,000)				
In equal proportion (1:1:1)	— 6000	— 6000	— 6000	— 18,000
Accounting treatment of difference to Capital Account	— 1200	— 2400	+ 3600	—
	Debit	Debit	Credit	

Rectification of Error : ₹ 1200 and ₹ 2400 will be debited to Ram's and Laxman's capital account respectively and ₹ 3600 will be credited to Sita's capital account.

Date	Particular	L.F.No.	Debit (₹)	Credit (₹)
	Ram's Capital/Current A/c Dr		1200	
	Laxman's Capital/Current A/c Dr		2400	
	To Sita's Capital/Current A/c			3600
	[Being the computation of interest on capital at 12 % was missed out, is rectified.]			

Explanation : Total interest on capital is payable ₹ 18,000. So the same amount of ₹ 18,000 has to be reduced from the capital account of the partners, which will be debited in their profit-loss sharing ratio. Since profit-loss sharing is not given, amount will be debited in equal proportion.

25. Saksham, Samarth and Shrey are partners of firm. Their capital on 1-4-2016 was .1, 00, 000, ₹ 60,000 and ₹ 40,000 respectively. As per partnership deed : (1) Provide interest on capital at 8% p.a. on capital of partners. (2) 10% p.a. interest is chargeable to drawings. (3) Monthly salary of ₹ 600 is payable to Samarth. (4) Partners would share half profit in equal proportion and remaining half profit they will share in their opening capital proportion.

On 1-1-2017 Saksham and Shrey have withdrawn ₹ 5000 and ₹ 4000 respectively.

Partners have unanimously decided to transfer 10% of divisible profit to general reserve.

Before recording of above mentioned adjustments profit of the firm for the year ending on 31-3-2017 was ₹ 34,975 .

From the above information prepare profit and loss appropriation account of the partnership firm for the year ending on 31-3-2017 and partners capital accounts.

Ans. :

Profit and Loss Appropriation Account for the year ending on 31-3-2017 of Partnership firm of Saksham, Samarth and Shrey

Dr Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on capital A/c :		By Profit and loss A/c (Net profit)	34,975
Saksham : 8000		By Interest on drawings A/c	
Samarth : 4800		Saksham : [7] 125	
Shrey : 3200	16,000	Shrey : 100	225
To Salary (Samarth) 7200			
To General reserve A/c (10 % of divisible profit) 1200			
To Partners capital A/c (Divisible profit)			
Saksham : 4500			
Samarth : 3420			
Shrey : 2880	10,800		
	35,200		35,200

Partners' Capital Accounts

Dr Cr

Date	Particular	Saksham (₹)	Samarth (₹)	Shrey (₹)	Date	Particular	Saksham (₹)	Samarth (₹)	Shrey (₹)
1-1-17	To Drawings A/c	5000	—	4000	1-4-16	By Balance b/d	1,00,000	60,000	40,000
31-3-17	To Interest on drawings A/c	125	—	100	31-3-17	By Interest on capital	8000	4800	3200
31-3-17	To Balance c/d	1,07,375	75,420	41,980	31-3-17	By Salary A/c	—	7200	—
					31-3-17	By P & L Appropriation A/c (Divisible profit)	4500	3420	2880
		1,12,500	75,420	46,080			1,12,500	75,420	46,080
