

SOLUTION : 47.**STATEMENT OF ADJUSTMENT**

	A	B	C	Total
	₹	₹	₹	₹
Interest on capital	5,000	10,000	15,000	30,000
Salary	60,000			60,000
Commission : (5% on ₹3,60,000 – Interest on Capital ₹30,000)			16,500	16,500
Remaining Profit i.e. ₹3,60,000 – ₹30,000 – ₹60,000 – ₹16,500 = ₹2,53,500 will be divided in their profit sharing ratio i.e. 2:3:5	50,700	76,050	1,26,750	2,53,500
Net amount which should have been received (Cr.)	1,15,700	86,050	1,58,250	3,60,000
Less : Profit already distributed in 1 : 2 : 3 (Dr.)	60,000	1,20,000	1,80,000	3,60,000
Net Effect	(Cr.) 55,700	(Dr.) 33,950	(Dr.) 21,750	—

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2014	B's Capital A/c Dr.		33,950	
March 31	C's Capital A/c Dr.		21,750	
	To A's Capital A/c			55,700
	(Adjustment for the omissions)			

SOLUTION : 48.**TABLE SHOWING ADJUSTMENTS**

	A	B	C	Total
	₹	₹	₹	₹
Salary (Cr.)	6,000	6,000		12,000
Commission (Cr.)			18,000	18,000
Profit guaranteed to B (Cr.)		50,000	(1)	50,000
Remaining Profit i.e. ₹1,50,000 – ₹12,000 – ₹18,000 – ₹50,000 = ₹70,000 will be divided between A and C in 3 : 2 (Cr.)	42,000	—	28,000	70,000
(Cr.)	48,000	56,000	46,000	1,50,000
Less : Profit already distributed (₹1,50,000 in 2 : 2 : 1) (Dr.)	60,000	60,000	30,000	1,50,000
Net Effect	(Dr.) 12,000	(Dr.) 4,000	(Cr.) 16,000	—

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 31	A's Capital A/c Dr. B's Capital A/c Dr. To C's Capital A/c (Adjustment for omissions)		12,000 4,000	16,000

Working Note:

(1) Profit remaining after allowing salary and commission will be

$$₹1,50,000 - ₹12,000 - ₹18,000 = ₹1,20,000$$

B's Share = $1,20,000 \times \frac{3}{8} = ₹45,000$.

Since it is less than guaranteed amount of ₹50,000, he will be entitled to ₹50,000.

SOLUTION : 49.**TABLE SHOWING ADJUSTMENT**

	X ₹	Y ₹	Z ₹	Total ₹
Interest already credited @ 8%	16,000	12,000	10,000	38,000
Interest that should have been credited @ 10%	20,000	15,000	12,500	47,500
Partners less credited with (Cr.)	4,000	3,000	2,500	9,500
By allowing this interest, the profits of the firm will be reduced by ₹9,500. This loss will be divided in the ratio of 5:3:2. (Dr.)	4,750	2,850	1,900	9,500
Net effect	(Dr.) 750	(Cr.) 150	(Cr.) 600	—

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	X's Current A/c Dr. To Y's Current A/c To Z's Current A/c (Interest less charged on capital, now rectified)		750	150 600

SOLUTION : 50.**TABLE SHOWING ADJUSTMENT**

	A ₹	B ₹	C ₹	Total
Interest already credited @ 10%	10,000	20,000	30,000	60,000
Interest that should have been credited @ 9%	9,000	18,000	27,000	54,000
Partners Over credited with (Dr.)	1,000	2,000	3,000	6,000
By disallowing this interest, the profits of the firm will be increased				

by ₹6,000. This profit shall be divided in the ratio of 4:3:3 (Cr.)	2,400	1,800	1,800	6,000
Net effect	(Cr.) 1,400	(Dr.) 200	(Dr.) 1,200	—

Adjustment Entry: —

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	B's Current A/c Dr. C's Current A/c Dr. To A's Current A/c (Interest on Capitals excessive charged, now rectified)		200 1,200	1,400

SOLUTION : 51.

TABLE SHOWING ADJUSTMENT

	A ₹	B ₹	C ₹	Total ₹
Interest allowed on Capitals @ 5% p.a. For the year 2016	Dr. 4,200	Dr. 2,400	Dr. 1,320	7,920
For the year 2017	4,320	2,520	1,320	8,160
Total amount recoverable from partners (Dr.)	8,520	4,920	2,640	16,080
Division of firm's profit will be as under:	Cr	Cr.	Cr.	
For the year 2016 in the ratio of 2 : 2 : 1	3,168	3,168	1,584	7,920
For the year 2017 in the ratio of 3 : 4 : 3	2,448	3,264	2,448	8,160
Total pro fit distributed among partners (Cr.)	5,616	6,432	4,032	16,080

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 April 1	A's Capital A/c (8,520 – 5,616) Dr. To B's Capital A/c (4,920 – 6,432) To C's Capital A/c (2,640 – 4,032) (Interest on Capital wrongly provided in the accounts for two years, now adjusted)		2,904	1,512 1,392

SOLUTION : 52.

(a) Total Profits for the past three years:

$$₹2,00,000 + ₹4,50,000 + ₹5,50,000 = ₹12,00,000$$

ADJUSTMENT TABLE

Particulars	Charu ₹	Deepika ₹	Era ₹
Profit already Credited (₹12,00,000 in 1 : 1 : 1)	4,00,000	4,00,000	4,00,000

Profit to be Credited (₹12,00,000 in 4 : 3 : 3)	4,80,000	3,60,000	3,60,000
Net Effect	Cr. 80,000	Dr. 40,000	Dr. 40,000

ADJUSTING JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Deepika's Capital A/c Dr. Era's Capital A/c Dr. To Charu's Capital A/c (Adjustment made for change in profit sharing ratio)		40,000 40,000	80,000

(b) Values involved are:

(i) Recognition of Charu's efforts (ii) Ethics or Morality

SOLUTION: 53.

TABLE SHOWING ADJUSTMENTS

Particulars	Sachin	Kapil	Rashmi
Total Profits for three years ₹60,000 + ₹47,000 + ₹55,000 = ₹ 1,62,000 This Profit has already been divided in the ratio of 3 : 2 : 1 If Profits are shared equally : 1,62,000/3 = 54,000	₹ 81,000 54,000	₹ 54,000 54,000	₹ 27,000 54,000
Net Effect	(Dr.) 27,000	—	(Cr.) 27,000

Adjustment Entry:—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sachin's Capital A/c Dr. To Rashmi's Capital A/c (Adjustment on account of change in profit sharing ratio for the last three years)		27,000	27,000

SOLUTION: 54 (A).

Interest on Capitals should always be calculated on the Capitals at the beginning of the year. In the above question, the Capitals at the beginning of the year have not been given. Hence, first of all, it is necessary to calculate the amount of opening Capitals:

Particulars	Mohan	Vijay	Anil
Capitals as on 31 -3-2011	30,000	₹ 25,000	₹ 20,000
Less : Share of Profit (which has already been added)	8,000	8,000	8,000

Add: Drawings (which were previously deducted)	22,000	17,000	12,000
	5,000	4,000	3,000
Capitals as on 1-4-2010	27,000	21,000	15,000

NET EFFECT ON CAPITAL ACCOUNTS

Particulars	Mohan	Vijay	Anil	Firm
	₹	₹	₹	
Interest on Opening Capitals @ 10%	2,700	2,100	1,500	
Less : Interest on Drawings	250	200	150	
Balance	2,450	1,900	1,350	5,700
Division of firm's loss equally	1,900	1,900	1,900	(Loss)
	(Cr.) 550	—	(Dr.) 550	

Adjustment Entry:—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 March 31	Anil's Capital A/c Dr. To Mohan's Capital A/c (Adjustment on account of the omission of the interest on Capitals and Drawings in the accounts)		550	550

Dr. REVISED CAPITAL ACCOUNTS					Cr.				
Date	Particulars	Mohan	Vijay	Anil	Date	Particulars	Mohan	Vijay	Anil
2014 Mar. 31	To Mohan's Capital A/c	₹	₹	₹	2013 April 1	By Balance b/d	₹	₹	₹
Mar. 31	To Balance c/d	—	—	550	2014 Mar. 31	By Anil's Capital A/c	30,000	25,000	20,000
		30,550	25,000	19,450			550	—	—
		30,550	25,000	20,000			30,550	25,000	20,000

SOLUTION : 54 (B).

	A ₹	B ₹	C ₹
Closing Capitals	20,000	15,000	10,000
Less : Share of Profit	5,000	2,500	2,500
	15,000	12,500	7,500
Add: Drawings	1,000	800	500
Opening Capitals	16,000	13,300	8,000

NET EFFECT ON CAPITAL ACCOUNTS				
Particulars	A	B	C	Firm
	₹	₹	₹	
Interest on Opening Capitals	1,600	1,330	800	
Less : Interest on Drawings	130	90	50	
Balance (Cr.)	1,470	1,240	750	3,460
Division of firm's loss in the ratio of 2:1:1 (Dr.)	1,730	865	865	(Loss)
	(Dr.) 260	(Cr.) 375	(Dr.) 115	

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr. C's Capital A/c Dr. To B's Capital A/c (Adjustment on account of the omissions of the interest on Capitals and Drawings in the accounts)		260 115	375

SOLUTION : 54 (C).

	A	B
	₹	₹
Closing Capitals	2,00,000	1,50,000
Less : Share of Profit	45,000	30,000
	1,55,000	1,20,000
Add: Drawings	24,000	24,000
Opening Capitals	1,79,000	1,44,000

NET EFFECT ON CAPITAL ACCOUNTS

Particulars	A	B	Firm
	₹	₹	
Interest on Opening Capitals (Cr.)	14,320	11,520	25,840
Division of firm's loss in the ratio of 3 : 2 (Dr.)	15,504	10,336	(Loss)
	(Dr.) 1,184	(Cr.) 1,184	

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 March 31	A's Capital A/c To B's Capital A/c (Adjustment for omission of interest on Capitals)	Dr.	1,184	1,184

SOLUTION : 55 (A).

Assuming the Capitals are fixed in Q. 54 (A):

	Mohan	Vijay	Anil
	₹	₹	₹
Interest on Capital @ 10% p.a.	3,000	2,500	2,000

STATEMENT SHOWING THE ADJUSTMENT TO BE MADE

Particulars	Mohan	Vijay	Anil	Finn
	₹	₹	₹	₹
Interest on Capitals	3,000	2,500	2,000	
Less : Interest on drawings	250	200	150	
(Cr.)	2,750	2,300	1,850	6,900
Division of firm's loss in profit sharing ratio i.e., equally (Dr.)	2,300	2,300	2,300	(Loss)
(Cr.) 450			(Dr.) 450	

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 March 31	Anil's Current A/c Dr. To Mohan's Current A/c (Adjustment on account of omission of the interest on capitals and drawings in the accounts)		450	450

SOLUTION : 55 (B).

Assuming the Capitals are fixed in Q. 54 (B):

	A	B	C
	₹	₹	₹
Interest on Capital @ 10% p.a.	2,000	1,500	1,000

STATEMENT SHOWING THE ADJUSTMENT TO BE MADE

Particulars	A	B	C	Firm
	₹	₹	₹	₹
Interest on Capitals	2,000	1,500	1,000	
Less : Interest on drawings	130	90	50	
(Cr.)	1,870	1,410	950	4,230
Division of firm's loss in the ratio of 2:1:1 (Dr.)	2,115	1057.50	1057.50	(Loss)
(Dr.)	245	(Cr.) 352.50	(Dr.) 107.50	

Adjustment Entry :—

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
	A's Current A/c Dr.		245.00	
	C's Current A/c Dr.		107.50	
	To B's Current A/c			352.50
	(Adjustment on account of omission of the interest on capitals and drawings in the accounts)			

SOLUTION : 55 (C).

Assuming the Capitals are fixed in Q. 54 (C):

	A	B
	₹	₹
Interest on Capital @ 8% p.a.	16,000	12,000

STATEMENT SHOWING THE ADJUSTMENT TO BE MADE

Particulars	A	B	Firm
	₹	₹	₹
Interest on Capitals (Cr.)	16,000	12,000	28,000
Division of firm's loss in the profit sharing ratio i.e., 3 : 2 (Dr.)	16,800	11,200	(Loss)
	(Dr.) 800	(Cr.) 800	

Adjustment Entry :—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2011 March 31	A's Current A/c Dr. To B's Current A/c (Adjustment on account of the omission of interest on Capitals)		800	800

SOLUTION : 56.**Calculation of Interest on Capital:**

For the calculation of interest on capital, Opening Capital has to be ascertained:

Particulars	Esha	Manav	Daman
	₹	₹	₹
Closing Capital	3,20,000	2,40,000	1,60,000
Add: Drawings already debited	48,000	48,000	60,000
	3,68,000	2,88,000	2,20,000
Less : Profit already credited	45,000	30,000	15,000
Opening Capital	3,23,000	2,58,000	2,05,000
Interest on Capital @10% p.a.	3,23,000 x 10/100 = 32,300	2,58,000 x 10/100 = 25,800	2,05,000 x 10/100 = 20,500

Total Interest on Capital = ₹32,300 + ₹25,800 – ₹20,500 = ₹78,600

Calculation of Interest on Drawings:

Esha and Manav each withdrew a sum of ₹48,000 in equal installments in the middle of every month. Hence interest on drawings will be charged for 6 months:

$48,000 \times 6/12 \times 5/100 = ₹1,200$ each

Interest on Daman's Drawings = ₹60,000 $\times 6/12 \times 5/100 = ₹1,500$

(Date of Drawings is not given, hence interest will be charged for 6 months)

TABLE SHOWING ADJUSTMENTS

Particulars	Esha	Manav	Daman	Total
	₹	₹	₹	₹
Interest on Opening Capitals	32,300	25,800	20,500	78,600
Less : Interest on Drawings	1,200	1,200	1,500	3,900
Balance (Cr.)	31,100	24,600	19,000	74,700
Division of Firm's Loss of ₹74,700 in the ratio of 3 : 2 : 1 (Dr.)	37,350	24,900	12,450	74,700
	Dr. 6,250	Dr. 300	Cr. 6,550	—

RECTIFYING ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Esha's Capital A/c	Dr.	6,250	
	Manav's Capital A/c	Dr.	300	
	To Daman's Capital A/c			6,550
	(Interest on capital and interest on drawings omitted now adjusted)			

SOLUTION : 57.

Interest on capital should always be calculated on the opening capitals.

CALCULATION OF OPENING CAPITALS

	A	B
	₹	₹
Closing Capitals (as on 31 -3-2016)	6,00,000	4,00,000
Less : Share of Profit (₹4,50,000 in the ratio of 2 : 1)	3,00,000	1,50,000
	3,00,000	2,50,000
Add: Drawings	1,00,000	50,000
Opening Capitals (as on 1-4-2015)	4,00,000	3,00,000

TABLE SHOWING ADJUSTMENT

Particulars	A	B	Total
	₹	₹	₹
Interest on Opening Capitals @ 9% p.a.	36,000	27,000	63,000
Less : Interest on Drawings @ 12% p.a. for six months	6,000	3,000	9,000

	Balance(Cr.)	30,000	24,000	54,000
Division of Firm's loss of ₹54,000 in the ratio of 2 : 1	(Dr.)	36,000	18,000	
	(Dr.)	6,000	(Cr.) 6,000	

Adjustment Entry:—

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 31	A's Capital A/c Dr. To B's Capital A/c (Interest on Capital and interest on drawings not charged, now adjusted)		6,000	6,000

In the Absence of Partnership Deed

SOLUTION : 58.

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2017 Cr.

Particulars	₹	Particulars	₹
To Profit:		By Profit for the year 1,08,300	
A 1,07,100x 1/2 53,550		Less : Interest on A's	
B 1,07,100x 1/2 53,550	1,07,100	loan 6% p.a. 1,200*	1,07,100
	1,07,100		1,07,100

* If interest @ 15% is ₹3,000

interest @ 6% will be $x \ 6 = ₹1,200$

Guarantee of Minimum Share of Profit

SOLUTION: 59 (A).

STATEMENT SHOWING APPROPRIATION OF PROFITS

	A	B	C
	₹	₹	₹
Share of Profit ₹10,50,000 in the ratio (4:2: 1)	6,00,000	3,00,000	1,50,000
Less : Contribution to C from A and B of the amount which fell short of Minimum Guarantee Amount i.e., 1,80,000 – 1,50,000 = ₹30,000 in the ratio of 4 : 2 or 2 : 1	(-)20,000	(-) 10,000	(+) 20,000
	5,80,000	2,90,000	(+) 10,000
			1,80,000

SOLUTION : 59 (B).

PROFIT AND LOSS APPROPRIATION ACCOUNT
for the year ended

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Interest on Capital :		By Profit & Loss A/c	5,12,000
A 64,000			
B 48,000			
C 40,000	1,52,000		
To Profit transferred)			
A's Capital A/c 1,56,000			
B's Capital A/c 1,04,000			
C's Capital A/c 1,00,000	3,60,000		
	5,12,000		5,12,000

Working Notes (1):

	A	B	C
	₹	₹	₹
Share of Profit ₹3,60,000 in the ratio 3:2:1	1,80,000	1,20,000	60,000
Less : Contribution to C from A and B of the amount which fell short of Minimum Guarantee Amount i.e., 1,00,000 – 60,000= ₹40,000 in the ratio of 3 : 2	(-) 24,000	(-) 16,000	(+) 24,000 (+) 16,000
	1,56,000	1,04,000	1,00,000

SOLUTION : 60 (A).

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr. For the year ending 31st March, 2015 Cr.

Particulars	₹	Particulars	₹
To Profit transferred to :		By Profit & Loss A/c	30,000
A's Capital A/c (15,000 - 5,000)	10,000		
B's Capital A/c	10,000		
C's Capital A/c (5,000 + 5,000)	10,000		
	30,000		30,000

Working Note:

Share of Profit = A : ₹30,000 x 3/6 = ₹15,000

B : ₹30,000 x 2/6 = ₹10,000

C : ₹30,000 x 1/6 = ₹5,000

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.	For the year ending 31st March, 2016		Cr.
Particulars	₹	Particulars	₹
To Profit transferred to :		By Profit & Loss A/c	90,000
A's Capital A/c (90,000 x 3/6)	45,000		
B's Capital A/c (90,000 x 2/6)	30,000		
C's Capital A/c (90,000 x 1/6)	15,000		
	90,000		90,000

SOLUTION : 60 (B).

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.	for the year ended		Cr.
Particulars -	₹	Particulars	₹
To Interest on Capitals @ 8% p.a.		By Profit & Loss A/c	2,52,000
X 32,000			
Y 24,000			
Z 16,000	72,000		
To Profit transferred to Capital A/cs :			
X 90,000 – 20,000 = 70,000			
Y = 60,000			
Z 30,000 + 20,000 = 50,000	1,80,000		
	2,52,000		2,52,000

Working Note:

Net Profit after Interest on Capital = 2,52,000 – 72,000 = ₹1,80,000

Share of Profit = X : ₹1,80,000 x 2/6 = ₹90,000

Y : ₹1,80,000 x 2/6 = ₹60,000

Z : ₹1,80,000 x 1/6 = ₹30,000

The minimum guaranteed amount to Z is ₹50,000 whereas his share of profit amounts to ₹30,000. Hence, the deficiency of ₹20,000 will be deducted from A's share and will be added to Z's share.

Dr. CAPITAL ACCOUNTS Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Drawings	50,000	40,000	35,000	By Balance b/d	4,00,000	3,00,000	2,00,000
To Balance c/d	4,52,000	3,44,000	2,31,000	By Interest on Capital	32,000	24,000	16,000
				By P&L Appro-			

			Appropriation A/c	70,000	60,000	50,000
	5,02,000	3,84,000	2,66,000	5,02,000	3,84,000	2,66,000

SOLUTION : 61.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016				
March 31	Profit & Loss A/c Dr.		6,50,000	
	To Profit & Loss Appropriation A/c (Transfer of profits)			6,50,000
March 31	Profit & Loss Appropriation A/c Dr.		6,50,000	
	To S's Capital A/c			2,55,000
	To T's Capital A/c			1,90,000
	To W's Capital A/c			1,25,000
	To X's Capital A/c (Profits distributed as per working note)			80,000

Working Note:

Share of Profit = S : ₹6,50,000 x 4/10 = ₹2,60,000

T : ₹6,50,000 x 3/10 = ₹1,95,000

W : ₹6,50,000 x 2/10 = ₹1,30,000

X : ₹6,50,000 x 1/10 = ₹65,000

X's share in profits amounts to ₹65,000 whereas the minimum guarantee amount is ₹80,000. Hence, the deficiency of ₹15,000 will be met by S, T, W equally i.e. ₹5,000 each.

As such,

S's share = 2,60,000 - 5,000 = ₹2,55,000

T's share = 1,95,000 - 5,000 = ₹1,90,000

W's share = 1,30,000 - 5,000 = ₹1,25,000

X's share = 65,000 + 15,000 = ₹80,000

SOLUTION : 62.

Profit & Loss Appropriation Account of Vikas, Vivek and Vandana

Dr. for the year ended 31st March, 2015 Cr.

Particulars	₹	Particulars	₹
To Partners' Capital A/cs (transfer of Profit)		By Profit & Loss A/c (Net Profit)	9,00,000
Vikas's Capital A/c	4,72,500		
Less : Deficiency	15,000		
	4,57,500		

Vivek's Capital A/c	3,15,000			
Less: Deficiency	22,500	2,92,500		
Vandana's Capital A/c	1,12,500			
Add: from Vikas	15,000			
from Vivek	22,500	1,50,000		
	9,00,000			9,00,000

₹

Profit of the Firm	9,00,000
Vandana's share of Profit = ₹9,00,000 x 1/8	1,12,500
Balance to be divided between Vikas and Vivek	7,87,500
Vikas's share of Profit = ₹7,87,500 x 3/5	4,72,500
Vivek's share of Profit = ₹7,87,500 x 2/5	3,15,000

Vandana's deficiency = ₹1,50,000 – ₹1,12,500 = 37,500. Which is to be contributed by Vikas & Vivek in the ratio 2:3, i.e., Vikas will contribute ₹15,000 and Vivek will contribute ₹22,500

SOLUTION : 63.

STATEMENT SHOWING DISTRIBUTION OF PROFIT

Particulars	Ram	Mohan	Sohan	Rakesh
	₹	₹	₹	₹
Share of Profit (4 : 3 : 2 : 1)	1,60,000	1,20,000	80,000	40,000
Less : Contribution to Rakesh from Ram and Mohan of the amount which fell short of Minimum Guarantee Amount i.e., ₹70,000 – ₹40,000 = ₹30,000 in the ratio of 2 : 1	(-) 20,000	(-) 10,000		+20,000 +10,000
Total	1,40,000	1,10,000	80,000	70,000

SOLUTION : 64.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015				
March 31	X's Capital A/c	Dr.	60,000	
	Y's Capital A/c	Dr.	30,000	
	Z's Capital A/c	Dr.	30,000	
	To Profit and Loss A/c			1,20,000
	(Loss divided among partners as per working note)			
	X's Capital A/c	Dr.	78,000	
	Y's Capital A/c	Dr.	52,000	
	To Z's Capital A/c			1,30,000
	(Deficiency of Z's share of profit met by X and Y in			

	3:2)			
--	------	--	--	--

Working Notes:

(i) Z's share of Loss = ₹1,20,000 x 1/4 = ₹30,000

Remaining Loss = ₹1,20,000 – ₹30,000 = ₹90,000

X's share of Loss = ₹90,000 x 2/3 = ₹60,000

Y's share of Loss = ₹90,000 x 1/3 = ₹30,000

(ii) Z is guaranteed minimum profit of ₹1,00,000 whereas share of loss debited to his capital account is ₹30,000. Hence he will be credited by ₹1,30,000 borne by X and Y in 3 : 2.

SOLUTION : 65.

PROFIT AND LOSS ACCOUNT

Dr. for the year ending on 31st March, 2015 Cr.

Particulars	₹	Particulars	₹
To Loss before Interest	85,000	By Net Loss Transferred to	
To Interest on A's Loan		A's Capital A/c	40,000
(for 10 months)	5,000	B's Capital A/c	30,000
		C's Capital A/c	20,000
	90,000		90,000

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 March 31	Interest on A's Loan A/c Dr. To A's Loan A/c (Interest provided on A's Loan to the firm)		5,000	5,000
	Profit & Loss A/c Dr. To Interest on A's Loan A/c (Interest on loan charged to Profit & Loss A/c)		5,000	5,000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Profit & Loss A/c (Loss of ₹90,000 divided among the partners in 4:3:2)		40,000 30,000 20,000	90,000
	A's Capital A/c Dr. C's Capital A/c Dr. To B's Capital A/c (Deficiency of B's share of profit met by A and C in their profit sharing ratio of 4 : 2)		1,20,000 60,000	1,80,000

Working Note :

C is guaranteed a minimum profit of ₹1,50,000 whereas share of loss debited to his capital account is ₹30,000. Hence he will be credited by ₹1,80,000 (i.e. 1,50,000 + 30,000) borne by A and C in their profit sharing ratio of 4 : 2)

SOLUTION : 66.**PROFIT AND LOSS APPROPRIATION ACCOUNT****Dr.****for the year ended 31st March. 2012****Cr.**

Particulars	₹	Particulars	₹
To Interest on Capital		By Profit & Loss A/c	
Ali 40,000		(Net Profit)	2,00,000
Bimal 30,000			
Deepak 20,000	90,000		
To Salary :			
Bimal 24,000			
Deepak 12,000	36,000		
To Balance c/d	74,000		
	2,00,000		2,00,000
To Net Profit transferred to		By Balance b/d	74,000
Ali's Capital A/c			
(₹74,000 x 5/10)	37,000		
Bimal's Capital A/c			
(₹74,000 x 3/10) 22,200			
Add: Transferred from			
Deepak 3,800	26,000		
Deepak's Capital A/c			
(₹74,000x2/10) 14,800			
Less : Transferred to Bimal 3,800			
	11,000		
	74,000		74,000

Working Notes:**(i)** Bimal's Share of Profit = ₹74,000 x 3/10 = ₹22,200.**(ii)** Bimal's Share of Profit + Salary = ₹22,200 + ₹24,000 = ₹46,200**(iii)** Guaranteed Amount = ₹50,000.**(iv)** Deficiency to be borne by Deepak = ₹50,000 – ₹46,200 = ₹3,800**SOLUTION : 67.****PROFIT AND LOSS APPROPRIATION A/C****Dr.****for the year ending 31st March, 2017****Cr.**

Particulars	₹	Particulars	₹
To Ajoo's Capital A/c		By Profit & Loss A/c	57,000
52,000 x 4/5 = 41,600			
Less : Given to Sajoo 2,125	39,475		
To Bajoo's Capital A/c			
52,000 x 1/5	10,400		

To Sajoo's Capital A/c	7,125	
	57,000	57,000

	₹
Profit before Sajoo's Salary and Commission	57,000
Less: Salary	2,400
	54,600
Less : Sajoo's Commission 5/105 of ₹54,600	2,600
	52,000

Thus Sajoo as a manager will receive	₹
Salary ₹2,400 + Commission ₹2,600	5,000
Sajoo as a partner will receive 57,000 x 1/8	7,125
Excess received by Sajoo as a partner	2,125

This excess amount of ₹2,125 will be deducted from Ajoo's Share.

SOLUTION : 68.

PROFIT AND LOSS APPROPRIATION /VC

Dr. for the year ended 31st March, 2017 Cr.

Particulars	₹	Particulars	₹
To P's Capital A/c		By Profit & Loss A/c	
4/7 of 3,50,000 2,00,000		3,85,000	
Less: 3/5 of 12,500 7,500	1,92,500	Add: R's Salary 20,000	4,05,000
To Q's Capital A/c			
3/7 of 3,50,000 1,50,000			
Less : 2/5 of 12,500 5,000	1,45,000		
To R's Capital A/c	67,500		
	4,05,000		4,05,000

Profit before R's Salary and Commission	4,05,000
Less : Salary to R	20,000
	3,85,000
Less: Commission 10/110 of ₹3,85,000	35,000
	3,50,000
Thus R as a manager will receive : Salary	
₹20,000 + Commission ₹35,000	55,000
R as a partner will receive 4,05,000 x 1/6	67,500
Excess received by R as a partner	12,500

This excess amount of ₹12,500 will be deducted from P and Q's share in the ratio of 3 : 2 respectively.

ADDITIONAL QUESTIONS

SOLUTION : 69.

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.		for the year ended 31st March, 2015		Cr.	
Particulars	₹	Particulars	₹	Particulars	
To General Reserve A/c	49,775	By Profit & Loss A/c	5,00,000		
To Interest on Capital:		Less : Interest on Loan	<u>2,250</u>		4,97,750
Shankar's Current A/c	25,000	By Interest on Drawings			
Manu's Current A/c	<u>40,000</u>	Shankar's Current A/c	1,800		
To Profit transferred to :		Manu's Current A/c	<u>1,800</u>		3,600
Shankar's Current A/c	2,31,945				
Manu's Current A/c	1,54,630				
	3,86,575				
	<u>5,01,350</u>				<u>5,01,350</u>

PARTNERS' CAPITAL ACCOUNTS

Dr.				Cr.			
Date	Particulars	Shankar	Manu	Date	Particulars	Shankar	Manu
2015		₹	₹	2014		₹	₹
Mar. 31	To Bal. c/d	4,00,000	4,00,000	Apr. 1	By Bal. b/d	2,00,000	4,00,000
				2015			
				Jan. 1	By Bank A/c	2,00,000	
		<u>4,00,000</u>	<u>4,00,000</u>			<u>4,00,000</u>	<u>4,00,000</u>

PARTNERS' CURRENT ACCOUNTS							
Dr.				Cr.			
Date	Particulars	Shankar	Manu	Date	Particulars	Shankar	Manu
2015		₹	₹	2014		₹	₹
Mar. 31	To Drawings	24,000	24,000	Apr. 1	By Balance b/d	50,000	1,00,000
Mar. 31	To Interest on Drawings	1,800	1,800	2015			
Mar. 31	To Bal. c/d	2,81,145	2,68,830	Mar. 31	By Interest on Capital	25,000	40,000
					By Profit & Loss Appropriation A/c	2,31,945	1,54,630
		<u>3,06,945</u>	<u>2,94,630</u>			<u>3,06,945</u>	<u>2,94,630</u>

MANU'S LOAN'S ACCOUNT					
Dr.			Cr.		
Date	Particulars	₹	Date	Particulars	₹
2015			2015		

Mar. 31	To Balance c/d	1,52,250	Jan. 1	By Bank A/c	1,50,000
			Mar. 31	By Interest on Loan A/c	2,250
		1,52,250			1,52,250

Working Note:

Interest on Drawings:

Since drawings are made at the beginning of each quarter, interest will be charged for 7.5 months: $24,000 \times 12/100 \times 7.5/12 = ₹1,800$

Interest on Loan will be allowed @6% p.a.

SOLUTION: 70.

Following values were considered by Ram, Mohan and Rakhi while preparing the new Partnership Deed:

- Sensitivity towards differently abled people.
- Development of naxal affected areas by providing entrepreneurial opportunities.
- Upliftment of girls belonging to Scheduled Castes and Scheduled Tribes by providing employment.
- Fulfilment of social responsibility.

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2012 Cr.

Particulars	₹	Particulars	₹
To Prime Minister's Relief Fund	1,00,000		
To National Blind Relief Fund	50,000	By Profit and Loss A/c (Trading Profit)	10,00,000
To Net Profit transferred to :			
Ram' Capital A/c	2,83,334		
Mohan's Capital A/c	2,83,333		
Rakhi Capital A/c	2,83,333		
	8,50,000		
	10,00,000		10,00,000

SOLUTION : 71.

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2016 Cr.

Particulars	₹	Particulars	₹
To Interest on Capital:		By Profit & Loss A/c	3,50,000
D	50,000	By Interest on Drawings :	
E	70,000	D	4,400
F	80,000	E	4,500
	2,00,000		8,900
To Salary to F	1,20,000		
To Profit transferred to			

Capital A/cs :				
D 5/20	9,725			
E 7/20	13,615			
F 8/20	15,560	38,900		
		3,58,900		3,58,900

SOLUTION : 72.

PROFIT AND LOSS APPROPRIATION ACCOUNT

Dr.		for the year ended 31st March, 2016		Cr.	
Particulars	₹		Particulars	₹	
To Salary :			By Profit & Loss A/c (Profit for the year)	1,50,000	
Simmi	12,000		By Interest on Drawings		
Sonu	9,000	21,000	Simmi	600	
To Interest on Capitals :			Sonu	450	1,050
Simmi	1,500				
Sonu	3,000	4,500			
To Profit transferred to Current Accounts:					
Simmi	94,163				
Sonu	31,387	1,25,550			
		1,51,050			1,51,050

Dr.		PARTNER'S CURRENT ACCOUNT				Cr.	
Date	Particulars	Simmi	Sonu	Date	Particulars	Simmi	Sonu
2016 March 31	To Drawings	₹ 20,000	₹ 15,000	2015 April 1	By Balance b/d	₹ 30,000	₹ 15,000
March 31	To Interest on Drawings	600	450	2016 March 31	By Salary	12,000	9,000
March 31	To Balance c/d	1,17,063	42,937	March 31	By Interest on Capital	1,500	3,000
				March 31	By Profit & Loss Appropriation A/c	94,163	31,387
		1,37,663	58,387			1,37,663	58,387

SOLUTION : 73.**PROFIT AND LOSS APPROPRIATION ACCOUNT**

Dr.				for the year ending on March 31, 2016				Cr.			
Particulars				₹		Particulars				₹	
To Salary to Pappu (2,500 x 12)				30,000		By Profit & Loss A/c (Profit for the year)				90,575	
To Commission to Munna				10,000							
To Interest on Capital :						By Interest on Drawings					
Pappu		10,000				Pappu		1,250			
Munna		7,500		17,500		Munna		425		1,675	
To Profit transferred to :											
Pappu's Current A/c				20,850							
Munna's Current A/c				13,900							
				34,750							
				92,250						92,250	

SOLUTION : 74.

	A ₹	B ₹	C ₹
(i) ₹56,000 Ratio 5:3:2	28,000	16,800	11,200
(ii) First ₹1,00,000	50,000	30,000	20,000
Balance ₹1,56,000	52,000	52,000	52,000
Total Profit	1,02,000	82,000	72,000

SOLUTION : 75.**PROFIT AND LOSS APPROPRIATION ACCOUNT**

Dr.			for the year ended 31st March, 2014		Cr.	
Particulars			₹	Particulars	₹	
To Interest on Capital (at 6% p.a.)				By Profit & Loss A/c		
A : on ₹1,00,000 6,000				(Net Profit as per P & L A/c)	2,70,000	
B : on ₹ 1,00,000 6,000						
C : on ₹2,00,000 12,000			24,000			
To Salary (A)			60,000			
To Profit transferred to :						
A's Current A/c 50,000						
B's Current A/c 54,000						
C's Current A/c 82,000			1,86,000			
			2,70,000			2,70,000

JOURNAL ENTRY (For Appropriation of Profit)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	Profit & Loss Appropriation A/c Dr. To A's Current A/c To B's Current A/c To C's Current A/c (Profit transferred to current accounts)		1,86,000	50,000 54,000 82,000

Working Note: Profit after Interest on capital and Salary :

$$₹2,70,000 - ₹24,000 - ₹60,000 = ₹1,86,000$$

	A(₹)	B(₹)	C(₹)
First ₹40,000 in Capital Ratio i.e. 2:3:5	8,000	12,000	20,000
Next ₹80,000 in Capital Ratio i.e. 1:1:2	20,000	20,000	40,000
Remaining ₹66,000 equally	22,000	22,000	22,000
	50,000	54,000	82,000

SOLUTION: 76.

Dr.		CAPITAL ACCOUNTS							Cr.	
Date	Particulars	X	Y	Z	Date	Particulars	X	Y	Z	
2016		₹	₹	₹	2015		₹	₹	₹	
Mar.					April	By Bal. b/d	2,00,000	1,20,000	1,00,000	
31	To Dra-				1					
	wings	8,000	8,000	8,000	2016					
	To Bal.				Mar.					
	c/d	2,62,000	1,98,000	1,62,000	31	By Salary	—	25,000	20,000	
						By Interest on Capital	10,000	6,000	5,000	
						By P&L				
						Appropriation A/c				
						(X = 40,000 + 20,000)	60,000			
						(Y = 35,000 + 20,000)		55,000		
						(Z = 25,000 + 20,000)			45,000	
		2,70,000	2,06,000	1,70,000			2,70,000	2,06,000	1,70,000	

Working Notes :**P & L APPROPRIATION ACCOUNT****Dr. for the year ending on 31st March, 2016 Cr.**

Particulars	₹	Particulars	₹
To Interest on Capital:		By Profit & Loss A/c	
X 10,000		— being profit	1,81,000
Y 6,000			
Z 5,000	21,000		
To Profit transferred to			
First 1,00,000			
X 40% 40,000			
Y 35% 35,000			
Z 25% 25,000	1,00,000		
Balance 60,000 equally			
X 20,000			
Y 20,000			
Z 20,000	60,000		
	1,81,000		1,81,000

SOLUTION : 77.**PROFIT AND LOSS ACCOUNT****Dr. for the year ended 31st March, 2014 Cr.**

Particulars	₹	Particulars	₹
To Manager's Commission (10% of ₹3,00,000)	30,000	By Profit for the year (before Tulsi's salary)	3,00,000
To Net Profit transferred to P & L Appropriation A/c	2,70,000	2,28,000 + 72,000	
	3,00,000		3,00,000

P & L APPROPRIATION ACCOUNT**Dr. for the year ended 31st March, 2014 Cr.**

Particulars	₹	Particulars	₹
To Tulsi's Salary	72,000	By Profit & Loss A/c	2,70,000
To Interest on Capital :			
Tulsi 48,000			
Kabir 36,000	84,000		
To Profit Transferred to Capital A/cs :			
Tulsi 3/5 68,400			
Kabir 2/5 45,600	1,14,000		
	2,70,000		2,70,000

SOLUTION : 78.

A's commission (before charging such commission) = $55,000 \times 10/100 = ₹5,500$

B's commission (after charging A's commission and his own commission)

= $(55,000 - 5,500) \times 10/110 = ₹4,500$

SOLUTION : 79.**P & L APPROPRIATION ACCOUNT**

Dr.				for the year ended 31st March, 2014				Cr.			
Particulars				₹		Particulars				₹	
To Interest on Capital :						By Profit & Loss A/c				40,000	
A		6,800				Less: Manager's					
B		3,800		10,600		Commission					
To Profit transferred:						10% on 40,000				<u>4,000</u>	
A's Current A/c		15,240								36,000	
B's Current A/c		10,160		25,400							
				36,000						36,000	

Dr. CAPITAL ACCOUNTS Cr.

Date	Particulars	A	B	Date	Particulars	A	B
2013		₹	₹	2013		₹	₹
July 1	To Bank	20,000	—	April 1	By Balance b/d	1,00,000	40,000
2014				July 1	By Bank	—	10,000
Mar. 31	To Balance c/d	80,000	50,000				
		1,00,000	50,000			1,00,000	50,000

Dr. CURRENT ACCOUNTS Cr.							
Date	Particulars	A	B	Date	Particulars	A	B
2013		₹	₹	2013		₹	₹
April 1	To Balance b/d	—	3,200	April 1	By Balance b/d	8,420	—
2014				2014			
Mar. 31	To Drawings	12,000	10,000	Mar. 31	By Interest on Capital(1)	6,800	3,800
Mar. 31	To Balance c/d	18,460	760	Mar. 31	By P&L Appropriation A/c	15,240	10,160
		30,460	13,960			30,460	13,960

Working Notes:**Calculation of Interest on Capital:**

From 1.4.2013 to 30.6.2013

$$\text{A } 1,00,000 \times 8/100 \times 3/12 = 2,000$$

$$B \quad 40,000 \times 8/100 \times 3/12 = 800$$

From 1.7.2013 to 31.3.2014

$$A \quad 80,000 \times 8/100 \times 9/12 = 4,800$$

$$B \quad 50,000 \times 8/100 \times 9/12 = 3,000$$

$$6,800 \quad 3,800$$

SOLUTION : 80.

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2014 Cr.

Particulars	₹	Particulars	₹
To Salary to .4 (? 500 x 12)	6,000	By Balance b/d	35,700
To Commission to B	4,000	By Interest on Drawings	
To Interest on Capital		A 225	
A 2,400		B 75	300
B 1,200	3,600		
To Profit transferred to			
A's Current A/c 13,440			
B's Current A/c 8,960	22,400		
	36,000		36,000

Dr. CAPITAL ACCOUNTS Cr.

Date	Particulars	A	B	Date	Particulars	A	B
2014		₹	₹	2013		₹	₹
Mar. 31	To Balance c/d	40,000	20,000	April 1	By Balance b/d	40,000	20,000
		40,000	20,000			40,000	20,000

Dr. CURRENT ACCOUNTS Cr.

Date	Particulars	A	B	Date	Particulars	A	B
2014		₹	₹	2013		₹	₹
Mar. 31	To Drawings	5,000	2,000	April 1	By Balance b/d	16,000	12,000
Mar. 31	To Interest on Drawings	225	75	2014			
Mar. 31	To Balance c/d	32,615	24,085	Mar. 31	By Salary' to A	6,000	—
				Mar. 31	By Commission to B	2,400	4,000
				Mar. 31	By Interest on Capital	13,440	1,200
				Mar. 31	By P&L Appropriation A/c		8,960
		37,840	26,160			37,840	26,160

SOLUTION: 81.

Calculation of Interest on Drawings:

Case (a). In this case interest will be charged for six months because it will be assumed that the drawings were made evenly throughout the year:

$$60,000 \times 8/100 \times 6/12 = ₹2,400$$

Case (b). In this case interest will be charged for 6.5 months as the drawings are made in the beginning of every month:

$$60,000 \times 8/100 \times 6.5/12 = ₹2,600$$

Case (c). In this case interest will be charged for 5.5 months as the drawings are made at the end of every month:

$$60,000 \times 8/100 \times 5.5/12 = ₹2,200$$

Case (d). In this case interest will be charged for 6 months as the drawings are made during i.e., middle of every month.

$$60,000 \times 8/100 \times 6/12 = ₹2,400$$

Case (e).

Date	Amount ₹	Period (Months upto 31st March, 2016)	Products
2015			
June 1	10,000	10	1,00,000
August 31	12,000	7	84,000
November 1	16,000	5	80,000
December 31	13,000	3	39,000
2016			
February 1	9,000	2	18,000
	60,000		3,21,000

$$\begin{aligned} \text{Interest} &= \text{Total of Products} \times 8/100 \times 1/12 \\ &= 3,21,000 \times 8/100 \times 1/12 = ₹2,140 \end{aligned}$$

SOLUTION : 82.

Average Period = (12 months + 3 months)/2 = 7.5 months.

Total Drawings for the year = ₹10,000 x 4 times in a year = ₹40,000

Interest on Drawings = ₹40,000 x 9/100 x 7.5/12 = ₹2,250.

SOLUTION : 83.

Average Period = (9 months + 0 month)/2 = 4.5 months.

Total Drawings for the year = ₹10,000 x 4 = ₹40,000

Interest on Drawings = ₹40,000 x 9/100 x 4.5/12 = ₹1,350.

SOLUTION : 84.

Since date of drawing is not given, it will be assumed that drawings are made during i.e. middle of each quarter.

Average Period = (10.5 months + 1.5 months)/2 = 6 months.

Total Drawings for the year = ₹10,000 x 4 = ₹40,000

Interest on Drawings = ₹40,000 x 9/100 x 6/12 = ₹1,800.

SOLUTION : 85.

Average Period = (6 months + 1 month)/2 = 3.5 months.

Total Drawings = ₹4,000 x 6 months = ₹24,000

Interest on Drawings = ₹24,000 x 9/100 x 3.5/12 = ₹630.

SOLUTION : 86.

Average Period = (5 months + 0 month)/2 = 2.5 months.

Total Drawings = ₹4,000 x 6 months = ₹24,000

Interest on Drawings = ₹24,000 x 9/100 x 2.5/12 = ₹450

SOLUTION : 87.

Since date of drawing is not given, it will be assumed that drawings are made in the middle of each month.

Average Period = (5.5 months + 0.5 month)/2 = 3 months.

Total Drawings = ₹4,000 x 6 months = ₹24,000

Interest on Drawings = ₹24,000 x 9/100 x 3/12 = ₹540

SOLUTION : 88.

P & L APPROPRIATION ACCOUNT

Dr. for the year ending on 31st March. 2014 Cr.

Particulars	₹	Particulars	₹
To Interest on Capital :		By Profit & Loss A/c	24,605
A 3,600		By Interest on Drawings :	
B 1,800		A 140	
C 1,200	6,600	B 165	
To Salary' to A	6,000	C 90	395
To Profit Transferred to			
A 6,200			
B 3,720			
C 2,480	12,400		
	25,000		25,000

(i) When Capital are fixed:

Dr.					Cr				
Date	Particulars	A	B	C	Date	Particulars	A	B	C
2014		₹	₹	₹	2013		₹	₹	₹
Mar. 31	To Balance				April 1	By Balance			
	c/d	60,000	30,000	20,000		b/d	60,000	30,000	20,000

Dr. CURRENT ACCOUNTS					Cr.				
Date	Particulars	A	B	C	Date	Particulars	A	B	C
2013		₹	₹	₹	2014		₹	₹	₹
June 1	To Dra- wings	2,000	2,000	1,000	Mar. 31	By Interest on Capital	3,600	1,800	1,200
Oct. 1	To Dra- wings	1,000	1,500	1,000	Mar. 31	By Salary	6,000		
Dec. 1	To Dra- wings	500	1,000	500	Mar. 31	By P & L Appropriation A/c	6,200	3,720	2,480
2014									
Mar. 31	To Interest on Dra- wings(1)	140	165	90					
Mar. 31	To Bala- nee c/d	12,160	855	1,090					
		15,800	5,520	3,680			15,800	5,520	3,680

(ii) When Capitals are floating :									
Dr.					Cr.				
Date	Particulars	A	B	C	Date	Particulars	A	B	C
2013		₹	₹	₹	2013		₹	₹	₹
June 1	To Dra- wings	2,000	2,000	1,000	April 1	By Balance b/d	60,000	30,000	20,000
Oct. 1	To Dra- wings	1,000	1,500	1,000	2014				
Dec. 1	To Dra- wings	500	1,000	500	Mar. 31	By Interest on Capital	3,600	1,800	1,200
2014					Mar. 31	By Salary	6,000	—	—
Mar. 31	To Interest on Dra- wings	140	165	90	Mar. 31	By P&L Appropriation A/c	6,200	3,720	2,480
Mar. 31	To Bala- nee c/d	72,160	30,855	21,090					
		75,800	35,520	23,680			75,800	35,520	23,680

Working Notes:

(i) Calculation of Interest on Drawings :

A				B				C			
Date	Amount	Period Months	Pro ducts	Date	Amount	Period Months	Pro ducts	Date	Amount	Period Months	Pro ducts
1.6.13	₹ 2,000	10	20,000	1.6.13	₹ 2,000	10	20,000	1.6.13	₹ 1,000	10	10,000
1.10.13	1,000	6	6,000	1.10.13	1,500	6	9,000	1.10.13	1,000	6	6,000
1.12.13	500	4	2,000	1.12.13	1,000	4	4,000	1.12.13	500	4	2,000
			28,000				33,000				18,000

Interest on Drawings:

$$A = 28,000/12 \times 6/100 = ₹140$$

$$B = 33,000/12 \times 6/100 = ₹165$$

$$C = 18,000/12 \times 6/100 = ₹90$$

SOLUTION : 89.

Books of P, Q and R
PROFIT & LOSS APPROPRIATION ACCOUNT

Dr.				Cr.			
Particulars		₹		Particulars		₹	
To Interest on Capitals :				By Profit & Loss A/c			
P	36,000			(Net Profit for the year)		4,96,310	
Q	27,000			By Interest on Drawings :			
R	21,000	84,000		P ₹60,000 x 8/100 x 6.5/12			
To Salary :					= 2,600		
P	48,000			Q ₹90,000 x 8/100 x 5.5/12			
Q	60,000	1,08,000			= 3,300		
To Commission (Note 1)				R ₹70,000 x 8/100 x 6/12			
P	15,650				= 2,800	8,700	
Q	14,160	29,810					
To Profit transferred to (Note 2):							
P's Capital A/c	94,400						
Q's Capital A/c	77,200						
R's Capital A/c	1,11,600	2,83,200					
		5,05,010				5,05,010	

Dr. CAPITAL ACCOUNTS Cr.							
Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Drawings	60,000	90,000	70,000	By Bank	6,00,000	4,50,000	3,50,000
To Interest on				By Int. on			

Drawings	2,600	3,300	2,800	Capital	36,000	27,000	21,000
To Bal. c/d	7,31,450	5,35,060	4,09,800	By Salary	48,000	60,000	—
				By Commi- ssion	15,650	14,160	—
				By P & L App. A/c	94,400	77,200	1,11,600
	7,94,050	6,28,360	4,82,600		7,94,050	6,28,360	4,82,600

Working Notes :

(1) Balance of Profit = ₹4,96,310 + ₹8,700 – ₹84,000 – ₹1,08,000 = ₹3,13,010

Commission to P = 3,13,010 x 5/100 = ₹ 15,650

Remaining Profit = 3,13,010 – 15,650 = ₹2,97,360

Commission to Q = 2,97,360 x 5/105 = ₹ 14,160

(2) Divisible Profit = 2,97,360 – 14,160 = ₹83,200

Upto ₹1,80,000 Equally

2,83,200 – 1,80,000 = 1,03,200 in 1/3:1/6:1/2

P	Q	R
₹	₹	₹
60,000	60,000	60,000
34,400	17,200	51,600
94,400	77,200	1,11,600

SOLUTION : 90.

Case (i) If partnership deed is silent as to the treatment of interest as a charge or appropriation :

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ending on 31st March, 2016			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Interest on Capital :		By Profit & Loss A/c	
X 60,000 x 3/6	30,000	(Profit for the year)	60,000
Y 60,000 x 2/6	20,000		
Z 60,000 x 1/6	10,000		
	60,000		60,000

Note : The available profit is ₹60,000 whereas the interest due on capitals is ₹72,000 (i.e., ₹36,000 + ₹24,000 + ₹12,000). Since the profit is less than the interest, the available profit will be distributed in the ratio of interest i.e., 36,000 : 24,000 : 12,000 or 3 : 2 : 1.

Case (ii) If partnership deed provides for interest even if it involves the firm in loss :

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr.		Cr.	
for the year ending on 31st March, 2016			
Particulars	₹	Particulars	₹
To Interest on Capital:		By Profit & Loss A/c (Profit for the year)	60,000
X 36,000		By Loss Transferred to :	
Y 24,000		X 5/10 6,000	
Z 12,000	72,000	Y 3/10 3,600	
		Z 2/10 2,400	12,000
	72,000		72,000

Adjustments in the Closed Accounts

SOLUTION : 91.

TABLE SHOWING ADJUSTMENT

Particulars	Raja	Roopa	Mala	Total
	₹	₹	₹	₹
Interest already credited @ 6%	72,000	54,000	36,000	1,62,000
Interest that should have been credited @ 5%	60,000	45,000	30,000	1,35,000
Partner's excess credited with	12,000	9,000	6,000	27,000
By disallowing this interest, the profits of the firm will be increased by ₹27,000. This profit will be divided equally	9,000	9,000	9,000	27,000
Net effect	(Dr.) 3,000	—	(Cr.) 3,000	—

Adjustment Entry :

Date	Particulars	L.F.	Dr.(₹)	Cr.(₹)
2016 Mar. 31	Raja's Current A/c To Mala's Current A/c (Adjustment for excess interest on capital allowed to partners)	Dr.	3,000	3,000

SOLUTION : 92.

TABLE SHOWING ADJUSTMENT

Particulars	P	Q	Total
	₹	₹	₹
Interest already credited @ 12%	60,000	96,000	1,56,000
Interest that should have been credited @ 10%	50,000	80,000	1,30,000
Partners Over credited with	10,000	16,000	26,000

By recovering this interest from the partners, the profits of the firm will be increased by ₹26,000. This profit will be divided in the ratio of 7 : 3	18,200	7,800	26,000
Net effect	(Cr.) 8,200	(Dr.) 8,200	—

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	Q's Current A/c Dr. To P's Current A/c (Interest excessive charged, now rectified)		8,200	8,200

SOLUTION : 93.

Case (a)

Particulars	A	B	C	Total
	₹	₹	₹	₹
Interest on Capital already credited @ 8% p.a.	16,000	24,000	32,000	72,000
Division of firm's gain of ₹72,000 in profit sharing ratio	24,000	24,000	24,000	72,000
Net Effect	(Cr.) 8,000	—	(Dr.) 8,000	—

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	C's Current A/c Dr. To A's Current A/c (Interest on capital wrongly credited, now rectified)		8,000	8,000

Case (b)

Particulars	A	B	C	Total
	₹	₹	₹	₹
Interest allowed on capitals @ 8% p.a.	16,000	24,000	32,000	72,000
Division of firm's loss of ₹72,000 in profit sharing ratio	24,000	24,000	24,000	72,000
Net Effect	(Dr.) 8,000	—	(Cr.) 8,000	—

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	A's Current A/c Dr. To C's Current A/c (Adjustment for omission of interest on Capitals)		8,000	8,000

Case (c)

Particulars	A	B	c	Total
	₹	₹	₹	₹
Interest already credited @ 8%	16,000	24,000	32,000	72,000
Interest that should have been credited 10%	20,000	30,000	40,000	90,000
Partners less credited with	4,000	6,000	8,000	18,000
By allowing this interest, the profits of the firm will be reduced by ₹18,000. This loss will be divided in profit sharing ratio i.e., equally	6,000	6,000	6,000	
Net Effect	(Dr.)2,000	—	(Cr.)2,000	—

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	A's Current A/c Dr. To C's Current A/c (Interest less charged on capital, now rectified)		2,000	2,000

Case (d)

Particulars	A	B	c	Total
	₹	₹	₹	₹
Interest already credited @ 10%	20,000	30,000	40,000	90,000
Interest that should have been credited 8%	16,000	24,000	32,000	72,000
Partners over credited with	4,000	6,000	8,000	18,000
By recovering this interest from the partners, the profits of the firm will be increased by ₹18,000. This will be divided in profit sharing ratio i.e., equally	6,000	6,000	6,000	18,000
Net Effect	(Cr.)2,000	—	(Dr.)2,000	—

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	C's Current A/c Dr. To A's Current A/c (Interest excessive charged on capital now rectified)		2,000	2,000

SOLUTION : 94.**Calculation of Opening Capitals :**

Particulars	E	F	G
	₹	₹	₹
Capitals on 31.3.2016	2,95,000	3,30,000	3,35,000
Less : Share of Profit (which has already been credited)	90,000	60,000	30,000

	2,05,000	2,70,000	3,05,000
Add: Drawings (which were previously deducted Capitals on 1.4.2015)	40,000	40,000	40,000
	2,45,000	3,10,000	3,45,000

Particulars	E	F	G	Total
	₹	₹	₹	₹
Interest allowed on opening capitals @ 12%	29,400	37,200	41,400	1,08,000
Division of firm's loss of ₹1,08,000 in 3 : 2 : 1	54,000	36,000	18,000	1,08,000
	(Dr.)	(Cr.)	(Cr.)	—
	24,600	1,200	23,400	

Adjustment Entry :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 31	E's Capital A/c Dr. To F's Capital A/c To G's Capital A/c (Adjustment for omission of interest on capitals)		24,600	1,200 23,400

SOLUTION : 95.

Particulars	A (₹)	B(₹)
Closing Capitals	6,40,000	4,60,000
Less : Share of Profit	2,00,000	2,00,000
	4,40,000	2,60,000
Add: Drawings	1,20,000	1,40,000
Opening Capitals	5,60,000	4,00,000

Interest on Capitals:

$$A = ₹5,60,000 \times 12/100 = ₹67,200$$

$$B = ₹4,00,000 \times 12/100 = ₹48,000$$

SOLUTION : 96.

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Param's Current A/c Dr. Priya's Current A/c Dr. To Prem's Current A/c (Change in the profit sharing ratio incorporated retrospectively)		1,55,000 1,55,000	3,10,000

Working Notes : Total Profit = 2,00,000 + 3,50,000 + 4,75,000 + 5,25,000 = ₹15,50,000

TABLE SHOWING ADJUSTMENTS

Particulars	Prem	Param	Priya	Total
	₹	₹	₹	₹
Profits already distributed (Dr.) (in the ratio of 2 : 3 : 5)	3,10,000	4,65,000	7,75,000	15,50,000
Profits to be distributed (Cr.) (in the ratio of 2 : 1 : 2)	6,20,000	3,10,000	6,20,000	15,50,000
Net effect	(Cr.) 3,10,000	(Dr.) 1,55,000	(Dr.) 1,55,000	

SOLUTION : 97. (HOTS)

STATEMENT OF ADJUSTMENTS

Particulars	Alex	John	Sam
	₹	₹	₹
1. Amount which should have been credited :			
Salary		12,000	
Interest on Capital	10,000	8,000	6,000
Profit (₹75,000 – ₹12,000 – ₹24,000 + ₹300 for interest on drawings = ₹39,300) in 5 : 4 : 3	16,375	13,100	9,825
Cr.	26,375	33,100	15,825
2. Amount which should have been debited :			
Interest on Drawings	100	100	100
Profit already distributed equally	25,000	25,000	25,000
Dr.	25,100	25,100	25,100
Net Effect	(Cr.) 1,275	(Cr.) 8,000	(Dr.) 9,275

ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sam's Capital A/c Dr.		9,275	
	To Alex's Capital A/c			1,275
	To John's Capital A/c			8,000
	(Adjustment for salary, interest on capital, interest on drawing and wrong distribution of profit)			

SOLUTION : 98.**STATEMENT OF ADJUSTMENTS**

Particulars	A	B	C	Total
	₹	₹	₹	₹
Salary to C (Cr.)			60,000	60,000
Commission to A (Cr.)	80,000			80,000
Interest on Capital (Cr.)	30,000	15,000	15,000	60,000
Profit remaining after allowing salary, commission and interest on Capital will be ₹3,00,000 – ₹60,000 – ₹80,000 – ₹60,000 = ₹1,00,000. It will be divided in their profit sharing ratio i.e. 2:1:1.	50,000	25,000	25,000	1,00,000
Net amount which should have been received (Cr.)	1,60,000	40,000	1,00,000	3,00,000
Less : Profit already distributed equally (Dr.)	1,00,000	1,00,000	1,00,000	3,00,000
	(Cr.) 60,000	(Dr.) 60,000	—	—

ADJUSTMENT JOURNAL ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2017 March 31	B's Capital A/c Dr. To A's Capital A/c (Adjustment for salary, commission, interest on capital and wrong distribution of profit)		60,000	60,000

Guarantee of Profit to a Partner**SOLUTION : 99.****JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	Profit & Loss A/c To Profit & Loss Appropriation A/c Dr. (Transfer of profits)		39,500	39,500
March 31	Profit & Loss Appropriation A/c Dr. To X's Capital A/c To y's Capital A/c To Z's Capital A/c (Profits distributed as per working note)		39,500	16,857 12,643 10,000

Working Note:

Distribution of Profit:

$$X 39,500 \times 16/35 = ₹18,057$$

$$Y 39,500 \times 12/35 = ₹13,543$$

$$Z 39,500 \times 7/35 = ₹7,900$$

Z's share in profits amounts to ₹7,900 whereas the minimum guaranteed amount is ₹10,000.

Hence, the deficiency will be borne by X and Y in the ratio of 16 : 12.

$$X's \text{ share} = 2,100 \times 16/28 = ₹1,200$$

$$Y's \text{ share} = 2,100 \times 12/28 = ₹900$$

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2014 Cr.

Particulars	₹	Particulars	₹
To X's Capital A/c	18,057	By Profit & Loss A/c	
Less : Transferred to Z	1,200	- being profit	39,500
To Y's Capital A/c	13,543		
Less : Transferred to Z	900		
To Z's Capital A/c	7,900		
Add : From X	1,200		
From Y	900		
	39,500		39,500

SOLUTION : 100.**JOURNAL**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 31	Profit & Loss A/c Dr.		25,000	
	To Profit & Loss Appropriation A/c (Transfer of profits)			25,000
	Profit & Loss Appropriation A/c Dr.		25,000	
	To A's Capital A/c			10,000
	To B's Capital A/c			6,000
	To C's Capital A/c (Profits distributed as per working note)			

Working Note:

Distribution of Profit:

$$A \ 25,000 \times 2/5 = ₹10,000$$

$$B \ 25,000 \times 2/5 = ₹10,000$$

$$C \ 25,000 \times \frac{1}{5} = ₹5,000$$

C's share in profits amounts to ₹5,000 whereas the minimum guaranteed amount is ₹6,000. Hence, the deficiency will be borne by A.

PROFIT & LOSS APPROPRIATION ACCOUNT

for the year ended 31st March, 2014				Cr.
Particulars		₹	Particulars	₹
To A' s Capital A/c	10,000		By Profit & Loss A/c - being	25,000
Less : Transferred to C	1,000	9,000	profit	
To B's Capital A/c		10,000		
To C's Capital A/c	5,000			
Add: From A	1,000	6,000		
		25,000		25,000

SOLUTION : 101.

Profit of ₹1,40,000 divided in the ratio of 5 : 4 : 1

$$A's \text{ Share} : 1,40,000 \times \frac{5}{10} = ₹70,000$$

$$B's \text{ Share} : 1,40,000 \times \frac{4}{10} = ₹56,000$$

$$C's \text{ Share} : 1,40,000 \times \frac{1}{10} = ₹14,000$$

C's share in profits amounts to ₹14,000 whereas the minimum guaranteed amount is ₹20,000. Hence, the deficiency of ₹6,000 will be borne by A and B in the ratio of 3 : 2. The adjustment entry will be:

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 March 31	A's Capital A/c Dr.		3,600	
	B's Capital A/c Dr.		2,400	
	To C's Capital A/c			6,000
	(Deficiency of C met by A and B in the ratio of 3 : 2)			

SOLUTION : 102.

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. for the year ended Cr.

Particulars	₹	Particulars	₹
Tory's Capital A/c		By Profit & Loss A/c	3,22,000
2/3 of 2,70,000	1,80,000		
Less : Given to Z	12,400		
	<u>1,67,600</u>		
To P's Capital A/c 1/3 of 2,70,000	90,000		
To Z's Capital A/c	64,400		
	3,22,000		3,22,000

	₹
Profit before Z's Salary and Commission	3,22,000
Less: Salary	25,000
	2,97,000
Less : Z's Commission 10/110 of 2,97,000	27,000
	2,70,000
Thus Z as a manager will receive :	₹
Salary ₹25,000 + Commission ₹27,000	52,000
Z as a partner will receive : 3,22,000 x 1/5	64,400
	12,400
Excess received by Z as a partner This excess amount of ₹ 12,400 will be deducted from A's share.	

SOLUTION : 103.

PROFIT & LOSS APPROPRIATION ACCOUNT

Dr. for the year ended 31st March, 2014

Cr.

Particulars	₹	Particulars	₹
To X's Capital A/c 2/3 of 1,22,400		By Profit & Loss A/c 1,28,520	
Less : Given to Z 81,600		Add: Z's Salary 21,480	1,50,000
2,400	79,200		
To Y's Capital A/c 1/3 of 1,22,400	40,800		
To Z's Capital A/c	30,000		
	1,50,000		1,50,000

	₹
Profit before Z's Salary and Commission	1,50,000
Less: Z's Salary	21,480
	1,28,520
Less : Z's Commission 5/105 of 1,28,520	6,120
	1,22,400
Thus Z as a manager will receive :	₹
Salary ₹21,480 + Commission ₹6,120	27,600
Z as a partner will receive : 1,50,000 x 1/5	30,000
	2,400
Excess received by Z as a partner This excess amount of ₹2,400 will be deducted from X's share.	

SOLUTION : 104.**PROFIT & LOSS APPROPRIATION ACCOUNT****Dr. for the year ended 31st March. 2013****Cr.**

Particulars	₹	Particulars	₹
To Pranshu's Capital A/c (75,000 x 3/5) 45,000		By Profit & Loss A/c (Profit for the year)	90,000
Less : Transferred to Anshu <u>15,000</u>	30,000		
To Himanshu's Capital A/c (75,000 x 2/5)	30,000		
To Anshu's Capital A/c (90,000 x 1/6) 15,000			
Add: Received from Pranshu <u>15,000</u>	30,000		
	90,000		90,000

Working Note:Anshu's share of profit = $90,000 \times \frac{1}{6}$ = ₹15,000Remaining profit = $90,000 - 15,000$ = ₹75,000Pranshu's share = $75,000 \times \frac{3}{5}$ = ₹45,000Himanshu's share = $75,000 \times \frac{2}{5}$ = ₹30,000

Since Anshu's share of profit amounts to ₹15,000 whereas minimum guaranteed amount is ₹30,000, deficiency of ₹15,000 will be deducted from Pranshu's share and added to Anshu's share.