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XII ACCOUNTANCY

Assignment 2

Topic: Fundamentals of Partnership (Past Adjustments)

Q1. A, B, C and D are partners in a firm sharing profits equally. Their capital accounts showed the balance on April1, 2017 as Rs. 50,000, Rs. 30,000, Rs. 25,000 and Rs. 15,000 respectively. After closing the accounts it was discovered that interest on capital @ 10% pa was omitted. Profits made during the year Rs. 60,000 were distributed without taking the interest on capital into consideration. Pass the adjustment entry in the following cases:

a) If partners' capital accounts are fluctuating.
b) If partners' capital accounts are fixed.
c) If partners' capital accounts are fluctuating and the profit of Rs. 60,000 was distributed in the ratio of partners' capitals.

Q2. Mudit and Uday are partners in a firm sharing profits in the ratio of 2:3. Their capital accounts showed the balance on April1, 2017 as Rs. 70,000 and Rs. 60,000 respectively.

The drawings of Mudit and Uday during the year 2017-18 were Rs. 16,000 and Rs. 12,000 respectively. Both the amounts were withdrawn on 1 Jan,2018. It was subsequently found that the following items were omitted while preparing the final accounts of the year 2017-18:

a) Interest on capital @ 6% pa.
b) Interest on drawings @ 6% pa.
c) Mudit was entitled to a commission of Rs. 4,000 for the whole year.

Showing your workings clearly pass a rectifying entry in the books of the firm.

Q3. Ram, Sham and Mohan are partners in a firm sharing profits and losses in the ratio of 2:1:2. Their fixed capitals were Rs. 3,00,000, Rs. 1,00,000 and Rs. 2,00,000 respectively. Interest on capital for the year ended 31st March, 2018 was credited to them @ 9% pa instead of 10% pa. The profit for the year before charging interest was Rs. 2,50,000.

a) Pass necessary adjustment entry.
b) Pass necessary adjustment entry if Interest on capital was credited to them @ 10% pa instead of 9% pa.
c) Do part 'a' by opening P and L Adjustment Account.

Q4. A, B and C were partners. Their capitals were Rs. 3,00,000, Rs. 2,00,000 and Rs. 1,00,000 respectively on 1st April, 2017. According to the partnership deed they were entitled to an interest on capital at 5% pa. In addition, B was also entitled to draw a salary of Rs. 5,000 per month. C was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to B. The net profits for the year ended 31st March, 2018 were Rs. 3,00,000, distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio of 2:2:1.
Pass the necessary adjustment entry showing the workings clearly.

Q5. A, B and C were partners. Their fixed capitals on which interest was calculated were Rs. 1,00,000, Rs. 80,000 and Rs. 60,000 respectively. There was no provision of interest on capital in the partnership deed. After closing the books for the years ended 31st March,2017 and 2018, it was discovered that interest has been allowed to the partners@ 6% pa. The profits were to be shared in the following ratios for the two years ending:

31st March, 2017 3:2:1

31st March, 2018 5:3:2

Pass the necessary adjustment entry showing the workings clearly.

Q6.Himanshu and Vikrant were partners in affirm sharing profits equally. Their Balance Sheet as at March 31, 2018 is as follows:

BALANCE SHEET as at31.3.18

Liabilities		Amount RS.	Assets	Amount Rs.
Capitals:			Fixed assets	3,60,000
Himanshu	2,00,000		Current assets	40,000
Vikrant	1,40,000	3,40,000		
Creditors		60,000		
		4,00,000		4,00,000

Durimg the year 2107-18, Himanshu's drawings were Rs. 30,000 and Vikram's drawings were Rs. 40,000. During the year 2017-18, the firm earned profit of Rs. 1,00,000. While distributing profits for the year 2017-18, interest on capital @ 5% pa and Interest on drawings @ 12% pa were ignored.
Pass necessary rectifying entry and show your workings clearly.

Q7.X,Y and Z are equal partners with a provision of interest on capital @ 12% pa. Their capitals on 31st March, 2018 was Rs. 3,00,000, Rs. 11,00,000 and Rs. 22,00,000 respectively. The profits of Rs. 6,00,000 for the year 2017-18 were distributed in the ratio of 4:1:1 after allowing interest on capital @ 10 % pa. During the year, each partner withdrew Rs.1,00,000 per month in the beginning of each month.
Pass necessary rectifying entry and show your workings clearly.

Q8. A and B are partners in a firm sharing profits in the ratio of 7:3. Their capital contributions are Rs. 3,60,000 and Rs. 1,80,000 respectively.After allocation of profits of the year 2017-18 of Rs. 86,000 the following items were found to be ignored:

a) **Outsatnding salary of Manager Rs. 8,000.**
b) **Accrued interest on investment Rs. 6,000.**

Showing your workings clearly pass a rectifying entry in the books of the firm.

Q9. X,Y and Z are partners without a partnership deed. Their capitals contributions were Rs. 3,00,000 each. Y also advanced a loan of Rs. 7,00,000 on 1.10.2017. After the accounts were closed it was noticed that the profits of Rs. 6,00,000 for the year 2017-18 were distributed in the ratio of 3:2:1 and interest on Y's loan has also not been provided.

Pass necessary rectifying entry and show your workings clearly.

Q10. A:B:C = 3:1:1. Fixed capital of Rs. 2,00,000, Rs. 1,60,000 and Rs. 1,20,000 respectively. Deed provides the following:

a) **Interest on capital @ 5% pa.**
b) **Salary A Rs. 1,500 pm and B Rs. 1,000 pm.**
c) **Transfer of profit to General Reserve Rs. 10,000.**

Net profits for the year ended 31st March, 2018 distributed among the partners were Rs. 1,00,000.

Pass necessary adjustment entry and show your workings clearly.

Q11. A, B and C, the partners of a firm distributed the profits of the year ending 31st march, 2018, Rs. 90,000 in the ratio of 3:2:1 without providing for the following adjustments:

a) **A and B were entitled to a salary of Rs. 1,500 per annum.**
b) **B was entitled to a commission of Rs. 4,500.**
c) **B and C had guaranteed a minimum profit of Rs. 35,000 pa to A.**
d) **Profits were to be shared in the ratio of 3:3:2.**

Pass necessary adjustment entry and show your workings clearly.