Accounting for Partnership: Basic Concepts

Standard difficulty · 20 questions · 40 marks · Time: 39 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. The maximum number of partners in a partnership firm (under the Companies Rules) is:
   (a) 10 **(b)** 100 **(c)** 20 **(d)** 50

2. If the partnership deed is silent, what is the rule for interest on capital?
   (a) no interest is allowed
   (b) only with the consent of all the existing partners
   (c) interest at 12% per annum
   (d) in the ratio of capitals

3. What is meant by “unlimited liability”?
   (a) all adjustments are made in the capital accounts, so their balances keep changing
   (b) a charge on the amounts partners withdraw, credited to the appropriation account
   (c) the relation between persons who agree to share the profits of a business carried on by all or any of them acting for all
   (d) partners’ private assets can be used to pay the firm’s debts

4. Rohan has a capital of ₹3,30,000 in a firm. The deed allows interest on capital at 5% per annum. What is the interest on capital for the year?
   (a) ₹16,500 **(b)** ₹8,250 **(c)** ₹19,800 **(d)** ₹1,65,000

5. Kabir withdrew ₹7,000 at the middle of every month for a year. Interest on drawings is 8% per annum. What is the interest on drawings?
   (a) ₹6,720 **(b)** ₹3,360 **(c)** ₹3,640 **(d)** ₹3,080

6. A firm’s net profit before charging commission is ₹12,600. Manager-partner Rahul gets a commission of 20% of the net profit after charging such commission. What is the commission?
   (a) ₹2,100 **(b)** ₹4,200 **(c)** ₹2,520 **(d)** ₹3,150

7. Meera and Isha share profits 3 : 4. Their capitals are ₹2,40,000 and ₹60,000, with interest on capital at 12% per annum. Meera gets a salary of ₹36,000 a year, and interest on drawings is ₹2,800 for Meera and ₹3,400 for Isha. The net profit is ₹1,84,800. What is Isha’s share of the divisible profit?
   (a) ₹75,200 **(b)** ₹1,05,600 **(c)** ₹51,000 **(d)** ₹68,000

8. Under the fluctuating capital method, which of these is DEBITED to a partner’s capital account?
   (a) goods taken by the partner for personal use
   (b) salary to the partner
   (c) additional capital introduced
   (d) the partner’s share of profit

Section B — Short answer — 8 × 2 = 16 marks

9. Define partnership.

10. Explain each term: (a) mutual agency (b) unlimited liability

11. On 1 April, Asha's capital was ₹2,30,000. Asha brought in additional capital of ₹48,000 on 1 May. Interest on capital is 6% per annum, and the books close on 31 March. Find the interest on capital for the year.

12. Rahul withdrew ₹39,000 evenly during the year. Interest on drawings is 12% per annum. Find the interest on drawings.

13. Rohan withdrew ₹4,800 on 1 November, ₹10,800 on 1 December, ₹6,000 on 1 February. Interest on drawings is 12% per annum, and the books close on 31 March. Find the interest on drawings.

14. A firm's net profit before charging commission is ₹35,000. Find Rohan's commission at 25% of (a) the net profit before charging the commission (b) the net profit after charging the commission.

15. Rahul, Ananya and Priya share profits 3 : 2 : 2. Priya is guaranteed a minimum profit of ₹43,000, and any deficiency is borne by Rahul and Ananya in their profit-sharing ratio. The profit is ₹63,000. Find the profit finally credited to (a) Rahul (b) Ananya (c) Priya.

16. Ananya's capital on 1 April was ₹3,50,000 (fluctuating method). During the year: interest on capital 12%, salary ₹60,000, share of profit ₹54,000, drawings ₹35,000 and interest on drawings ₹3,000. Find the closing balance of Ananya's capital account.

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the main features of a partnership.

18. Zoya and Rahul share profits 3 : 1. Capitals: Zoya ₹2,30,000, Rahul ₹2,20,000. Interest on capital is 5% per annum, Zoya gets a salary of ₹12,000 a year, and interest on drawings is ₹1,400 for Zoya and ₹3,400 for Rahul. The net profit for the year is ₹1,45,700. Prepare the Profit and Loss Appropriation Account.

19. Ananya, Vikram and Arjun share profits 4 : 3 : 1. Their capitals were Ananya ₹60,000, Vikram ₹70,000, Arjun ₹1,00,000. After the accounts were closed, it was found that interest on capital at 10% per annum had been omitted. Pass one adjusting journal entry, showing your working.

20. Vikram, Zoya and Ananya are partners sharing profits 2 : 3 : 5. Ananya is guaranteed at least ₹30,000 a year; any deficiency is to be met by Vikram and Zoya in their ratio. The net profit for the year is ₹40,000. (a) What is Ananya's deficiency? (b) How much does each of Vikram and Zoya bear? (c) What is each partner's final share of profit?

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Answer key

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Q	Answer	Working
1	**(d) 50**	—
2	**(a) no interest is allowed**	—
3	**(d) partners' private assets can be used to pay the firm's debts**	—
4	**(a) ₹16,500**	₹3,30,000 × 5/100
5	**(b) ₹3,360**	₹84,000 × 8/100 × 6/12
6	**(a) ₹2,100**	₹12,600 × 20/120
7	**(d) ₹68,000**	₹1,84,800 − ₹36,000 − ₹36,000 + ₹6,200 = ₹1,19,000; × 4/7
8	**(a) goods taken by the partner for personal use**	—
9	**The relation between persons who agree to share the profits of a business carried on by all or any of them acting for all.**	—
10	**(a) every partner is both an agent and a principal of the firm (b) partners' private assets can be used to pay the firm's debts**	—
11	**₹16,440**	₹2,30,000 × 6/100 = ₹13,800; ₹48,000 × 6/100 × 11/12 = ₹2,640
12	**₹2,340**	charged for 6 months on average: ₹39,000 × 12/100 × 6/12
13	**₹792**	₹4,800 × 12/100 × 5/12 = ₹240; ₹10,800 × 12/100 × 4/12 = ₹432; ₹6,000 × 12/100 × 2/12 = ₹120
14	**(a) ₹8,750; (b) ₹7,000**	(a) ₹35,000 × 25/100 (b) ₹35,000 × 25/125
15	**(a) ₹12,000; (b) ₹8,000; (c) ₹43,000**	Priya's share ₹18,000; deficiency ₹25,000 borne 3 : 2
16	**₹4,68,000**	₹3,50,000 + ₹42,000 + ₹60,000 + ₹54,000 − ₹35,000 − ₹3,000
17	**Two or more persons, an agreement, a lawful business, sharing of profits, mutual agency and unlimited liability of partners.**	—
18	**Dr. side: Interest on capital — Zoya ₹11,500, Rahul ₹11,000; Salary to Zoya ₹12,000; Profit transferred — Zoya ₹87,000, Rahul ₹29,000; total ₹1,50,500 Cr. side: Net profit ₹1,45,700; Interest on drawings — Zoya ₹1,400, Rahul ₹3,400; total ₹1,50,500**	divisible profit = ₹1,45,700 + ₹4,800 − ₹22,500 − ₹12,000 = ₹1,16,000, shared 3 : 1
19	**Ananya's Capital A/c Dr. ₹5,500 Vikram's Capital A/c Dr. ₹1,625**	interest due: Ananya ₹6,000, Vikram ₹7,000, Arjun ₹10,000 (total ₹23,000); charged back in 4 : 3 : 1: Ananya ₹11,500, Vikram ₹8,625,

Q	Answer	Working
	To Arjun’s Capital A/c ₹7,125	Arjun ₹2,875; net: Ananya −₹5,500, Vikram −₹1,625, Arjun +₹7,125
20	**(a) ₹10,000 (b) Vikram ₹4,000, Zoya ₹6,000 (c) Vikram ₹4,000, Zoya ₹6,000, Ananya ₹30,000**	₹40,000 shared 2 : 3 : 5: Vikram ₹8,000, Zoya ₹12,000, Ananya ₹20,000