CBSE Class 12 Accountancy
Important Questions
Chapter 1

1: Radha and Raman are partners in a firm sharing profits and losses in the ratio of 5:2. Capital contributed by them is Rs. 50,000 and Rs. 20,000 respectively. Radha was given salary of Rs. 10,000 and Raman Rs. 7,000 per annum. Radha advanced loan of Rs. 20,000 to firm without any agreement to rate of interest in deed while in deed rate of interest on capital was mentioned as 6% p.a. Profits for the year are Rs. 29,400. Prepare Profit and Loss Appropriation Account for the year ending 31st March 2015.

Solution:

Profit and Loss Appropriation account

For the year ending on 31.03.2015

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Interest on Capital: Radha 3,000 Raman 1,200	4,200	By Profit and Loss A/c (Net Profits)29,400 Less: Interest On Radha's loan 1,200	28,200
To Partner's Salary Radha 10,000 Raman 7,000	17,000		
To Profits transferred to capital A/cs of: Radha 5,000 Raman 2,000	7,000		
	28,200		28,200

When appropriation are more than available profits

In such case available profits are distributed in the ratio of appropriation.

2: Ram & Sham are partners sharing profits & losses in ratio of 3:2. Ram being non-working partner contributes Rs. 20,00,000 as his capital & Shyam being a working parties, gets a salary of Rs. 8000 per month. As per partnership deed interest is paid @ 8% p.a. & salary is allowed. Profits before providing that for year ending 31st March 2015 were Rs. 80,000. Show the distribution of profits.

Solution:

Profit & Loss Appropriation Account for the year ended 31.3.15

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Ram's Capital A/c (Interest) To Shyam's Capital A/c (Salary)	50,000 30,000	By Profit & Loss A/c (Net Profits)	80,000
	80,000		80,000

working Notes: Interest on capital = $20,00,000 \times \frac{8}{100}$ = Rs. 1,60,000

Salary = 8000×12 =Rs. 96,000

Total 2,56,000

Ratio of Interest & Salary = 1,600,000 : 96,000 = 5 : 3

Profits share given to Ram $\frac{5}{8} \times 80,000$ = Rs. 50,000

Shyam = $\frac{3}{8} \times 80,000$ = Rs. 30,000

3: Amit and Sumit commenced business as partners on 01.04.2014. Amit contributed Rs. 40,000 and Sumit Rs. 25, 000 as their share of capital. The partners decided to share their profits in the ratio of 2:1. Amit was entitled to salary of Rs. 6,000 p.a. Interest on capital was to be provided @ 6% p.a. The drawings of Rs. 4, 000 was made by Amit and Rs. 8,000 was made by Sumit. The profits after providing salary and interest on capital for the year ended 31st March, 2015 were Rs. 12,000.

Draw up the capital accounts of the partners

1. When capitals are fluctuating

2. When capitals are Fixed

Solution:

1. When capitals are fluctuating

Capital Accounts of Amit and Sumit

Dr. Cr.

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)
To Drawing A/c To Balance c/d	4,000 52,400	8,000 22,500	By Balance A/c (Capital) By Salary A/c By Interest on capital A/c By Profit and Loss Appropriation A/c	40,000 6,000 2,400 8,000	25,000 1,500 4,000
	56,400	30,500		56,400	30,500

When capital are Fixed Capital accounts

Dr. Cr.

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)

To Balance c/d	40,000	25,000	By Balance A/c (Capital)	40,000	25,000
	40,000	25,000		40,000	25,000

Current Accounts

Dr. Cr.

Particulars	Amit (Rs.)	Sumit (Rs.)	Particulars	Amit (Rs.)	Sumit (Rs.)
To Drawing A/c To Balance c/d	4,000 12,400	8,000 -	By Salary A/c By Interest on capital A/c By Profit and Loss Appropriation A/c To Balance c/d (Closing Balance)	40,000 2,400 8,000	1,500 4,000 2,500
	16,400	8,000		16,400	8,000

Working Notes: Profits after salary and interest Rs. 12,000

Amit share = $\frac{2}{3}\times 12,000$ = 8,000

Sumit share = $\frac{1}{3}\times 12,000$ = 4,000

Difference between Fixed Capital Account & Fluctuating Capital Account:

Basis	Fixed Capital Account	Fluctuating Capital Account
1. No. of Accounts maintained	Two accounts for each partner Fixed Capital Account & current Account.	Only one account is maintained for each partner, i.e., capital Account.

2. Balance chane	Balance does not change except under specific circumstances (introduction of additional capital and capital withdrawn)	Balance changes frequently from period to period.
3. Adjustments	All adjustments for drawing interest on drawing, interest on capital, salary and profit/loss are made in current account.	All adjustments for drawings, interest on drawing & capital, salary, profit/loss are made in Capital Accounts.
4. Balance	Fixed Capital Account. Capital Account has credit balance always However, current account may have debit or credit balance.	Fluctuating Capital account can have debit or credit balance.

4: X and Y invested Rs. 20,000 & Rs. 10,000. Interest on capital is allowed @ 6% per annum. Profits are shared in ratio of 2 : 3. Profits for year ending 11.3.2015 is Rs. 1,500. Show allocation of profits when partnership deed.

(a) Allows interest on capital & deed is silent on treating interest as charge.

(b) Interest is charge against profit.

Solution:

(a) When partnership deed is silent on treating interest as a charge,

Profit & Loss Appropriation Account for the year ending 31.3.2015

Dr. Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Interest on Capital X 1000	1,500	By Profit & Loss A/c (Net Profits)	1,500

Y 500	1,500		1,500

Working Notes: Interest on X's Capital = $20,000\times\frac{6}{100}$ = 1200

Y's Capital = $10,000\times\frac{6}{100}$ = 600

Total Interest = 1800

Ratio of Interest = 1200 : 600 = 2 : 1

Interest allowed to partner = $Profit\times\frac{Interes\ to\ be\ given to\ partner}{Total\ Interest}$

Interest to X = $1500\times\frac{1200}{1800}$ = Rs. 1000

Interest allowed by y = $1500\times\frac{600}{1800}$ = Rs. 500

(b) Interest is charge on profit – In such case full interest will be given & loss is transferred to partner's capital accounts.

Profit & Loss Appropriation is not prepared in this case instead profit & Loss Account is prepared & deficit is treated as loss.

Profit & Loss Account

For the year ending on 31.3.2015

Dr. Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Interest on Capital	1800	By Profit before Interest By Loss transferred to Capital	1,500 300

X1200 Y 600		A/cs X120 Y 180	
	1800		1800

(a) In case of Sufficient Profits

Profit and Loss Appropriation A/c Dr.

To Interest on Capital A/c

(Being interest on capital transferred to P & L Appropriation A/c

(b) In case of Insufficient Profits or Losses

Profit & Loss/Profit and Loss Adjustment A/c Dr.

To Interest on Capital A/c

(Being interest on capital transferred to P & L Adjustment A/c)

5: A and B are partners in business. Their capitals at the end of year were Rs. 48,000 & Rs. 36,000 respectively. During the year ended March 31st 2015 A's Drawings and B's drawings were Rs. 8, 000 & Rs. 12, 000 respectively. Profits before charging interest on capital during the year were Rs. 32, 000. Calculate Interest on partners' capitals @ 10% p.a.

Solution

Statement showing calculation of opening capitals

Particulars	A(Rs.)	B(Rs.)
Closing Capital	48,000 8000	36,000 12,000

Add: Drawings already credited	56,000	48,000
Less: Profits already credited	16,000	16,000
Opening capitals or capitals in the beginning	40,000	32,000
Interest on Capital @ 10% p.a.	4,000	3,200

For additional capital interest is calculated for period for which capital is utilized e.g. if additional capital is introduced on 1 April in firm where accounts are closed on 31st December.

Interest = $Amount\ introduced \times \frac{Rate}{100} \times \frac{9}{12}$

As money is utilized for 9 months

6: Aarushi and Simran are partners in a firm. During the year ended on 1st March, 2015 Aarushi makes the drawings as under:

Date of Drawing	Amount (Rs.)
01-08-2015 31-12-2014 31-03-2015	5,000 10,000 15,000

Partnership Deed provided that partners are to be charged interest on drawing @ 12% p.a. Calculate the interest chargeable to Aarushi Drawing by using Simple Interest Method and Product Method.

Solution:

1. Simple Interest Method

Date of Drawing	Amount (Rs.)	Months till March 31, 2014	Interest @ 12% pm(Rs.)
01-08-2015 31-12-2014 31-03-2015	5,000 10,000 15,000	08 03 00	400 300 000
			700

Before charging interest on capital the year were Rs. 32,000. Calculate Interest on partners' capitals @ 10% p.a.

Solution:

Statement showing calculation of opening capitals

Particulars	A(Rs.)	B(Rs.)
Closing Capital Add: Drawings already credited Less: Profits already credited Opening capitals or capitals in the beginning Interest on Capital @ 10% p.a.	48,000 8000	36,000 12,000
	56,000 16,000	48,000 16,000
	40,000	32,000
	4,000	3,200

For additional capital interest is calculated for period for which capital is utilized e.g. if additional capital is introduced on 1 April in firm where accounts are closed on 31st December.

Interest = $Amount\,introduced \times \frac{Rate}{100} \times \frac{9}{12}$

As money is utilized for 9 months

2. Product Method

Date of Drawing	Amount of Drawings (Rs.)	Months for which Amount has Withdrawn till December 31, 2014	Product (Rs.)
01-08-2015 31-12-2014 31-03-2015	5,000 10,000 15,000	08 03 00	40,00 30,00 00000
			70,000

Interest on Drawing = $Total\ Product \times \frac{Rate}{100} \times \frac{1}{12}$ (in months)

= $70,000 \times \frac{12}{100} \times \frac{1}{12}$ = Rs. 700

7: Calculate interest on drawings of Mr. X @ 10% p.a. if he withdrawn Rs. 1000 per month (i) in the beginning of each Month (ii) In the middle each of month (iii) at end of each month.

Total Amount with withdrawn = **Rs.** 1000×12 =**12, 000.**

Solution:

(i) Interest on Drawing = $Amount \times \frac{Rate}{100} \times \frac{6.5}{12}$

$12,000 \times \frac{10}{100} \times \frac{6.5}{12}$ = Rs. 650

(ii) Interest on drawing = $Amount \times \frac{Rate}{100} \times \frac{6}{12}$

$12,000 \times \frac{10}{100} \times \frac{6}{12}$ = Rs. 600

(iii) Interest on drawing = $Amount \times \frac{Rate}{100} \times \frac{5.5}{12}$

$$12,000\times\frac{Rate}{100}\times\frac{5.5}{12}$$ = Rs. 550

8: Calculate interest on drawing of Vimal if the withdrew Rs. 48000 Quarter withdrawn evenly (i) at beginning of each Quarter (ii) in the middle of each of at end (iii) Quarter. Rate of interest is 10% p.a.

Solution:

Case I - Drawing made on beginning of each Quarter

Interest on drawing = $Amount\times\frac{Rate}{100}\times\frac{7.5}{12}$

$=48,000\times\frac{10}{100}\times\frac{5.5}{12}$ = Rs. 3,000

Case II - Drawing made in middle of each quarter

Interest on drawing = $Amount\times\frac{Rate}{100}\times\frac{6}{12}$

$=48,000\times\frac{10}{100}\times\frac{6}{12}$ = Rs. 2,400

Case III - Drawing made at end of each quarter

Interest on drawing = $Amount\times\frac{Rate}{100}\times\frac{4.5}{12}$

$=48,000\times\frac{10}{100}\times\frac{4.5}{12}$ = Rs. 1,800

Similarly Interest can be calculated by following formulas Half yearly Drawings for year when

(a) Drawings are made in the beginning of each period (half-year)

Interest on drawing = $Amount \times \frac{Rate}{100} \times \frac{9}{12}$

(b) Drawings are made in the middle of each period (half year)

Interest on drawing = $Amount \times \frac{Rate}{100} \times \frac{6}{12}$

(c) Drawings are made at the end of each period (half year)

Interest on drawing = $Amount \times \frac{Rate}{100} \times \frac{3}{12}$

For monthly drawings for 6 months (Last 6 months)

For monthly drawings for 6 months (Last 6 months)

(a) Drawings are made in the beginning of each month

Interest = $Amount \times \frac{Rate}{100} \times \frac{3.5}{12}$

(b) Drawings are made in the middle of each month

Interest = $Amount \times \frac{Rate}{100} \times \frac{3}{12}$

(c) Drawings are made at the end of each month

Interest = $Amount \times \frac{Rate}{100} \times \frac{2.5}{12}$

9: A and B entered into partnership on 1st April, 2014 without any partnership deed. They introduced capitals of Rs. 5,00,000 and Rs. 3,00,000 respectively. On 31st October, 2014, A advanced Rs. 2,00,000 by way of loan to the firm without any agreement as to interest.

The Profit and Loss Account for the year ended 31-03-2015 showed a profit of Rs. 4,30,000 but the partners could not agree upon the amount of interest on Loan to be charged and the basis of division of profits. Pass a Journal Entry for the distribution of the Profits between the partners and prepare the Capital A/cs of both the partners and Loan A/c of 'A'.

Solution:

Profit and Loss Appropriation Account

For the year ending on 31st March, 2015

Dr. Cr.

Particulars	(Rs.)	Particulars	(Rs.)
To Profits transferred to Capital A/c of : A 2,12,500 B 2,12,500		By Profit and Loss A/c Net Profits 4,30,000 Less : Int. on A's Loan 5,000	1,500
	4,25,000		4,25,000

Partner's Capital A/cs

Dr. Cr.

Date	Particulars	A Rs.	B Rs.	Date	Particulars	A Rs.	B Rs.
1.3.2015	To balance c/d	7,12,500	5,12,500	1.4.2014 31.3.2015	By Bank A/c By Profit and Loss appropriation A/c	500000 2,12,500	300000 2,12,500
		7,12,500	5,12,500			7,12,500	5,12,500

Journal

Dr. Cr.

Date	Particulars	LF.	Debit(Rs.)	Debit(Rs.)
31.3.2015	Profit and Loss Appropriation A/C Dr. To A's Capital A/c To B's Capital A/c (Being profit distributed among the partners)		4,25,000	2,12,500 2,12,500

A's Loan A/c

Dr. Cr.

Date	Particulars	Amount (Rs.)	Date	Particulars	Amount (Rs.)
2015 March, 31	To A's Capital c/d	2,05,000	2014 Oct., 31 2015 Mar., 31	By Bank A/c By interest on Loan A/c	2,00,000 5,000
		2,05,000			2,05,000

10: Manoj Sahil and Dipankar are partners in a firm sharing profit and losses equally.

The have omitted interest on Capital @ 10% per annum for there years ended on 31st March, 2015. Their fixed Capital on which interest was to be calculated throughout were:

Manoj Rs. 3,00,000

Sahil Rs. 2,00,000

Dipankar Rs. 1,00,000

Give the necessary adusting journal entry with working notes.

Solution:

Books of Manoj, Sahil and Dipankar

Journal

Date	Particulars	LF.	Debit (Rs.)	Debit (Rs.)
31.3.2015	Dipankar's Current A/c Dr. To Manoj's Current A/c (Being adjustment entry passed)		30,000	30,000

STATEMENT SHOWING ADJUSTMENT

Date	Particulars (Rs.)	Manoj (Rs.)	Sahil (Rs.)	Dipankar (Rs.)
	Amount to be given ----- Interest on Capital	90,000	60,000	30,000
	Total A	**90,000**	**60,000**	**30,000**
	Amount already given to be taken			

	back now ------) : ---- Profit taken back from the partners in their profit sharing ratio ------------ 160,000+30,000 = 1,80,000)	60,000	60,000	60,000
Effect (A-B)		30,000	Nil	30,000
		Credit		Debit

11: A and B are partners in a firm sharing profits and losses in the into 3:2. The following was the Balance Sheet of the firm as on 31.3.2015.

Balance Sheet

As on 31-3-2015

Date	Particulars Rs.	Rs.	Assets	Rs.
31.3.2015	------- 60,000 20,000	80,000	Sundry Assets	80,000
		80,000		80,000

The profits Rs. 30,000 for the year ended 31-03-2015 were divided between the partner, without allowing interest on capital @ 12% p.a. and salary to A Rs. 1,000 per month. During the year A withdrew Rs 10,000 and B Rs. 20,000.

Pass the necessary adjustment entry and show your working clearly.

Solution

Book of A and B

Journal

Date	Particulars	LF.	Debit (Rs.)	Debit (Rs.)
31.3.2015	B's Capital A/c Dr. To A's Capital A/c (Being interest on capital and salary to A not Charged, now rectified)		5,280	5,280

Working Notes :

1. Calculation of Opening Capital: As Closing Balance Sheet is given so before calculation of interest opening capital should be calculated.

Particulars	A (Rs.)	B (Rs.)
Capital at the End	60,000	20,000
Add : Drawings	10,000	20,000
	70,000	40,000
Less : Profits during the year	(18,000)	(12,000)
Opening Capital	52,000	28,000

2. Calculation of Net Effect

STATEMENT SHOWING ADJUSTMENT

Particulars	A (Rs.)	B (Rs.)

<table>
<tr><td rowspan="4">A. Amount to be given (credited)
Interest on Capital
(Not provided)
Salary to A
(Not provided)
Total A
B. Amount already given to be taken back
Now (Debited) :
Loss to the firm due to Interest on Capital and Sal A be debited to the partners in their profit sharing ratio
(Rs. 18,240+3,360=21,600)
Total B
NET E NET Effect (A-B)</td><td>5,280
12,000</td><td>5,280
-
3,360</td></tr>
<tr><td>18,240</td><td></td></tr>
<tr><td>12,960
12,960</td><td>8,640
8,640</td></tr>
<tr><td>5,280
Credit</td><td>5,280
Debit</td></tr>
</table>

12: Ram, shyam & Mohan are partners in a firm sharing profit & losses in the ratio of 2:1:2. Their fixed capitals were Rs. 3,00,000, Rs. 1,00,000 an Rs. 2,00,000 respectively. Interest on capital for the year ending 31st March, 201 was credited to them @ 9% p.a. instead of 10% p.a. The profits for the year before charging interest was Rs. 2,50,000. Prepare necessary adjustment entry.

Solution:

Journal

Date	Particulars	L.F.	A (Rs.)	B (Rs.)
31.3.2015	Shyam's Current A/c Dr. Mohan's Current A/c Dr. To Ram's Current A/c (For interest less charged on capital now rectified)		200 400	600

Working Notes:

Table showing Adjustment

	Ram (Rs.)	Shyam (Rs.)	Mohan (Rs.)	Total
Interest already credited @ 9% Interest that should have been credited @ 10% Partners less credited Debit profits which were reduced By Rs. 6,000 in ratio of 2:1:2	27,000 30,000	9,000 10,000	18,000 20,000	54,000 60,000
	3,000 2,400	1,000 1,200	2,000 2,400	6,000 6,000
	600 Cr.	200 Dr.	400 Dr.	

When interest charged is more

13: A, B & C are patterns in a firm sharing profits & losses in ration of 2:3:5. Their fixed capitals were Rs. 15,00,000, Rs.30,00,000 & Rs. 60,00,000 reactively. For the year ended 31st March 2015, interest was credited 12% intend of 10%. Pass the necessary adjustment entry.

Solution

Journal

Date	Particulars	L.F.	A (Rs.)	B (Rs.)
	C's Current A/c Dr.			

31.3.2015	To A’s Current A/c To B’s Current A/c (For interest excessive charged now rectified)		15,000	12,000 3,000

Working Notes:

Table showing Adjustment

	A (Rs.)	B (Rs.)	C (Rs.)	Total
Interest already credited @ 12% Interest that should have been credited @ 10%	1,80,000 1,50,000	3,60,000 3,00,000	7,20,00 6,00,000	12,60,00 10,50,000
Partners less credited with By recovering this interest profits will be increased by Rs. 2,10,000 & divided in 2:3:5	30,000 42,000	60,000 63,000	1,20,000 1,05,000	2,10,000 2,10,000
Net Effect	12,000 Cr.	3,000 Cr.	15,000 Dr.	__ __

14: A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C for 1/6th share in profits and guaranteed that his share of profits will not be less then Rs. 25,000. Total profits of the firm for the year ended 1st March, 2015 were Rs. 90,000. Calculate share of profits for each partner when.

1. Guarantee is given by firm.

2. Guarantee is given by A

3. Guarantee is given by A and B equally.

Solution:

Case 1. When Guarantee is given by firm.

Profit and Loss Appropriation Account

For the year ending on 31st March, 2015

Dr. Cr.

Particulars	(Rs.)	Particulars	Rs.)
To A’s Capital A/c (3/s of Rs. 65,000) To B’s Capital A/c (2/s of Rs. 65,000) To C’s Capital A/c (1/6 of Rs. 90,000 or Rs. 25,000 whichever is more	39,000 26,000 25,000	By Profit and Loss A/c	90,000
	90,000		90,000

Profit and Loss Appropriation Account

For the year ending on 31st March, 2015

Dr. Cr.

Particulars	(Rs.)	Particulars	Rs.)
To A’s Capital A/c (3/6 of Rs. 90,000) 45,000 Less : Deficiency Borne for C (10,000) To B’s Capital A/c (2/6 of Rs. 90,000) To C’s Capital A/c (1/6 of Rs. 90,000) 15,000 Add : Deficiency Recover form A10,000	35,000 30,000	By Profit and Loss A/c (Net Profits)	90,000

	90,000		90,000

Cose: 3. When Guarantee is given by A & B equally.

Profit and Loss Appropriation Account

For the year ending on 31st March, 2015

Dr. Cr.

Particulars	(Rs.)	Particulars	Rs.)
To A’s Capital A/c (3/6 of Rs. 90,000) 45,000 Less : Deficiency Borne for C (1/2 of Rs.10,000) <u>5,000</u> To B’s Capital A/c (2/6 of Rs. 90,000) 30,000 Less : Deficiency Borne for C (1/2 of Rs. 10,000) <u>5,000</u> To C’s Capital A/c (1/6 of Rs. 90,000) 15,000 Add : Deficiency Recover form A 5,000 Deficiency Recovered From B <u>5,000</u>	40,000 25,000 25,000	By Profit and Loss A/c (Net Profits)	90,000
	90,000		90,000