

## Partners' Capital Accounts

### Fixed Capital

16. Amar and Bimal entered into partnership on 1st April, 2018 contributing ₹ 1,50,000 and ₹ 2,50,000 respectively towards capital. The Partnership Deed provided for interest on capital @ 10% p.a. It also provided that Capital Accounts shall be maintained following Fixed Capital Accounts method. The firm earned net profit of ₹ 1,00,000 for the year ended 31st March, 2019.

Pass the Journal entry for interest on capital. [Ans.: Dr. Profit and Loss Appropriation A/c by ₹ 40,000;  
Cr. Amar's Current A/c by ₹ 15,000 and Bimal's Current A/c by ₹ 25,000.]

17. Kamal and Kapil are partners having fixed capitals of ₹ 5,00,000 each as on 31st March, 2018. Kamal introduced further capital of ₹ 1,00,000 on 1st October, 2018 whereas Kapil withdrew ₹ 1,00,000 on 1st October, 2018 out of capital.

Interest on capital is to be allowed @ 10% p.a.

The firm earned net profit of ₹ 6,00,000 for the year ended 31st March, 2019.

Pass the Journal entry for interest on capital and prepare Profit and Loss Appropriation Account.

[Ans.: 1. Dr. Profit and Loss Appropriation A/c by ₹ 1,00,000;  
Cr. Kamal's Current A/c by ₹ 55,000 and Kapil's Current A/c by ₹ 45,000;  
2. Share of Profit: Kamal—₹ 2,50,000 and Kapil—₹ 2,50,000.]

[Hint: Profit-sharing ratio between Kamal and Kapil is not given. Hence, they will share profit equally.]

18. Simran and Reema are partners sharing profits in the ratio of 3 : 2. Their capitals as on 31st March, 2018 were ₹ 2,00,000 each whereas Current Accounts had balances of ₹ 50,000 and ₹ 25,000 respectively. Interest is to be allowed @ 5% p.a. on balances in Capital Accounts. The firm earned net profit of ₹ 3,00,000 for the year ended 31st March, 2019.

Pass the Journal entries for interest on capital and distribution of profit. Also prepare Profit and Loss Appropriation Account for the year.

[Ans.: 1. Dr. Profit and Loss Appropriation A/c by ₹ 20,000;  
Cr. Simran's Current A/c by ₹ 10,000 and Reema's Current A/c by ₹ 10,000;  
2. Dr. Profit and Loss Appropriation A/c by ₹ 2,80,000;  
Cr. Simran's Current A/c by ₹ 1,68,000 and Reema's Current A/c by ₹ 1,12,000.]

### Fluctuating Capital

19. Anita and Ankita are partners sharing profits equally. Their capitals, maintained following Fluctuating Capital Accounts Method, as on 31st March, 2018 were ₹ 5,00,000 and ₹ 4,00,000 respectively. Partnership Deed provided to allow interest on capital @ 10% p.a. The firm earned net profit of ₹ 2,00,000 for the year ended 31st March, 2019.

Pass the Journal entry for interest on capital. [Ans.: Dr. Profit and Loss Appropriation A/c by ₹ 90,000;  
Cr. Anita's Capital A/c by ₹ 50,000 and Ankita's Capital A/c by ₹ 40,000.]

20. Ashish and Aakash are partners sharing profit in the ratio of 3 : 2. Their Capital Accounts showed a credit balance of ₹ 5,00,000 and ₹ 6,00,000 respectively as on 31st March, 2019 after debit of drawings during the year of ₹ 1,50,000 and ₹ 1,00,000 respectively. Net profit for the year ended 31st March, 2019 was ₹ 5,00,000. Interest on capital is to be allowed @ 10% p.a.

Pass the Journal entry for interest on capital and prepare Profit and Loss Appropriation Account.

[Ans.: 1. Dr. Profit and Loss Appropriation A/c by ₹ 1,35,000;  
Cr. Ashish's Capital A/c by ₹ 65,000 and Aakash's Capital A/c by ₹ 70,000;  
2. Share of Profit: Ashish—₹ 2,19,000 and Aakash—₹ 1,46,000.]

[Hint: Interest on capital is allowed on opening balance of capital.]

21. Naresh and Sukesh are partners with capitals of ₹ 3,00,000 each as on 31st March, 2019. Naresh had withdrawn ₹ 50,000 against capital on 1st October, 2018 and also ₹ 1,00,000 besides the drawings against capital. Sukesh also had drawings of ₹ 1,00,000.

Interest on capital is to be allowed @ 10% p.a.

Net profit for the year was ₹ 2,00,000, which is yet to be distributed.

Pass the Journal entries for interest on capital and distribution of profit.

[Ans.: 1. For Interest on Capital: Dr. Profit and Loss Appropriation A/c by ₹ 82,500;  
Cr. Naresh's Capital A/c by ₹ 42,500 and Sukesh's Capital A/c by ₹ 40,000;  
2. For Profit distribution: Dr. Profit and Loss Appropriation A/c by ₹ 1,17,500;  
Cr. Naresh's Capital A/c by ₹ 58,750 and Sukesh's Capital A/c by ₹ 58,750.]

22. On 1st April, 2013, Jay and Vijay entered into partnership for supplying laboratory equipments to government schools situated in remote and backward areas. They contributed capitals of ₹ 80,000 and ₹ 50,000 respectively and agreed to share the profits in the ratio of 3 : 2. The Partnership Deed provided that interest on capital shall be allowed at 9% per annum. During the year the firm earned a profit of ₹ 7,800.

Showing your calculations clearly, prepare 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31st March, 2014.

(Delhi 2015)

[Ans.: Interest on Capital: Jay—₹ 4,800; Vijay—₹ 3,000.]

[Hint: Since the amount of net profit is less than the total amount of Interest on Capital, i.e., ₹ 7,200 (Jay) + ₹ 4,500 (Vijay) = ₹ 11,700, the net profit has been distributed in the ratio of interest claims of Jay and Vijay, i.e., ₹ 7,200 : ₹ 4,500 or 8 : 5.]

### Salary or Commission to Partners

23. Amar, Bhanu, and Charu are partners in a firm. Amar and Bhanu are to get annual salary of ₹ 1,20,000 p.a. each as they are fully involved in the business. Net profit for the year is ₹ 4,80,000. Determine the share of profit to be credited to each partner.

[Ans.: Share of Profit—₹ 80,000 each.]

24. A, B and C are partners sharing profits and losses in the ratio of 2 : 2 : 1 respectively. A is entitled to a commission of 10% on the net profit. Net profit for the year is ₹ 1,10,000. Determine the amount of commission payable to A.

[Ans.: Commission Payable to A—₹ 11,000.]

25. X, Y and Z are partners sharing profits and losses equally. As per Partnership Deed, Z is entitled to a commission of 10% on the net profit after charging such commission. The net profit before charging commission is ₹ 2,20,000. Determine the amount of commission payable to Z.

[Ans.: Commission Payable to Z—₹ 20,000.]

26. A, B, C and D are partners in a firm sharing profits as 4 : 3 : 2 : 1 respectively. It earned a net profit of ₹ 1,80,000 for the year ended 31st March, 2019. As per the Partnership Deed, they are to charge a commission @ 20% of the profit after charging such commission which they will share as 2 : 3 : 2 : 3. You are required to show appropriation of profits among the partners.

[Ans.: Commission payable to the partners =  $20/120 \times ₹ 1,80,000 = ₹ 30,000$  which will be

shared as: A—₹ 6,000; B—₹ 9,000; C—₹ 6,000 and D—₹ 9,000.  
Share of Profits: A—₹ 60,000; B—₹ 45,000; C—₹ 30,000 and D—₹ 15,000.]