

## CHAPTER-1 - Accounting for Partnership Firms - Fundamentals

**Q1**

**Solution:**

Please find below the distribution of profit as required:

Dr.	P&L of Appropriation Account As of 31.3.2018		Cr.
Particulars	₹	Particulars	₹
To Salary of A	1,80,000	By Profit & Loss A/c (Net Profit)	4,40,000
To Commission of A (₹4,40,000 x 10/100)	44,000		
To Commission of B (₹4,40,000 x 10/110)	40,000		
To Profit transferred to: A's Capital A/c 88,000 B's Capital A/c 88,000	1,76,000		
	<b>4,40,000</b>		<b>4,40,000</b>

**Working Notes:**

- 1) A's Salary =  $15,000 \times 12 \text{ months} = \text{Rs. } 1,80,000/-$
- 2) A's Commission =  $4,40,000 \times 10/100 = \text{Rs. } 44,000/-$
- 3) B's Commission =  $4,40,000 \times 10/100 = \text{Rs. } 44,000/-$
- 4) Profit =  $4,40,000 - (1,80,000 + 44,000 + 40,000) = \text{Rs. } 1,76,000/-$
- 5) A's Profit =  $\frac{1}{2} \times 1,76,000 = \text{Rs. } 88,000/-$
- 6) B's Profit =  $\frac{1}{2} \times 1,76,000 = \text{Rs. } 88,000/-$

## Q2

### Solution:

Interest on Drawings: (Interest will be charged for 6 months since date of drawings is not mentioned)

X's interest on drawings =  $5/100 \times 1,50,000 \times 6/12 = ₹ 3,750$

Y's interest on drawings =  $5/100 \times 1,26,000 \times 6/12 = ₹ 3,150$

Z's interest on drawings =  $5/100 \times 1,20,000 \times 6/12 = ₹ 3,700$

Table Showing Adjustments					
		X (₹)	Y (₹)	Z (₹)	Total
Interest on Drawings	Dr.	3,750	3,150	3,700	10,600
Division of ₹10,600 in PSR (3:2:1)	Cr.	5,300	3,533	1,767	10,600
Difference		<b>Cr.1,550</b>	<b>Cr. 383</b>	<b>Dr. 1,933</b>	—

Therefore, the adjusting entry will be:

Journal Entry					
Date	Particulars		L.F	Dr. ₹	Cr. ₹

	Z's Capital A/c	Dr.		1,933	
	To X's Capital A/c To Y's Capital A/c (Adjustments with regard to interest on drawing not taken into consideration in previous year's account)				1,550 383

### Q3

#### Solution:

Please find below a profit and loss appropriate account till 31st March 2018.

Dr.	Profit and Loss Appropriate Account Till 31st March, 2018		Cr.
Particulars	₹	Particulars	₹
To Salary to Akshara To commission to Samiksha	1,60,000 20,000	By Profit & Loss A/c (Net Profit) 6,00,000 Less: Rent (60,000)	5,40,000
To Profit transferred to:			
Akshara's Capital A/c 1,80,000 Samiksha's Capital A/c 1,80,000	3,60,000		
	<b>5,40,000</b>		<b>5,40,000</b>

#### Working Notes:

- 1) Rent – Charged from Net Profit =  $5,000 \times 12 = \text{Rs. } 60,000$
- 2) Akshara Salary =  $40,000 \times 4 = \text{Rs. } 1,60,000$
- 3) Samiksha Commission =  $4/100 \times 5,00,000 = \text{Rs. } 20,000$
- 4) Profit =  $5,40,000 - (1,60,000 + 20,000) = \text{Rs. } 3,60,000$
- 5) Akshara's Profit =  $\frac{1}{2} \times 3,60,000 = \text{Rs. } 1,80,000/-$
- 6) B's Profit =  $\frac{1}{2} \times 3,60,000 = \text{Rs. } 1,80,000/-$

## Q4

### Solution:

Please find below the required adjustment entry:

Statement of Adjustments				
		Ravi (₹)	Mohan (₹)	Total (₹)
Interest on Capital	Cr.	1,20,000	84,000	2,04,000
Salary	Cr.	72,000	60,000	1,32,000
Profit to be distributed (PSR Ratio: 7:5)	Cr.	98,000	70,000	1,68,000
Less: Profit already distributed (PSR Ratio: 1:1)	Dr.	2,52,000	2,52,000	5,04,000
Net Effect		(Cr.) <b>38,000</b>	(Dr.) <b>38,000</b>	—————

### Working Notes:

- 1) Profit Left =  $5,04,000 - (2,04,000 + 1,32,000) = 1,68,000/-$
- 2) Ravi's share of profit =  $7/12 \times 168000 = \text{Rs. } 98,000$
- 3) Mohan's share of profit =  $5/12 \times 168000 = \text{Rs. } 70,000$