

Girl's High School and College, Prayagraj

2020-2021

Class 12-C

Accountancy

Worksheet-3

Note:-Parents please ensure that your ward refers to the extra class/[www.studiestoday.com/By JU's.com](http://www.studiestoday.com/ByJU's.com) for two days to read the topic: Partnership Fundamentals.

Introduction:- Drawings of the Partners can be :

1. Against profits i.e. in anticipation of profits.
2. Against Capital -when, the partner reduces the amount of his Capital (invested in the firm) by withdrawing some amount.

In case (1) above, partners sometimes withdraw on monthly/quarterly basis. The time period is averaged out to calculate interest.

Interest on Drawings :-

1. **Simple Method** :- A single amount is withdrawn on a certain date.

$$\text{I.O.D.} = \frac{\text{Amount of drawings} \times \text{Rate} \times \text{Time}}{100}$$

2. **Product Method** :- Different amounts on different dates

$$\text{I.O.D.} = \text{Total of Products} \times \frac{\text{Rate of Interest}}{100} \times \frac{1}{12}$$

3. **Monthly/Quarterly drawings** :- A certain amount (which remains the same) is withdrawn every month/Quarter. It can be at the beginning of every Month/Quarter or at the end of every Month/Quarter or in the middle of every month/Quarter.

4. When a Partner has withdrawn a certain amount and the question is silent regarding the date. Interest is calculated for six months.

In case of Monthly/Quarterly drawings, when information is given for one year.

Monthly drawings

	Begining of Every Month	Middle of Every Month	End of Every Month
Time	6½ Month	6 Months	5½ Month

Quarterly Drawings :

	Begining	Middle	End
Time	7½ Month	6 Months	4½ Month

Illustration

Charu is a partner in a firm. She withdrew the following amounts during the year ended on 31st March, 2018 :-

		Rs.
May	1	20,000
July	31	10,000
September	30	30,000
November	30	40,000
January	1	20,000
March	31	25,000

Interest on drawings is to be charged @ 9% p.a. Calculate interest on drawings

SIMPLE METHOD

Date	Amount Rs.	Period (Months upto March 31)	Interest @ 9% Rs.
May 1	20,000	11	1,650
July 31	10,000	8	600
September 30	30,000	6	1,350
November 30	40,000	4	1,200
January 1	20,000	3	450
March 31	25,000	0	0
	1,45,000		5,250

PRODUCT METHOD

Date	Amount Rs.	Period (Months upto March 31)	Product
May 1	20,000	11	2,20,000
July 31	10,000	8	80,000
September 30	30,000	6	1,80,000
November 30	40,000	4	1,60,000
January 1	20,000	3	60,000
March 31	25,000	0	0
	1,45,000		7,00,000

$$\text{Interest} = \text{Total of Products} \times \frac{9}{12} \times \frac{1}{12} = 7,00,000 \times \frac{9}{100} \times \frac{1}{12} = \text{Rs. } 5,250$$

- Q1. Differentiate between drawings against profit & drawings against capital.
- Q2. Enumerate the various methods (with formulae) to calculate interest on drawings.
- Q3. What do you understand by Monthly/Quarterly drawing.
- Q4. Which method will you use in the following cases ? (Give formula)
- (a) Single amount withdrawn with date.
- (b) Different amount withdrawn on different dates.
- (c) Certain amount withdrawn during the year.

Introduction : Manager's Commission is a charge against the profits. It is debited to P/L A/c. If, given in this question, N.P. is to be corrected.

- Q5. Give Journal Entry for Manager's Commission.
- Q6. What is the formula for calculating Manager's Commission, when,
- (a) It is before charging such commission to N.P.
- (b) It is after charging such commission to N.P.
- Q7. Give the time period for calculating I.O.D. for one year :

- (a) Drawings at the beginning of the Month/Quarter.
 - (b) Drawings at the end of the Month/Quarter.
 - (c) Drawings in the middle of the Month/Quarter.
- Q8. Prepare Partners' Capital A/c and Current A/c (Fixed Capital Method) Partners' Capital A/c (Fluctuating Capital Method).

Q9. What is the Journal Entry for withdrawal of Capital ?

Q10. What type of balances are found in the current A/c of the partners ?

Q11. A and B are partners sharing profits in the ratio of 3:2, with Capitals of Rs. 5,00,000 and Rs. 3,00,000 respectively. Interest on Capital is agreed @ 6% p.a. B is to be allowed an annual salary of Rs. 60,000. During the year 2017-18, the profits prior to the calculation of interest on capital but after charging B's salary amounted to Rs. 1,80,000. A provision of 5% of the profit is to be made in respect of commission to the Manager.

Prepare Profit and Loss Appropriation account showing the distribution of profit and partners' capital accounts for the year ending March 31, 2018.

Q12. X and Y are partners in a firm. Their capitals as on April 1, 2018 were Rs. 2,50,000 and Rs. 1,80,000 respectively. They share profits equally. On July 1, 2018, they decided that their capitals should be Rs. 2,00,000 each. The necessary adjustments in the capital were made by withdrawing or introducing cash. According to the partnership deed interest on Capital is to be allowed at 8% p.a. X is to get an annual salary of Rs. 4,000 and Y is allowed a monthly salary of Rs. 800. It was found that Y was regularly withdrawing his monthly salary.

The manager of the firm is entitled to a commission of 10% of the profit before any adjustment is made according to the partnership deed.

Net profit for the year ended on 31st March, 2019, before charging interest capital and salary, was Rs. 80,000. Prepare the profit and loss appropriation account, partner's capital accounts and current accounts.