# Girl's High School and College, Prayagraj
# 2020-2021
### Class 12-C
### Accountancy
### Worksheet-6

**Note:-Parents please ensure that your ward refers to the text book New I.S.C. Accountancy by D.K. Goel and/or the Extra Class /www.studiestoday.com/By JU's.com for two days to read the topic:- Partnership Fundamentals.**

**Introduction:- Past Adjustments :-**

**When Separate Adjustment Entries for each error and Omission are passed.**

**As we have learnt in the past (Class XI), how the errors which are discovered in the next accounting year, are rectified. In such cases, the errors in the Nominal A/c are rectified using P/L Adjustment A/c.**

**Under this method, No Analytical table is prepared because we shall be passing separate rectification entries.**

**After passing all the adjustment entries, P/L Adjustment A/c is closed by debiting or crediting partners Capital/Current A/c.**

**For Example :-**

**The Capital Account of Amar and Harsh stood at Rs. 2,00,000 and Rs. 3,00,000 respectively after the necessary adjustments in respect of drawings and net profit for the year ended 31st march 2017. It was subsequently ascertained that interest on capital @ 12% per annum was not taken into account while arriving at the divisible profits for the year.**

**During the year 2016-17, Amar had withdrawn Rs. 20,000 and Harsh's drawings were Rs. 10,000.**

**The net profit for the year amounted to Rs. 1,50,000.**

**The partners shared profits and losses in the ratio of 3 : 2.**

**You are required to pass the necessary journal entries to rectify the error in accounting.**

**SOLUTION :** **JOURNAL**

| Date | Particulars | L.F. | Dr.(Rs.) | Cr. (Rs.) |
|---|---|---|---|---|
| 2017 April 1 | Amar's Capital A/c Dr. | | 90,000 | |
| | Harsh's Capital A/c Dr. | | 60,000 | |
| | To Profit & Loss Adjustment A/c | | | 1,50,000 |
| | (Incorrect Profits cancelled) | | | |
| " | Interest on Capital A/c Dr. | | 45,600 | |
| | To Amar's Capital A/c | | | 15,600 |
| | To Harsh's Capital A/c | | | 30,000 |
| | (Interest on Capital provided) | | | |
| " | Profit & Loss Adjustment A/c Dr. | | 45,600 | |
| | To Interest on Capital A/c | | | 45,600 |
| | (Interest on Capital transferred to P&L Adjustment A/c | | | |
| " | Profit & Loss Adjustment A/c Dr. | | 1,04,400 | |
| | To Amar's Capital A/c | | | 62,640 |
| | To Harsh's Capital A/c | | | 41,760 |
| | (Correct profit credited to Partner's Capital A/cs) | | | |

**Working Note :**

(1) Calculation of Opening Capital :

| Particulars | Amar (Rs.) | Harsh (Rs.) |
|---|---|---|
| Closing Capitals | 2,00,000 | 3,00,000 |
| Add : Drawings | 20,000 | 10,000 |
| | 2,20,000 | 3,10,000 |
| Less : Profits (Rs. 1,50,000 in 3 : 2) | 90,000 | 60,000 |
| | 1,30,000 | 2,50,000 |
| Interest on Capital @ 12% | 15,600 | 30,000 |

Q1. The Capital Accounts of P, Q and R stood at Rs. 2,00,000, Rs. 1,50,000 and Rs. 1,00,000 respectively after the necessary adjustments in respect of drawings and net profit for the year ended 31$^{st}$ March, 2019. It was subsequently ascertained that interest on capital @ 10% p.a. was not taken into account while arriving at the divisible profits for the year.

Drawings during the year 2018-19 had been : P Rs. 5,000 per month; Q Rs. 15,000 quarterly and R Rs. 30,000.

The net profit for the year amounted to Rs. 1,80,000 and partners shared profits and losses in the ratio of 2 : 2 : 1. You are required to pass the necessary journal entries to rectify the lapse in accounting.

Q2. On 31st March, 2019, the balances in the capital accounts of A, B and C after making adjustments for profits and drawings were Rs. 3,20,000, Rs. 2,40,000 and Rs. 1,60,000 respectively.

Subsequently, it was discovered that the interest on capital and drawings had been omitted.

- The profit for the year ended on 31st March, 2019 was Rs. 90,000.
- During the year, A and B each withdrew a sum of Rs. 48,000 in equal instalments in the middle of every month and C withdrew Rs. 60,000.
- The interest on drawings was to be charged @ 5% per annum and interest on capital was to be allowed @ 10% per annum.
- The profit-sharing ratio of the partners was 3 : 2 : 1.

You are required to :

i. Pass the necessary journal entries to rectify the lapse in accounting; and

ii. Prepare the adjusted Capital Accounts of partners.

Q3. A, B and C are partners. Their fixed capitals as on 31st March, 2018 were A Rs. 2,00,000, B Rs. 3,00,000 and C Rs. 4,00,000. Profits for the year ended 31st March, 2018, amounting top Rs. 1,80,000 were distributed. Give the necessary adjusting entry in each of the following alternative cases :

Case (a) Interest on Capital was credited @ 8% p.a. though there was no such provision in the partnership deed.

Case (b) Interest on capital was not credited @ 8% p.a. though there was such provision in the partnership deed.

Case (c) Interest on capital was credited @ 8% p.a. instead of 10% p.a.

Case (d) Interest on capital was credited @ 10% p.a. instead of 8% p.a.

**Introduction :-** Sometimes, a Particular Partner is guaranteed regarding profit share by any one or All the partners.

If the divisible profits are inadequate, then the partner/partners who have given the guarantee are personally liable for the shortage that may arise in the amount of the profit share of the guaranteed partner.

**Example No. 1 :**

Ram, Raj and George are partners sharing profits in the ratio 5 : 3 : 2. According to the partnership agreement George is to get a minimum amount of Rs. 10,000 as his share of profits every year. The net profit for the year ended 31st March, 2018 amounted to Rs. 40,000.

Prepare the profit and Loss Appropriation Account.

**SOLUTION :**

**Share Profit :**

Ram : $40{,}000\ x\ \frac{5}{10} = Rs. 20{,}000$

Raj : $40{,}000\ x\ \frac{3}{10} = Rs. 12{,}000$

George : $40{,}000\ x\ \frac{2}{10} = Rs. 8{,}000$

Since, the minimum amount guaranteed to George is Rs. 10,000; The excess of guaranteed amount is Rs. 2,000 (i.e. Rs. 10,000-Rs. 8,000). It will be borne by Ram and Raj in their profit sharing ratio, i.e. 5 : 3.

Ram : $2{,}000\ x\ \frac{5}{8} = Rs. 1{,}250$

Raj : $2{,}000\ x\ \frac{3}{8} = Rs. 750$

**PROFIT AND LOSS APPROPRIATION ACCOUNT**

**for the year ended 31st March, 2018**

Dr. Cr.

| | **Rs.** | | **Rs.** |
|---|---|---|---|
| To Profit transferred to :<br>Ram's Capital A/c<br>(20,000 - 1,250) 18,750<br>Raj's Capital A/c<br>(12000 - 750) 11,250<br>George's Capital A/c<br>(8,000 + 1250 + 750) <u>10,000</u> | 40,000 | By Profit & Loss A/c | 40,000 |
| | 40,000 | | 40,000 |

**<u>Example No. 2 :</u>**

Anil, Sunil and Ravinder entered into a partnership on 1$^{st}$ April, 2015 to share profits in the ratio of 2: 1 : 1. It was provided in the deed that Ravinder's share of profit will not be less than Rs. 70,000 per annum. The losses for the year ended 31$^{st}$ March, 2016, were Rs. 2,00,000 before allowing interest Rs. 8,000 on Anil's Loan which is due for the current year.

You are required to show necessary account for division of loss and also pass the necessary journal entries.

**PROFIT AND LOSS ACCOUNT**
**for the year ended 31st March, 2016**

Dr. Cr.

| Particulars | Rs. | Particulars | | Rs. |
|---|---|---|---|---|
| To Loss before interest | 2,00,000 | By Net Loss transferred to : | | |
| To Interest on Anil's Loan | 8,000 | Anil's Capital A/c | 1,04,000 | |
| | | Sunil's Capital A/c | 52,000 | |
| | | Ravinder's Capital A/c | 52,000 | 2,08,000 |
| | 2,08,000 | | | 2,08,000 |

**JOURNAL**

| Date | Particulars | L.F. | Dr.(Rs.) | Cr. (Rs.) |
|---|---|---|---|---|
| 2016 | | | | |
| March | Interest on Anil's Loan A/c Dr. | | 8,000 | |
| 31 | To Anil's Loan A/c | | | 8,000 |
| | (Interest provided on Anil's Loan to the firm) | | | |
| | Profit & Loss A/c Dr. | | 8,000 | |
| | Interest on Anil's Loan A/c | | | 8,000 |
| | (Interest on loan charged to Profit & Loss A./c) | | | |
| | Anil's Capital A/c Dr. | | 1,04,000 | |
| | Sunil's Capital A/c Dr. | | 52,000 | |
| | Ravinder's Capital A/c Dr. | | 52.000 | |
| | To Profit & Loss A/c | | | 2,08,000 |
| | (Loss of Rs. 2,08,000 divided among the partners in 2 : 1 : 1) | | | |
| | Anil's Capital A/c Dr. | | 81,333 | |

| | | | | |
|---|---|---|---|---|
| | Sunil's Capital A/c Dr. | | 40,667 | |
| | Ravinder's Capital A/c | | | 1,22,000 |
| | (Deficiency of Ravinder's share of profit met by Anil and Sunil in their profit sharing ratio of 2 : 1) | | | |

Q4. A, B and C were partners sharing profits and losses in the ratio of 3: 2 : 1. Their capitals on 1st April, 2017 were :

A Rs. 5,00,000; B Rs. 3,00,000 and C Rs. 2,00,000.

A had personally guaranteed that in any year C's share of profit after allowing interest on capital to all partners @ 8% p.a. and charging interest on drawings @ 10% p.a. will not be less than Rs. 1,00,000.

The net profit for the year ended 31st March, 2018, before allowing or charging any interest amounted to Rs. 4,32,000.

A has withdrawn Rs. 5,000 at the end of every month.

B has withdrawn Rs. 15,000 at the end of every quarter.

C has withdrawn Rs. 60,000 during the year.

Prepare Profit and Loss Appropriation Account for the year 2017-18.

Q5. A, B and C were in partnership sharing profits in the ratio of 1:2:3. Their fixed capitals on 1st April, 2018 were : A Rs. 3,00,000, B Rs. 4,50,000 and C Rs. 10,00,000. Their partnership deed provided for the following :

i. A provides his personal office to the firm for business use charging yearly rent of Rs. 1,50,000.

ii. Interest on capital @ 8% p.a. and interest on drawings @ 10% p.a.

iii. A was allowed salary @ Rs. 10,000 per month.

iv. B was allowed a commission of 10% of net profit as shown by Profit & Loss Account, after charging such commission.

v. C was guaranteed a profit of Rs. 3,00,000 after making all the adjustments.

The net profit of the firm for the year ended $31^{st}$ March, 2019 was Rs. 10,30,000 before making above adjustments.

You are informed that A has withdrawn Rs. 5,000 at the beginning of each month, B has withdrawn Rs. 5,000 at the end of each month and C has withdrawn Rs. 24,000 at the beginning of each quarter.

Prepare Profit and Loss Appropriation Account and Partner's Current Accounts.