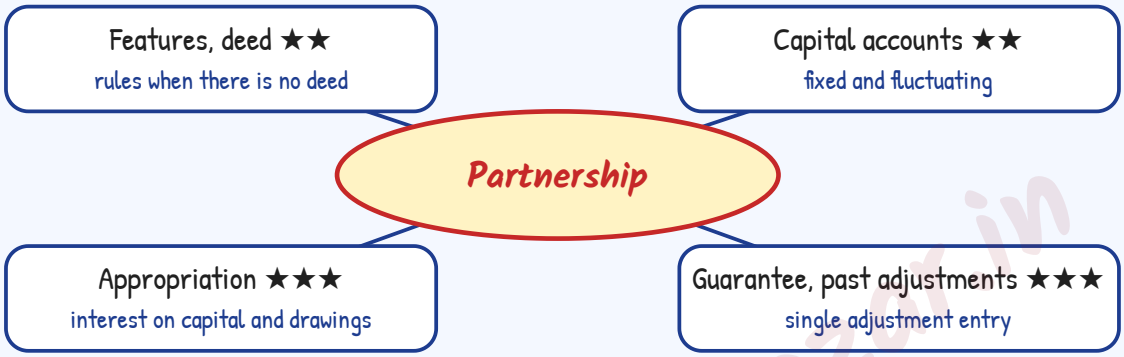
Class 12 · Accountancy · Chapter 1

Chapter 1
Accounting for Partnership: Basic Concepts

NCERT Accountancy Part I, Reprint 2026-27 · CBSE board 2027

Chapter map (★ = asked in almost every CBSE paper 2024–2026)



What is inside

1. Concept notes with proformas (p. 2–5)
2. NCERT exercises (all 55), fully solved (p. 6–13)
3. CBSE PYQs 2024–2026, fully solved (p. 14–25)
4. Quick-reference sheet; practice A–G, 20 MCQs, 6 A–R, answers, summary (p. 26–30)

Colour code used

red = key term green = definition
purple = sub-heading black = explanation
★ = high-frequency board topic
1 = mark the examiner gives for that point

★ **Exam tip:** Every paper asks interest on drawings (average period), interest on capital when profits are short, a guarantee of profit, a P&L Appropriation Account or capital/current accounts, and a past adjustment through a single entry. All these board questions are solved in full here.

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Based on NCERT Accountancy Part I (2026-27), Chapter 1. All answers written by us. Board questions are quoted from the CBSE papers named in each tag; every answer checked against the CBSE marking schemes.

1.1 Nature of partnership; 1.2 partnership deed ★★

Partnership (Section 4, Indian Partnership Act, 1932): the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. The persons are **partners**; together they are the **firm**; the name under which they work is the **firm name**.

Essential features

1. **Two or more persons**: minimum 2; maximum **50** (Section 464, Companies Act 2013 with Rule 10 of the Companies (Miscellaneous) Rules, 2014).
2. **Agreement**: partnership arises from an agreement (oral or written), not from status or birth.
3. **Business**: carrying on a lawful business is necessary; joint ownership of property alone is not partnership.
4. **Mutual agency**: the business may be carried on by all or any of them acting for all; every partner is both an **agent** (binds the others) and a **principal** (bound by the others).
5. **Sharing of profit**: the agreement must be to share profits (and losses) of the business.
6. **Liability**: unlimited; partners are jointly and severally liable, so private assets can be used to pay firm debts.

1.2 Partnership deed

The written agreement containing the terms of partnership is the **partnership deed**. It should be properly drafted and stamped as per the **Indian Stamp Act** and preferably registered with the Registrar of Firms. A written deed avoids disputes and is evidence in court.

Contents of the deed

- Names and addresses of the firm and the partners; nature and place of business; date of commencement; duration.
- Capital contributed by each partner; profit sharing ratio.
- Interest on capital and on drawings; interest on partners' loans.
- Salary, commission or other remuneration to partners.
- Rules for preparation of accounts and audit; method of valuing goodwill.
- Duties and rights of partners; rules on admission, retirement, death; settlement of accounts on dissolution; arbitration of disputes.

Rules when there is no deed (Section 13)

item	rule
profits and losses	shared **equally**
interest on capital	**not allowed**; if the deed allows it, it is paid only out of profits
interest on drawings	**not charged**
interest on partner's loan	**6% p.a.** (a charge, paid even if there is a loss)
salary or commission	**not allowed**

Other rights: every partner may take part in the business, be consulted, and inspect and copy the books. A partner who has misused firm money must indemnify the firm; a new partner can be admitted only with the consent of all.

> ✗ **Don't do this:** The 6% on a partner's **loan** applies when the deed is silent; if the deed fixes a rate, that rate is paid.

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1.3 Special aspects; 1.4 maintenance of capital accounts ★★

Special aspects of partnership accounts: (i) maintenance of capital accounts, (ii) distribution of profit or loss, (iii) adjustments for wrong appropriation of profits in the past, (iv) reconstitution of the firm (admission, retirement, death, change in ratio), (v) dissolution of the firm.

(a) Fixed capital method

Two accounts per partner. The **capital account** keeps the agreed capital and changes only for permanent additions or withdrawals of capital. All other items go to the **current account**.

Partner's Capital A/c (fixed)

Dr. Particulars	₹	Particulars	₹
To Bank (permanent withdrawal of capital)	xxx	By Balance b/d	xxx
To Balance c/d	xxx	By Bank (additional capital)	xxx

Cr.

Partner's Current A/c

Dr. Particulars	₹	Particulars	₹
To Balance b/d (if debit)	xxx	By Balance b/d (if credit)	xxx
To Drawings	xxx	By Interest on Capital	xxx
To Interest on Drawings	xxx	By Salary / Commission	xxx
To P&L Appropriation (share of loss)	xxx	By P&L Appropriation (share of profit)	xxx
To Balance c/d	xxx	By Balance c/d (if debit)	xxx

Cr.

(b) Fluctuating capital method

Only one account per partner, and every item is recorded in it, so the balance keeps changing. If the deed is silent, capitals are taken as **fluctuating**.

Partner's Capital A/c (fluctuating)

Dr. Particulars	₹	Particulars	₹
To Drawings	xxx	By Balance b/d	xxx
To Interest on Drawings	xxx	By Bank (additional capital)	xxx
To P&L Appropriation (share of loss)	xxx	By Interest on Capital	xxx
To Balance c/d	xxx	By Salary / Commission	xxx
		By P&L Appropriation (share of profit)	xxx

Cr.

1.4.1 Fixed versus fluctuating

basis	fixed	fluctuating
accounts	two (capital and current)	one (capital)
adjustments	in the current account	in the capital account
balance	capital stays the same unless capital is added or withdrawn	changes every year
credit or debit	capital always credit; current may be debit	usually credit, may become debit

✗ **Don't do this:** Under fixed capitals, drawings, interest, salary and profit never touch the capital account.

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1.5 Distribution of profit; P&L Appropriation Account; interest on capital ★★★

The **Profit and Loss Appropriation Account** is an extension of the P&L Account that shows how the net profit is distributed among partners. It starts with the net profit (credit) or net loss (debit) from the P&L Account.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To P&L A/c (net loss, if any)	xxx	By P&L A/c (net profit)	xxx
To Interest on Capital	xxx	By Interest on Drawings	xxx
To Partners' Salary / Commission	xxx	By Partners' Capital/Current (loss, if any)	xxx
To General Reserve	xxx		
To Partners' Capital/Current (profit)	xxx		

Cr.

Charge versus appropriation

charge (P&L Account)	appropriation (P&L Appropriation)
interest on partner's loan; rent paid to a partner; manager's commission	interest on capital; partner's salary and commission; transfer to reserve; share of profit
allowed even in a loss	allowed only out of profits (unless the deed treats it as a charge)

Partner's commission: on net profit **before** charging it = NP × rate; on net profit **after** charging it = NP × rate/(100 + rate).

Interest on capital

- Allowed only if the deed provides; calculated on the **opening capital** for the period it was used, adding interest on additional capital and deducting for withdrawals from their dates.
- If only closing capitals are given: **opening capital = closing capital + drawings – profit share – additional capital** (+ loss share).
- **Profit enough**: full interest. **Profit less than interest**: the whole profit is divided in the **ratio of interest** (i.e. ratio of capitals × time). **Loss**: no interest.
- If the deed treats interest as a **charge**, full interest is allowed even if it causes a loss.
- Entry: Interest on Capital A/c Dr., To Partners' Capital/Current A/c; then P&L Appropriation Dr., To Interest on Capital.

Example

Capitals ₹ 3,00,000 and ₹ 2,00,000; interest @ 10%; profit ₹ 40,000. Interest due 30,000 + 20,000 = 50,000 > 40,000, so profit is shared 3 : 2: interest allowed ₹ 24,000 and ₹ 16,000; nothing is left for profit sharing.

Salary is credited for the period: ₹ 2,000 per month for a year = ₹ 24,000. Salary, like interest on capital, is an appropriation and is allowed only out of profits.

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Interest on drawings; 1.6 guarantee of profit; 1.7 past adjustments ★★★

Interest on drawings

Charged only if the deed provides; it is credited to the P&L Appropriation Account. **Interest = drawings × rate × average period ÷ 12.**

how drawn	average period
dates not given / evenly through the year	6 months
fixed amount, beginning of each month	6½ months
middle of each month	6 months
end of each month	5½ months
beginning of each quarter	7½ months
end of each quarter	4½ months
beginning / end of each half-year	9 / 3 months

Average period = (time left after the first drawing + time left after the last drawing) ÷ 2. For drawings in only part of the year (e.g. beginning of each month from October), count only those months: 6 drawings ⟶ (6 + 1) ÷ 2 = 3½ months.

Product method (unequal amounts or dates): multiply each drawing by the months left to the year end, add the products, then interest = total × rate ÷ 12.

If the rate is given "irrespective of the period", charge interest on the full drawings for a whole year.

1.6 Guarantee of profit

1. Find the partner's actual share; compare with the guaranteed amount; **deficiency = guarantee − actual share.**
2. The deficiency is borne by the guaranteeing partner(s) in the agreed ratio (or their own profit sharing ratio if none is given), or by the firm (all old partners) as stated.
3. If the actual share exceeds the guarantee, no adjustment.

A partner may also guarantee that the firm will earn a minimum (e.g. gross fees); any shortfall is debited to that partner's capital and added to divisible profit.

1.7 Past adjustments

When interest on capital, interest on drawings, salary or commission was omitted or wrongly recorded after accounts are closed, the profit is not re-opened. A **single adjustment entry** between partners' capital/current accounts corrects it.

step	what to do
1	credit each partner with what he should have received (interest on capital, salary) and debit what he should have paid (interest on drawings)
2	debit the net amount to all partners in the profit sharing ratio (it was wrongly given as profit)
3	net effect: partners with a net credit are credited, net debit debited, in one entry

The same table handles a **retrospective change of ratio**: compare profit given in the old ratio with profit due in the new ratio.

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NCERT exercises, fully solved

Short answer questions

SA 1. Define partnership deed.

> **Ans.** The partnership deed is the written agreement among the partners that sets out the terms of the partnership: capital, profit sharing ratio, interest on capital and drawings, salaries, rules for admission, retirement and dissolution, and so on. It is stamped under the Indian Stamp Act.

SA 2. Why is it considered desirable to make the partnership agreement in writing?

> **Ans.** An oral agreement is hard to prove. A written deed records the agreed terms clearly, prevents misunderstandings and disputes among partners, and is evidence in a court of law if a dispute arises. It also guides the preparation of accounts (ratio, interest, salaries).

SA 3. List the items which may be debited or credited in the capital accounts of partners when (i) capitals are fixed (ii) capitals are fluctuating.

> **Ans.** (i) **Fixed**: capital account credited with opening balance and additional capital introduced; debited with permanent withdrawal of capital. (Drawings, interest, salary, commission and profit go to the current account.)
> (ii) **Fluctuating**: credited with opening balance, additional capital, interest on capital, salary, commission and share of profit; debited with drawings, interest on drawings, share of loss and withdrawal of capital.

SA 4. Why is the Profit and Loss Appropriation Account prepared?

> **Ans.** To show how the net profit (or loss) of the firm is distributed among the partners: interest on capital, salaries, commission, transfer to reserve and the final share of profit, after adding interest on drawings.

SA 5. Give two circumstances under which the fixed capitals of partners may change.

> **Ans.** (i) When a partner introduces additional capital. (ii) When a partner permanently withdraws part of his capital. (Also on admission, retirement or adjustment of capitals to a new ratio.)

SA 6. If a fixed amount is withdrawn on the first day of every quarter, for what period will interest on the total amount be calculated?

> **Ans.** For an average period of **7½ months**: the first drawing earns interest for 12 months and the last for 3, so (12 + 3) ÷ 2 = 7½.

SA 7. In the absence of a deed, state the rules for (i) sharing profits and losses (ii) interest on capital (iii) interest on drawings (iv) interest on partner's loan (v) salary to a partner.

> **Ans.** (i) Equally. (ii) No interest on capital. (iii) No interest on drawings. (iv) Interest @ 6% p.a. on loans by partners. (v) No salary or remuneration.

Long answer questions

LA 1. What is meant by partnership? Explain its chief characteristics.

> **Ans.** Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all (Section 4). Characteristics: (1) **two or more persons**, not more than 50; (2) an **agreement**, oral or written; (3) a lawful **business**; (4) **mutual agency**: each partner is an agent and a principal; (5) **sharing of profits**; (6) **unlimited liability** of partners, joint and several.

LA 2. Discuss the main provisions of the Indian Partnership Act 1932 relevant to partnership accounts if there is no deed.

> **Ans.** (a) Profits and losses are shared equally. (b) No interest on capital; where the deed provides for it, it is payable only out of profits. (c) No interest is charged on drawings. (d) Interest @ 6% p.a. is allowed on loans and advances made by a partner beyond his capital. (e) No partner is entitled to salary or remuneration for taking part in the business. (f) Every partner has a right to take part in the business, to be consulted and to inspect the books.

LA 3. Explain why it is better to make a partnership agreement in writing.

> **Ans.** A written deed (i) records all terms clearly, so there is no confusion about capital, ratio, interest and salaries; (ii) reduces the chance of disputes among partners; (iii) is legal evidence and helps settle disputes in court; (iv) provides the basis for preparing accounts and for settling accounts on admission, retirement, death or dissolution; (v) is needed for registration of the firm.

LA 4. Illustrate how interest on drawings will be calculated under various situations.

> **Ans.** Take drawings of ₹ 2,000 per month (₹ 24,000) and interest @ 10% p.a. (a) Dates not given: 24,000 × 10% × 6/12 = ₹ 1,200. (b) Beginning of each month: average 6½ months → ₹ 1,300. (c) Middle of each month: 6 months → ₹ 1,200. (d) End of each month: 5½ months → ₹ 1,100. (e) ₹ 6,000 at the beginning of each quarter: 7½ months → ₹ 1,500; end of each quarter: 4½ months → ₹ 900. (f) Unequal amounts on different dates: product method, e.g. ₹ 5,000 on 1 July and ₹ 3,000 on 1 January: 5,000 × 9 + 3,000 × 3 = 54,000; interest = 54,000 × 10% ÷ 12 = ₹ 450.

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LA 5. How will you deal with a change in profit sharing ratio among existing partners? Illustrate.

Ans. When the ratio changes, some partners gain and some sacrifice. (i) Find each partner's **sacrifice or gain** = old share – new share. (ii) Distribute existing reserves and accumulated profits or losses in the **old ratio**. (iii) Revalue assets and liabilities and share the profit or loss in the old ratio. (iv) Adjust **goodwill**: the gaining partners compensate the sacrificing partners in the ratio of gain/sacrifice. Example: A and B share 3 : 2 and change to 1 : 1; goodwill ₹ 50,000. A sacrifices 3/5 – 1/2 = 1/10; B gains 1/10. Entry: B's Capital Dr. 5,000, To A's Capital 5,000.

Numerical questions

1. Tripathi and Chauhan (3 : 2) had capitals of ₹ 60,000 and ₹ 40,000 on 1st April, 2019. Profit ₹ 30,000. Each partner gets a salary of ₹ 1,000 per month and interest on capital @ 5% p.a.; interest on drawings @ 5% p.a. irrespective of the period (drawings Tripathi ₹ 12,000, Chauhan ₹ 8,000). Prepare capital/current accounts when capitals are fixed.

Ans. Salaries 12,000 each; interest on capital 3,000 and 2,000; interest on drawings (full year) 600 and 400. Divisible profit = 30,000 + 1,000 – 24,000 – 5,000 = 2,000 (1,200 and 800).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Salary: Tripathi 12,000; Chauhan 12,000	24,000	By Profit and Loss A/c	30,000
To Interest on Capital: Tripathi 3,000; Chauhan 2,000	5,000	By Interest on Drawings: Tripathi 600; Chauhan 400	1,000
To Profit: Tripathi 1,200; Chauhan 800	2,000		
	31,000		**31,000**

Cr.

Partners' Current Accounts

Dr. Particulars	Tripathi	Chauhan	Particulars	Tripathi	Chauhan
To Drawings	12,000	8,000	By Salary	12,000	12,000
To Interest on Drawings	600	400	By Interest on Capital	3,000	2,000
To Balance c/d	3,600	6,400	By P&L Appropriation	1,200	800
	16,200	**14,800**		**16,200**	**14,800**

Cr.

The capital accounts simply show ₹ 60,000 and ₹ 40,000 (no change).

2. Anubha and Kajal (2 : 1) had capitals of ₹ 90,000 and ₹ 60,000; profit ₹ 45,000; salary Anubha ₹ 700 p.m., Kajal ₹ 500 p.m.; interest on capital @ 5% p.a.; drawings ₹ 8,500 and ₹ 6,500; interest on drawings @ 5% p.a. Prepare capital accounts (fluctuating).

Ans. Salaries 8,400 and 6,000; interest on capital 4,500 and 3,000; interest on drawings (dates not given, 6 months) 212.50 and 162.50. Divisible profit = 45,000 + 375 – 14,400 – 7,500 = 23,475 (15,650 and 7,825).

Partners' Capital Accounts

Dr. Particulars	Anubha	Kajal	Particulars	Anubha	Kajal
To Drawings	8,500	6,500	By Balance b/d	90,000	60,000
To Interest on Drawings	212.50	162.50	By Salary	8,400	6,000
To Balance c/d	1,09,837.50	70,162.50	By Interest on Capital	4,500	3,000
			By P&L Appropriation	15,650	7,825
	1,18,550	**76,825**		**1,18,550**	**76,825**

Cr.

(The NCERT key prints ₹ 1,09,860 and ₹ 70,140; the two balances still total ₹ 1,80,000 but the split given above is the one that follows from the data.)

3. Harshad and Dhiman began on 1st April, 2019 without an agreement, with capitals of ₹ 4,00,000 and ₹ 1,00,000. Harshad also advanced ₹ 1,00,000 on 1st October, 2019; he was ill and absent for two months. Profit ₹ 1,80,000. Harshad claims 10% interest on capital and loan and profit in capital ratio; Dhiman claims equal profit, ₹ 2,000 p.m. for managing alone and 6% interest. Settle the dispute and prepare the P&L Appropriation Account.

Ans. With no deed, Section 13 applies: no interest on capital; interest on Harshad's loan @ 6% p.a. = 1,00,000 × 6% × 6/12 = ₹ 3,000 (a charge); no remuneration to Dhiman; profit shared equally. So Harshad's claims (i) and (ii) fail, except 6% on the loan; Dhiman's claim (i) is accepted and (ii) rejected; (iii) only partly (6% on the loan, none on capital).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Profit: Harshad 88,500; Dhiman 88,500	1,77,000	By Profit and Loss A/c (1,80,000 – 3,000 interest on loan)	1,77,000
	1,77,000		**1,77,000**

Cr.

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4. Aakriti and Bindu began on 1st April, 2019 without an agreement; they introduced capitals of ₹ 5,00,000 and ₹ 3,00,000 on 1st October, 2019, and Aakriti advanced a loan of ₹ 20,000 (no agreement on interest). Profit ₹ 43,000. Divide the profit with reasons.

Ans. No deed: no interest on capital; interest on Aakriti's loan @ 6% p.a. for 6 months = ₹ 600 (charge); profit shared equally.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Profit: Aakriti 21,200; Bindu 21,200	42,400	By Profit and Loss A/c (43,000 – 600)	42,400
	42,400		42,400

Cr.

5. Rakhi and Shikha had capitals of ₹ 2,00,000 and ₹ 3,00,000; profit ₹ 23,200; profits shared in capital ratio after a salary of ₹ 5,000 p.m. to Shikha and interest on capital @ 10% p.a., both treated as a charge; drawings Rakhi ₹ 7,000, Shikha ₹ 10,000. Prepare the accounts.

Ans. Charges: salary 60,000; interest on capital 20,000 + 30,000. Net result = 23,200 – 1,10,000 = loss ₹ 86,800, shared 2 : 3: Rakhi 34,720, Shikha 52,080.

Profit and Loss A/c (extract)

Dr. Particulars	₹	Particulars	₹
To Shikha's Salary	60,000	By Profit before these charges	23,200
To Interest on Capital: Rakhi 20,000; Shikha 30,000	50,000	By Loss: Rakhi 34,720; Shikha 52,080	86,800
	1,10,000		1,10,000

Cr.

Partners' Capital Accounts

Dr. Particulars	Rakhi	Shikha	Particulars	Rakhi	Shikha
To Drawings	7,000	10,000	By Balance b/d	2,00,000	3,00,000
To Profit and Loss (loss)	34,720	52,080	By Salary		60,000
To Balance c/d	1,78,280	3,27,920	By Interest on Capital	20,000	30,000
	2,20,000	3,90,000		2,20,000	3,90,000

Cr.

8. Ram, Raj and George (5 : 3 : 2). George is to get at least ₹ 10,000. Profit ₹ 40,000. Prepare the P&L Appropriation Account.

Ans. George's share 8,000; deficiency 2,000 borne by Ram and Raj 5 : 3 (1,250 and 750).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Ram (20,000 – 1,250)	18,750	By Profit and Loss A/c	40,000
To Raj (12,000 – 750)	11,250		
To George (8,000 + 2,000)	10,000		
	40,000		40,000

Cr.

6. Lokesh and Azad (3 : 2) had capitals of ₹ 50,000 and ₹ 30,000; interest on capital @ 6% p.a.; Azad's salary ₹ 2,500 p.a. Profit before interest on capital but after Azad's salary ₹ 12,500; a provision of 5% of profits is to be made for manager's commission. Prepare the accounts.

Ans. Following the NCERT key, the 5% commission is on the profit before partners' salary: 5% × (12,500 + 2,500) = ₹ 750 (a charge). Profit for appropriation = 12,500 – 750 = 11,750. Interest 3,000 and 1,800; balance 6,950 shared 3 : 2.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Lokesh 3,000; Azad 1,800	4,800	By Profit and Loss A/c (12,500 – 750)	11,750
To Profit: Lokesh 4,170; Azad 2,780	6,950		
	11,750		11,750

Cr.

Partners' Capital Accounts

Dr. Particulars	Lokesh	Azad	Particulars	Lokesh	Azad
To Balance c/d	54,170	34,080	By Balance b/d	50,000	30,000
			By Salary		2,500
			By Interest on Capital	3,000	1,800
			By P&L Appropriation	4,170	2,780
	54,170	34,080		54,170	34,080

Cr.

(If the 5% is taken on ₹ 12,500 only, commission is ₹ 625 and the shares become ₹ 4,245 and ₹ 2,830.)

7. Maneesh and Girish share equally; Maneesh's salary ₹ 400 p.m.; Girish's commission 10% of net profit after Maneesh's salary; interest on fixed capitals (₹ 1,00,000 and ₹ 80,000) @ 7% p.a.; interest on annual drawings (₹ 16,000 and ₹ 14,000) @ 5% p.a.; net profit ₹ 40,000. Prepare the P&L Appropriation Account.

Ans. Salary 4,800; commission 10% × (40,000 – 4,800) = 3,520; interest on capital 7,000 and 5,600; interest on drawings (annual, full year as per the key) 800 and 700.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Maneesh's Salary	4,800	By Profit and Loss A/c	40,000
To Girish's Commission	3,520	By Interest on Drawings: Maneesh 800; Girish 700	1,500
To Interest on Capital: Maneesh 7,000; Girish 5,600	12,600		
To Profit: Maneesh 10,290; Girish 10,290	20,580		
	41,500		41,500

Cr.

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9. Amann, Babita and Suresh (2 : 2 : 1). Suresh is guaranteed ₹ 10,000 a year; any deficiency is met by Babita. Profits: 2018-19 ₹ 40,000; 2019-20 ₹ 60,000. Prepare the P&L Appropriation Account for both years.

Ans. 2018-19: shares 16,000, 16,000, 8,000; Babita pays the deficiency of 2,000. 2019-20: Suresh's share 12,000 exceeds the guarantee.

Profit and Loss Appropriation A/c (2018-19)

Dr. Particulars	₹	Particulars	₹
To Amann	16,000	By Profit and Loss A/c	40,000
To Babita (16,000 − 2,000)	14,000		
To Suresh (8,000 + 2,000)	10,000		
	40,000		40,000

Cr.

Profit and Loss Appropriation A/c (2019-20)

Dr. Particulars	₹	Particulars	₹
To Amann	24,000	By Profit and Loss A/c	60,000
To Babita	24,000		
To Suresh	12,000		
	60,000		60,000

Cr.

11. Arvind and Anand had capitals of ₹ 4,40,000 and ₹ 2,60,000; interest on capital @ 5%; interest on drawings @ 6% (drawings ₹ 40,000 and ₹ 28,000); Arvind's salary ₹ 35,000. The firm made a net loss of ₹ 32,400. Prepare the P&L Appropriation Account.

Ans. There is a loss, so no interest on capital and no salary are allowed (appropriations need profit). Interest on drawings (6 months) 1,200 and 840 reduces the loss: 32,400 − 2,040 = 30,360, shared 3 : 1 (the ratio printed as 8 : 3 : 1 is a misprint; the key uses 3 : 1).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Profit and Loss A/c (net loss)	32,400	By Interest on Drawings: Arvind 1,200; Anand 840	2,040
		By Loss: Arvind 22,770; Anand 7,590	30,360
	32,400		32,400

Cr.

14. Rahul, Rohit and Karan started on 1st April, 2019 with capitals of ₹ 20,00,000, ₹ 18,00,000 and ₹ 16,00,000; profit ₹ 1,35,000; ratio 3 : 2 : 1. Calculate interest on capital @ 5% p.a.

Ans. Interest @ 5% on opening capitals: Rahul **₹ 1,00,000**, Rohit **₹ 90,000**, Karan **₹ 80,000** (total 2,70,000). Note: if interest is an appropriation, the profit of ₹ 1,35,000 is not enough; it would then be divided in the ratio of interest 10 : 9 : 8 as ₹ 50,000, ₹ 45,000 and ₹ 40,000.

10. Simmi and Sonu (3 : 1); net profit ₹ 1,50,050; capitals ₹ 30,000 and ₹ 60,000; current accounts ₹ 30,000 Cr. and ₹ 15,000 Cr.; drawings ₹ 20,000 and ₹ 15,000; interest on capital @ 5%; interest on drawings @ 6% for an average of 6 months; salaries ₹ 12,000 and ₹ 9,000. Prepare the P&L Appropriation Account and current accounts.

Ans. Interest on capital 1,500 and 3,000; interest on drawings 600 and 450. Divisible = 1,50,050 + 1,050 − 4,500 − 21,000 = 1,25,600 (94,200 and 31,400).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Simmi 1,500; Sonu 3,000	4,500	By Profit and Loss A/c	1,50,050
To Salaries: Simmi 12,000; Sonu 9,000	21,000	By Interest on Drawings: Simmi 600; Sonu 450	1,050
To Profit: Simmi 94,200; Sonu 31,400	1,25,600		
	1,51,100		1,51,100

Cr.

Partners' Current Accounts

Dr. Particulars	Simmi	Sonu	Particulars	Simmi	Sonu
To Drawings	20,000	15,000	By Balance b/d	30,000	15,000
To Interest on Drawings	600	450	By Interest on Capital	1,500	3,000
To Balance c/d	1,17,100	42,950	By Salaries	12,000	9,000
			By P&L Appropriation	94,200	31,400
	1,37,700	58,400		1,37,700	58,400

Cr.

(The NCERT key ₹ 94,162 and ₹ 31,388 comes from taking the profit as ₹ 1,50,000.)

15. Sunflower and Pink Rose started on 1st April, 2019 with capitals of ₹ 2,50,000 and ₹ 1,50,000; on 1st October, 2019 both capitals were made ₹ 2,00,000. Interest @ 10% p.a. Calculate interest on capital.

Ans. Sunflower: 2,50,000 × 10% × 6/12 + 2,00,000 × 10% × 6/12 = 12,500 + 10,000 = **₹ 22,500**. Pink Rose: 7,500 + 10,000 = **₹ 17,500**.

16. After closing, the capitals of Mountain, Hill and Rock were ₹ 4,00,000, ₹ 3,00,000 and ₹ 2,00,000; interest on capital @ 10% was omitted; profit ₹ 1,50,000; drawings ₹ 20,000, ₹ 15,000, ₹ 10,000. Calculate interest on capital.

Ans. Ratio not given: profit shared equally (50,000 each). Opening capital = closing + drawings − profit: Mountain 3,70,000; Hill 2,65,000; Rock 1,60,000. Interest @ 10%: **₹ 37,000, ₹ 26,500, ₹ 16,000**.

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12. Ramesh and Suresh share in their capital ratio (₹ 80,000 : ₹ 60,000); interest on capital @ 12% p.a.; monthly salaries ₹ 2,000 and ₹ 3,000; profit before appropriations ₹ 1,00,300; drawings ₹ 40,000 and ₹ 50,000; interest on drawings ₹ 2,000 and ₹ 2,500. Prepare the P&L Appropriation Account and capital accounts (fluctuating).

Ans. Ratio 4 : 3. Interest on capital 9,600 and 7,200; salaries 24,000 and 36,000. Divisible = 1,00,300 + 4,500 − 16,800 − 60,000 = 28,000 (16,000 and 12,000).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Ramesh 9,600; Suresh 7,200	16,800	By Profit and Loss A/c	1,00,300
To Salaries: Ramesh 24,000; Suresh 36,000	60,000	By Interest on Drawings: Ramesh 2,000; Suresh 2,500	4,500
To Profit: Ramesh 16,000; Suresh 12,000	28,000		
	1,04,800		1,04,800

Partners' Capital Accounts

Dr. Particulars	Ramesh	Suresh	Particulars	Ramesh	Suresh
To Drawings	40,000	50,000	By Balance b/d	80,000	60,000
To Interest on Drawings	2,000	2,500	By Interest on Capital	9,600	7,200
To Balance c/d	87,600	62,700	By Salaries	24,000	36,000
			By P&L Appropriation	16,000	12,000
	1,29,600	1,15,200		1,29,600	1,15,200

17. Neelkant and Mahadev have fixed capitals of ₹ 10,00,000 each and current accounts of ₹ 1,00,000 each; Mahadev's drawings ₹ 30,000; profit ₹ 10,00,000. Calculate interest on capital @ 5% p.a.

Ans. With fixed capitals, drawings affect only the current account, so interest is on the fixed capital: 10,00,000 × 5% = **₹ 50,000 each**.

18. Rishi withdrew ₹ 12,000 on 1 May 2019, ₹ 6,000 on 31 July, ₹ 9,000 on 30 September, ₹ 12,000 on 30 November, ₹ 8,000 on 1 January 2020 and ₹ 7,000 on 31 March 2020. Interest @ 9% p.a. Calculate interest on drawings.

Ans.

Date	Amount	Months to 31 March	Product
1 May 2019	12,000	11	1,32,000
31 July 2019	6,000	8	48,000
30 Sept 2019	9,000	6	54,000
30 Nov 2019	12,000	4	48,000
1 Jan 2020	8,000	3	24,000
31 March 2020	7,000	0	0
Total	**54,000**		**3,06,000**

Interest = 3,06,000 × 9% ÷ 12 = **₹ 2,295**.

13. Sukesh and Vanita (3 : 2): capitals ₹ 40,000 each; current accounts ₹ 7,200 Cr. and ₹ 2,800 Cr.; drawings ₹ 10,850 and ₹ 8,150; interest on capital @ 5%; a monthly salary of ₹ 600. Net profit before interest on capital but after charging the partner's salary ₹ 9,500. Prepare the P&L Appropriation Account and current accounts.

Ans. The salary (₹ 7,200, Vanita's per the deed; "Sukesh's salary" in the question is a slip) is already charged, so it is credited to Vanita's current account. Interest on capital 2,000 each; divisible = 9,500 − 4,000 = 5,500 (3,300 and 2,200).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Sukesh 2,000; Vanita 2,000	4,000	By Profit and Loss A/c	9,500
To Profit: Sukesh 3,300; Vanita 2,200	5,500		
	9,500		9,500

Partners' Current Accounts

Dr. Particulars	Sukesh	Vanita	Particulars	Sukesh	Vanita
To Drawings	10,850	8,150	By Balance b/d	7,200	2,800
To Balance c/d	1,650	6,050	By Salary		7,200
			By Interest on Capital	2,000	2,000
			By P&L Appropriation	3,300	2,200
	12,500	14,200		12,500	14,200

19. Moli and Golu (3 : 2) had capitals of ₹ 40,000 and ₹ 20,000; interest on capital @ 10%, on drawings @ 12%. Golu advanced ₹ 10,000 on 1st August, 2019. Moli drew ₹ 1,000 at the beginning of every month, Golu ₹ 1,000 at the end of every month. Profit before these adjustments ₹ 20,950. Show the distribution and prepare capital accounts.

Ans. Interest on Golu's loan @ 6% (no rate agreed) for 8 months = 400 (charge). Interest on drawings: Moli 12,000 × 12% × 6½/12 = 780; Golu 12,000 × 12% × 5½/12 = 660. Interest on capital 4,000 and 2,000. Divisible = 20,950 − 400 + 1,440 − 6,000 = 15,990 (9,594 and 6,396).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Moli 4,000; Golu 2,000	6,000	By Profit and Loss A/c (20,950 − 400)	20,550
To Profit: Moli 9,594; Golu 6,396	15,990	By Interest on Drawings: Moli 780; Golu 660	1,440
	21,990		21,990

Partners' Capital Accounts

Dr. Particulars	Moli	Golu	Particulars	Moli	Golu
To Drawings	12,000	12,000	By Balance b/d	40,000	20,000
To Interest on Drawings	780	660	By Interest on Capital	4,000	2,000
To Balance c/d	40,814	15,736	By P&L Appropriation	9,594	6,396
	53,594	28,396		53,594	28,396

(The ₹ 400 interest is credited to Golu's loan account.)

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20. Rakesh drew ₹ 600 (31 May), ₹ 500 (30 June), ₹ 1,000 (31 Aug), ₹ 400 (1 Nov), ₹ 1,500 (31 Dec), ₹ 300 (31 Jan) and ₹ 700 (1 March); Roshan drew ₹ 400 at the beginning of each month. Interest @ 6% p.a.; books close on 31st March. Calculate interest on drawings.

> **Ans.** Rakesh (product method): 600 × 10 + 500 × 9 + 1,000 × 7 + 400 × 5 + 1,500 × 3 + 300 × 2 + 700 × 1 = 6,000 + 4,500 + 7,000 + 2,000 + 4,500 + 600 + 700 = 25,300; interest = 25,300 × 6% ÷ 12 = **₹ 126.50**.
> Roshan: 4,800 × 6% × 6½/12 = **₹ 156**.

21. Himanshu withdrew ₹ 2,500 at the end of each month; interest @ 12% p.a. Calculate interest for the year.

> **Ans.** 30,000 × 12% × 5½/12 = **₹ 1,650**.

22. Bharam withdrew ₹ 3,000 at the start of each month; interest @ 10% p.a. Calculate interest.

> **Ans.** 36,000 × 10% × 6½/12 = **₹ 1,950**.

23. Raj and Neeraj had capitals of ₹ 2,50,000 and ₹ 1,50,000 on 1st April, 2019; on 1st July, 2019 both capitals were made ₹ 1,00,000. Interest @ 8% p.a. Compute interest on capital.

> **Ans.** Raj: 2,50,000 × 8% × 3/12 + 1,00,000 × 8% × 9/12 = 5,000 + 6,000 = **₹ 11,000**. Neeraj: 3,000 + 6,000 = **₹ 9,000**.

24. Amit and Bhola drew ₹ 24,000 and ₹ 16,000 evenly through the year; interest @ 10% p.a. Calculate interest on drawings.

> **Ans.** Evenly drawn: average 6 months. Amit 24,000 × 10% × 6/12 = **₹ 1,200**; Bhola **₹ 800**.

25. Harish drew ₹ 4,000 (May 2019), ₹ 12,000 (August), ₹ 4,000 (September), ₹ 12,000 (December) and ₹ 4,000 (March 2020); interest @ 7½% p.a. Calculate interest on drawings.

> **Ans.** Exact dates are not given; taking each drawing on the first day of the month and the year ending 31st March, 2020 (product method): 4,000 × 11 + 12,000 × 8 + 4,000 × 7 + 12,000 × 4 + 4,000 × 1 = 44,000 + 96,000 + 28,000 + 48,000 + 4,000 = 2,20,000. Interest = 2,20,000 × 7.5% ÷ 12 = **₹ 1,375**. (The NCERT key ₹ 1,800 cannot be obtained from these data; it equals 36,000 × 7.5% × 8/12.)

26. Menon draws ₹ 2,000 every month; interest @ 10% p.a. Calculate interest if drawn (i) at the beginning (ii) in the middle (iii) at the end of every month.

> **Ans.** Drawings 24,000. (i) 6½ months: **₹ 1,300**. (ii) 6 months: **₹ 1,200**. (iii) 5½ months: **₹ 1,100**.

27. After closing, the capitals of Ram, Shyam and Mohan (3 : 2 : 1) were ₹ 24,000, ₹ 18,000 and ₹ 12,000; interest @ 5% was omitted; profit ₹ 36,000; drawings ₹ 3,600, ₹ 4,500 and ₹ 2,700. Calculate interest on capital.

> **Ans.** Profit shares 18,000, 12,000, 6,000. Opening capitals: Ram 24,000 + 3,600 − 18,000 = 9,600; Shyam 18,000 + 4,500 − 12,000 = 10,500; Mohan 12,000 + 2,700 − 6,000 = 8,700. Interest @ 5%: **₹ 480, ₹ 525, ₹ 435**.

28. Amit, Sumit and Samiksha (3 : 2 : 1). Samiksha's share is guaranteed by Amit and Sumit at ₹ 8,000 minimum. Profit ₹ 36,000. Prepare the P&L Appropriation Account.

> **Ans.** Shares 18,000, 12,000, 6,000; deficiency 2,000 borne by Amit and Sumit 3 : 2 (1,200 and 800).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹ Cr.
To Amit (18,000 − 1,200)	16,800	By Profit and Loss A/c	36,000
To Sumit (12,000 − 800)	11,200		
To Samiksha (6,000 + 2,000)	8,000		
	36,000		**36,000**

29. Pinki, Deepti and Kaku (5 : 4 : 1). Kaku's share is guaranteed at ₹ 5,000; deficiency borne equally by Pinki and Deepti. Profit ₹ 40,000. Pass journal entries.

> **Ans.** Kaku's share 4,000; deficiency 1,000.

Particulars		Dr. (₹)	Cr. (₹)
Profit and Loss Appropriation A/c	Dr.	40,000	
To Pinki's Capital A/c			20,000
To Deepti's Capital A/c			16,000
To Kaku's Capital A/c			4,000
(Profit distributed)			
Pinki's Capital A/c	Dr.	500	
Deepti's Capital A/c	Dr.	500	
To Kaku's Capital A/c			1,000
(Deficiency of guarantee made good)			

30. Abhay, Siddharth and Kusum (5 : 3 : 2). Kusum is guaranteed ₹ 10,000; deficiency met by Siddharth. Profits ₹ 40,000 (2015-16) and ₹ 60,000 (2016-17). Prepare the P&L Appropriation Account.

> **Ans.** 2015-16: shares 20,000, 12,000, 8,000; Siddharth pays 2,000 ⟶ 10,000 each to Siddharth and Kusum. 2016-17: 30,000, 18,000, 12,000 (no deficiency).

Profit and Loss Appropriation A/c (2015-16)

Dr. Particulars	₹	Particulars	₹ Cr.
To Abhay	20,000	By Profit and Loss A/c	40,000
To Siddharth (12,000 − 2,000)	10,000		
To Kusum (8,000 + 2,000)	10,000		
	40,000		**40,000**

Profit and Loss Appropriation A/c (2016-17)

Dr. Particulars	₹	Particulars	₹ Cr.
To Abhay	30,000	By Profit and Loss A/c	60,000
To Siddharth	18,000		
To Kusum	12,000		
	60,000		**60,000**

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31. Radha, Mary and Fatima (5 : 4 : 1). Fatima is guaranteed at least ₹ 5,000; any shortfall borne by Radha and Mary 3 : 2. Profit ₹ 35,000. Record the journal entry.

Ans. Fatima's share 3,500; shortfall 1,500 (900 and 600).

Particulars		Dr. (₹)	Cr. (₹)
Profit and Loss Appropriation A/c	Dr.	35,000	
To Radha's Capital A/c			17,500
To Mary's Capital A/c			14,000
To Fatima's Capital A/c			3,500
Radha's Capital A/c	Dr.	900	
Mary's Capital A/c	Dr.	600	
To Fatima's Capital A/c			1,500

32. X, Y and Z (3 : 2 : 1). Z's share is guaranteed by X and Y at ₹ 8,000 minimum. Profit ₹ 30,000. Prepare the P&L Appropriation Account.

Ans. Shares 15,000, 10,000, 5,000; deficiency 3,000 borne 3 : 2 (1,800 and 1,200).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To X (15,000 – 1,800)	13,200	By Profit and Loss A/c	30,000
To Y (10,000 – 1,200)	8,800		
To Z (5,000 + 3,000)	8,000		
	30,000		30,000

Cr.

33. Arun, Boby and Chintu (2 : 2 : 1). Chintu must get at least ₹ 60,000; any deficiency is borne by Arun. Show the distribution if profits are (i) ₹ 2,50,000 (ii) ₹ 3,60,000.

Ans. (i) Shares 1,00,000, 1,00,000, 50,000; Arun pays 10,000: **Arun 90,000, Boby 1,00,000, Chintu 60,000.** (ii) Shares 1,44,000, 1,44,000, ₹2,000 (above the guarantee): no adjustment.

Profit and Loss Appropriation A/c (case i)

Dr. Particulars	₹	Particulars	₹
To Arun (1,00,000 – 10,000)	90,000	By Profit and Loss A/c	2,50,000
To Boby	1,00,000		
To Chintu (50,000 + 10,000)	60,000		
	2,50,000		2,50,000

Cr.

34. Ashok, Brijesh and Cheena (2 : 2 : 1); Ashok and Brijesh guarantee Cheena ₹ 20,000. Profit ₹ 70,000. Prepare the P&L Appropriation Account.

Ans. Shares 28,000, 28,000, 14,000; deficiency 6,000 borne equally (their ratio 2 : 2).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Ashok (28,000 – 3,000)	25,000	By Profit and Loss A/c	70,000
To Brijesh (28,000 – 3,000)	25,000		
To Cheena (14,000 + 6,000)	20,000		
	70,000		70,000

Cr.

35. Ram, Mohan and Sohan have capitals of ₹ 5,00,000, ₹ 2,50,000 and ₹ 2,00,000. After interest on capital @ 10%, profits are shared 1/2, 1/3, 1/6. Ram and Mohan guarantee Sohan at least ₹ 25,000. Profit before interest ₹ 2,00,000. Prepare the P&L Appropriation Account.

Ans. Interest 50,000, 25,000, 20,000 = 95,000; divisible 1,05,000 → 52,500, 35,000, 17,500. Sohan's deficiency ₹7,500 borne by Ram and Mohan 3 : 2 (4,500 and 3,000).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Ram 50,000; Mohan 25,000; Sohan 20,000	95,000	By Profit and Loss A/c	2,00,000
To Ram (52,500 – 4,500)	48,000		
To Mohan (35,000 – 3,000)	32,000		
To Sohan (17,500 + ₹,500)	25,000		
	2,00,000		2,00,000

Cr.

36. Amit, Babita and Sona (3 : 2 : 1). Sona is guaranteed at least ₹ 15,000; Babita guaranteed that her gross fees would be at least ₹ 25,000, but she earned only ₹ 16,000. Net profit ₹ 75,000. Prepare the P&L Appropriation Account.

Ans. Babita makes good her fee shortfall of 9,000, raising divisible profit to 84,000: shares 42,000, 28,000, 14,000. Sona's deficiency 1,000 borne by Amit and Babita 3 : 2 (600 and 400).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Amit (42,000 – 600)	41,400	By Profit and Loss A/c	75,000
To Babita (28,000 – 400)	27,600	By Babita's Capital A/c (fee shortfall)	9,000
To Sona (14,000 + 1,000)	15,000		
	84,000		84,000

Cr.

38. Harry, Porter and Ali (2 : 2 : 1) agree to share equally with effect from the last three years; profits ₹ 22,000, ₹ 24,000 and ₹ 29,000. Pass a single adjustment entry.

Ans. Total ₹5,000. Given 30,000, 30,000, 15,000; due 25,000 each.

Particulars		Dr. (₹)	Cr. (₹)
Harry's Capital A/c	Dr.	5,000	
Porter's Capital A/c	Dr.	5,000	
To Ali's Capital A/c			10,000

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37. The profit of X, Y and Z (3 : 1 : 1) of ₹ 60,000 was distributed, but interest on capital @ 5% (fixed capitals ₹ 1,00,000, ₹ 80,000, ₹ 60,000), interest on drawings (₹ 700, ₹ 500, ₹ 300) and salaries (X ₹ 1,000, Y ₹ 1,500) were omitted. Record the adjustment entry.

Ans.

Particulars	X	Y	Z	Total
Interest on capital (Cr.)	5,000	4,000	3,000	12,000
Salary (Cr.)	1,000	1,500	nil	2,500
Interest on drawings (Dr.)	(700)	(500)	(300)	(1,500)
Net amount due	5,300	5,000	2,700	13,000
Profit taken back (3 : 1 : 1)	(7,800)	(2,600)	(2,600)	(13,000)
Net effect	**2,500 Dr.**	**2,400 Cr.**	**100 Cr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
X's Current A/c	Dr.	2,500	
To Y's Current A/c			2,400
To Z's Current A/c			100

39. Mannu and Shristhi (3 : 2): capitals ₹ 30,000 and ₹ 10,000 (after crediting profit of ₹ 5,000); drawings ₹ 4,000 and ₹ 2,000 shown separately. Interest on capital @ 5% and on drawings @ 6% (6 months) were omitted. Give the adjustment entry.

Ans. Opening capitals = 30,000 – 3,000 = 27,000; 10,000 – 2,000 = 8,000. Interest on capital 1,350 and 400; on drawings 120 and 60. Net credit 1,230 and 340 = 1,570, taken back 3 : 2 (942 and 628). Net: Mannu +288, Shristhi –288.

Particulars		Dr. (₹)	Cr. (₹)
Shristhi's Capital A/c	Dr.	288	
To Mannu's Capital A/c			288

40. After adjustments the capitals of Eluin, Monu and Ahmed (3 : 2 : 1) were ₹ 80,000, ₹ 60,000 and ₹ 40,000. Interest on capital @ 5% and on drawings (₹ 500, ₹ 360, ₹ 200) were omitted; drawings ₹ 20,000, ₹ 15,000, ₹ 9,000; profit ₹ 1,20,000. Record the adjustment entry.

Ans. Opening capitals: 80,000 + 20,000 – 60,000 = 40,000; 60,000 + 15,000 – 40,000 = 35,000; 40,000 + 9,000 – 20,000 = 29,000.

Particulars	Eluin	Monu	Ahmed	Total
Interest on capital	2,000	1,750	1,450	5,200
Less interest on drawings	(500)	(360)	(200)	(1,060)
Net due	1,500	1,390	1,250	4,140
Profit taken back (3 : 2 : 1)	(2,070)	(1,380)	(690)	(4,140)
Net effect	**570 Dr.**	**10 Cr.**	**560 Cr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Eluin's Capital A/c	Dr.	570	
To Monu's Capital A/c			10
To Ahmed's Capital A/c			560

41. Azad and Benny are equal partners with fixed capitals of ₹ 40,000 and ₹ 80,000. Interest @ 5% was not credited. Record the adjusting entry.

Ans. Interest 2,000 and 4,000 = 6,000; taken back equally 3,000 each. Net: Azad –1,000; Benny +1,000.

Particulars		Dr. (₹)	Cr. (₹)
Azad's Current A/c	Dr.	1,000	
To Benny's Current A/c			1,000

42. The capitals of Mohan, Vijay and Anil were ₹ 30,000, ₹ 25,000 and ₹ 20,000 after crediting profit of ₹ 24,000; drawings ₹ 5,000, ₹ 4,000, ₹ 3,000. Interest on capital @ 10% and interest on drawings (₹ 250, ₹ 200, ₹ 150) were omitted. Record the correction.

Ans. Ratio not stated: equal (8,000 each). Opening capitals 27,000, 21,000, 15,000; interest 2,700, 2,100, 1,500; less interest on drawings → net 2,450, 1,900, 1,350 = 5,700; taken back equally 1,900 each. Net: Mohan +550; Vijay nil; Anil –550.

Particulars		Dr. (₹)	Cr. (₹)
Anil's Capital A/c	Dr.	550	
To Mohan's Capital A/c			550

43. Anju, Manju and Mamta have fixed capitals of ₹ 10,000, ₹ 8,000 and ₹ 6,000; interest @ 5% was omitted for three years, during which the ratios were 4 : 3 : 5, 3 : 2 : 1 and 1 : 1 : 1. Pass the adjustment entry in April 2019.

Ans. Interest per year 500, 400, 300 (1,200); three years 1,500, 1,200, 900. Profit to be taken back: year 1 (4 : 3 : 5) 400, 300, 500; year 2 (3 : 2 : 1) 600, 400, 200; year 3 (1 : 1 : 1) 400, 400, 400; totals 1,400, 1,100, 1,100. Net: Anju +100; Manju +100; Mamta –200.

Particulars		Dr. (₹)	Cr. (₹)
Mamta's Current A/c	Dr.	200	
To Anju's Current A/c			100
To Manju's Current A/c			100

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CBSE board questions 2024–2026, fully solved

Every question on this chapter from the 16 papers (sets 67/1/1 to 67/7/1, 2024–2026), quoted with complete answers.

A. MCQs and Assertion–Reason (1 mark each)

CBSE 2024 · 67/1/1 Abhay, Boris and Chetan shared profits 5 : 3 : 2. Boris was guaranteed a profit of ₹ 95,000; any deficiency was to be borne by Abhay and Chetan equally. The firm earned ₹ 2,00,000 for the year ended 31st March, 2023. The amount given by Abhay to Boris will be: (A) ₹ 17,500 (B) ₹ 35,000 (C) ₹ 25,000 (D) ₹ 10,000 [1]

Ans. Boris's actual share = 2,00,000 × 3/10 = ₹ 60,000. Deficiency = 95,000 − 60,000 = ₹ 35,000, borne equally, so Abhay gives 35,000 × 1/2 = ₹ 17,500. **(A)**.

CBSE 2024 · 67/1/1 Assertion (A): Each partner is a principal as well as an agent for all the other partners. Reason (R): As per the definition in the Partnership Act, partnership business may be carried on by all the partners or any of them acting for all. (A) Both true, R not the correct explanation (B) Both true, R is the correct explanation (C) A true, R false (D) A false, R true [1]

Ans. Because the business may be carried on by any partner acting for all (mutual agency), every partner binds the others (agent) and is bound by them (principal). R explains A. **(B)**.

CBSE 2024 · 67/1/1 Abha and Babita (2 : 1) had capitals of ₹ 5,00,000 and ₹ 10,00,000 on 1st April, 2023. The deed allows interest on capital @ 10% p.a. The firm earned a profit of ₹ 90,000. The interest on capital allowed to Abha will be: (A) ₹ 50,000 (B) ₹ 1,00,000 (C) ₹ 60,000 (D) ₹ 30,000 [1]

Ans. Interest due: Abha 50,000, Babita 1,00,000 (total 1,50,000). Profit is only ₹ 90,000, so interest on capital (an appropriation) is limited to the profit and shared in the ratio of interest, 1 : 2. Abha = 90,000 × 1/3 = ₹ 30,000. **(D)**.

CBSE 2024 · 67/1/1 In the same case, Babita's share in profit will be: (A) ₹ 60,000 (B) ₹ 30,000 (C) Nil (D) ₹ 1,00,000 [1]

Ans. The whole ₹ 90,000 is used up as interest on capital (Abha 30,000, Babita 60,000), so nothing is left to share as profit. **(C) Nil**.

CBSE 2024 · 67/2/1 Which item cannot be recorded in the capital accounts of partners when capitals are fixed? (A) Drawings (B) Withdrawal of capital (C) Introduction of additional capital (D) Opening balance of capital [1]

Ans. Under fixed capitals, routine items (drawings, interest, salary, profit share) go to the **current account**; only permanent changes in capital go to the capital account. **(A)**.

CBSE 2024 · 67/2/1 On 1st January, 2023 Abhishek, a partner, advanced a loan of ₹ 3,00,000 to the firm. In the absence of a partnership agreement, interest on the loan for the year ending 31st March, 2023 will be: (A) ₹ 18,000 (B) ₹ 4,500 (C) ₹ 9,000 (D) no interest [1]

Ans. Without a deed, interest on a partner's loan is 6% p.a. For 3 months: 3,00,000 × 6% × 3/12 = ₹ 4,500. **(B)**.

CBSE 2024 · 67/2/1 (OR) If a partner withdraws a fixed amount at the end of each quarter, interest on drawings will be charged for _____ months. (A) 9 (B) 7½ (C) 6 (D) 4½ [1]

Ans. End-of-quarter drawings are outstanding for 9, 6, 3 and 0 months: average (9 + 6 + 3 + 0) ÷ 4 = 4½ months. **(D)**.

CBSE 2024 · 67/2/1 (OR) Neeru and Meetu have capitals of ₹ 2,00,000 and ₹ 1,50,000. The firm earned ₹ 17,500 for the year; interest on capital @ 10% p.a. would be: (A) Neeru 15,000; Meetu 20,000 (B) 8,750 each (C) Neeru 20,000; Meetu 15,000 (D) Neeru 10,000; Meetu 7,500 [1]

Ans. Interest due 20,000 + 15,000 = 35,000 exceeds the profit 17,500, so profit is shared in the ratio of interest 4 : 3: Neeru 10,000, Meetu 7,500. **(D)**.

CBSE 2024 · 67/2/1 (OR) Raju, Sohan and Tina share 2 : 2 : 1. Tina is guaranteed ₹ 40,000; any deficiency is borne by Raju. If profit is ₹ 1,60,000, Raju will bear: (A) ₹ 8,000 (B) ₹ 40,000 (C) ₹ 48,000 (D) ₹ 4,000 [1]

Ans. Tina's share = 1,60,000 × 1/5 = 32,000; deficiency = 40,000 − 32,000 = ₹ 8,000, all borne by Raju. **(A)**.

CBSE 2024 · 67/2/1 In the same case, interest on drawings of Nisha would be: (A) ₹ 2,000 (B) ₹ 1,000 (C) ₹ 4,000 (D) ₹ 4,800 [1]

Ans. Dates of drawings are not given, so interest is charged for an average of 6 months: 80,000 × 5% × 6/12 = ₹ 2,000. **(A)**.

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CBSE 2024 · 67/2/1 Vivek and Nisha (3 : 2) had capitals of ₹ 8,00,000 and ₹ 4,00,000 on 1st April, 2022. Vivek introduced additional capital of ₹ 2,00,000 on 1st July, 2022. Drawings: Vivek ₹ 40,000, Nisha ₹ 80,000. Interest on capital 6% p.a., on drawings 5% p.a.; net profit ₹ 6,50,000. Interest on capital payable to Vivek will be: (A) ₹ 48,000 (B) ₹ 60,000 (C) ₹ 57,000 (D) ₹ 24,000 [1]

> **Ans.** 8,00,000 × 6% = 48,000 plus 2,00,000 × 6% × 9/12 = 9,000. Total ₹ 57,000. **(C).**

CBSE 2024 · 67/3/1 Shrikant withdrew ₹ 10,000 at the beginning of each quarter during the year ended 31st March, 2023. Interest on his drawings @ 6% p.a. will be: (A) ₹ 2,400 (B) ₹ 1,200 (C) ₹ 1,500 (D) ₹ 900 [1]

> **Ans.** Beginning of each quarter: average period 7½ months on the total 40,000. 40,000 × 6% × 7.5/12 = ₹ 1,500. **(C).**

CBSE 2024 · 67/3/1 (OR) Rhea withdrew ₹ 30,000 at the beginning of each half year. Interest on her drawings @ 10% p.a. for the year will be: (A) ₹ 6,000 (B) ₹ 4,500 (C) ₹ 3,000 (D) ₹ 1,500 [1]

> **Ans.** Outstanding 12 and 6 months: average 9 months on 60,000. 60,000 × 10% × 9/12 = ₹ 4,500. **(B).**

CBSE 2024 · 67/3/1 Assertion (A): Partners' current accounts under the fixed capital method may show a debit or a credit balance. Reason (R): Under the fixed capital method all items like share of profit, interest on capital, drawings etc. are recorded in the partners' capital accounts. (A) Both correct, R not the explanation (B) Both correct, R explains A (C) A correct, R not correct (D) both not correct [1]

> **Ans.** A is true (current accounts can go into debit). R is false: those items go to **current** accounts, not capital accounts. **(C).**

CBSE 2024 · 67/3/1 Richa, Sheena and Tapti (3 : 2 : 1) charge interest on drawings @ 10% p.a. Drawings: ₹ 50,000, ₹ 40,000 and ₹ 30,000; net profit ₹ 57,000. Sheena's interest on drawings: (A) ₹ 5,000 (B) ₹ 4,000 (C) ₹ 3,000 (D) ₹ 2,000 [1]

> **Ans.** Dates unknown: average 6 months. 40,000 × 10% × 6/12 = ₹ 2,000. **(D).**

CBSE 2024 · 67/3/1 In the same case, Tapti's share of profit will be: (A) ₹ 11,500 (B) ₹ 34,500 (C) ₹ 10,500 (D) ₹ 23,000 [1]

> **Ans.** Interest on drawings 2,500 + 2,000 + 1,500 = 6,000 is added to profit: 57,000 + 6,000 = 63,000. Tapti 1/6 = ₹ 10,500. **(C).**

CBSE 2024 · 67/4/1 Nisha had given a loan of ₹ 1,00,000 to the firm @ 10% p.a. The accountant insists interest will be paid @ 6% p.a. At what rate will interest on the loan be paid? (A) 6% (B) 10% (C) 8% (D) no interest [1]

> **Ans.** An agreed rate overrides the 6% default of the Partnership Act, so interest is paid at **10%**. **(B).**

CBSE 2024 · 67/4/1 Assertion (A): Under the fixed capital method, partners' capital accounts always show a credit balance. Reason (R): Under the fixed capital method, share of profit, interest on capital, drawings etc. are recorded in a separate current account. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) A incorrect, R correct [1]

> **Ans.** Because all fluctuating items go to the current account, the capital account keeps its fixed credit balance. **(A).**

CBSE 2024 · 67/4/1 Vanya and Aanya (3 : 2) had capitals ₹ 5,00,000 and ₹ 1,00,000. Vanya gets interest on capital @ 8% p.a. and Aanya a salary of ₹ 5,000 per month. Net profit before appropriation ₹ 1,75,000. Vanya's share in divisible profit: (A) ₹ 45,000 (B) ₹ 30,000 (C) ₹ 37,500 (D) ₹ 40,000 [1]

> **Ans.** 1,75,000 − interest 40,000 − salary 60,000 = 75,000; Vanya 3/5 = ₹ 45,000. **(A).**

CBSE 2024 · 67/4/1 (OR) Omkar's salary is ₹ 20,000 p.a. and Shiva's ₹ 50,000 p.a. Net profit after charging salaries is ₹ 5,60,000. Total credited to Omkar's capital: (A) ₹ 2,45,000 (B) ₹ 2,65,000 (C) ₹ 3,15,000 (D) ₹ 3,00,000 [1]

> **Ans.** No ratio given: equal shares 2,80,000 each. Omkar = 20,000 + 2,80,000 = ₹ 3,00,000. **(D).**

CBSE 2024 · 67/4/1 Aditi and Saurabh (2 : 1) had capitals of ₹ 5,00,000 and ₹ 4,00,000; profit before appropriation ₹ 81,000; interest on capital @ 10% p.a. Interest on capital will be provided in the ratio: (A) 5 : 4 (B) 2 : 1 (C) 1 : 1 (D) 8 : 1 [1]

> **Ans.** Interest due 50,000 + 40,000 = 90,000 exceeds profit, so the profit is shared in the ratio of interest, 5 : 4. **(A).**

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CBSE 2024 · 67/4/I In the same case, interest on Aditi's capital will be: (A) ₹ 50,000 (B) ₹ 45,000 (C) ₹ 40,500 (D) ₹ 54,000 [1]

> **Ans.** 81,000 × 5/9 = ₹ 45,000. **(B).**

CBSE 2024 · 67/4/I Mishu draws a fixed amount at the end of every quarter; interest on drawings @ 15% p.a. came to ₹ 9,000. Interest was charged for: (A) 6 (B) 7½ (C) 4½ (D) 4 months [1]

> **Ans.** End of each quarter: average 4½ months. **(C).**

CBSE 2024 · 67/4/I Which item is not dealt with through the Profit and Loss Appropriation Account? (A) interest on capital (B) interest on drawings (C) rent paid to partners (D) partner's salary [1]

> **Ans.** Rent to a partner is a **charge** against profit (P&L Account), not an appropriation. **(C).**

CBSE 2024 · 67/5/I A partnership firm has 45 partners and wants to admit 7 more. Only _____ more partners can be admitted according to the Companies Act, 2013. (A) 1 (B) 6 (C) 5 (D) 3 [1]

> **Ans.** The maximum number of partners is 50 (Companies (Miscellaneous) Rules, 2014), so only 50 − 45 = 5 more. **(C).**

CBSE 2024 · 67/5/I Assertion (A): In a partnership firm, the private assets of the partners can also be used to pay off the firm's debts. Reason (R): The liability of the partners for acts of the firm is limited. (A) Both true, R explains A (B) Both true, R does not explain (C) A false, R true (D) A true, R false [1]

> **Ans.** Partners have **unlimited** liability, which is why private assets can be used. A true, R false. **(D).**

CBSE 2024 · 67/5/I Ridhima and Kavita (3 : 2) have fixed capitals of ₹ 1,50,000 and ₹ 2,00,000; interest on capital @ 8% p.a.; net profit ₹ 21,000. Interest credited will be: (A) 12,000 and 16,000 (B) 10,500 each (C) 9,000 and 12,000 (D) 16,000 and 5,000 [1]

> **Ans.** Interest due 12,000 + 16,000 = 28,000 exceeds the profit 21,000, so it is shared 3 : 4: 9,000 and 12,000. **(C).**

CBSE 2024 · 67/5/I (OR) Ruchika withdrew ₹ 9,000 at the end of each quarter throughout the year. Interest on her drawings @ 6% p.a.: (A) ₹ 540 (B) ₹ 2,160 (C) ₹ 1,080 (D) ₹ 810 [1]

> **Ans.** 36,000 × 6% × 4.5/12 = ₹ 810. **(D).**

CBSE 2024 · 67/5/I Keshav and Hitesh (3 : 2): after a profit of ₹ 15,000 was divided, their capitals on 31st March, 2023 were ₹ 55,000 and ₹ 45,000. Keshav drew ₹ 1,500 at the beginning of each quarter; Hitesh withdrew ₹ 9,000 on 1st November, 2022. Interest on capital @ 5% and on drawings @ 8% was omitted. Keshav's opening capital was: (A) ₹ 35,000 (B) ₹ 39,000 (C) ₹ 43,000 (D) ₹ 52,000 [1]

> **Ans.** Opening = closing + drawings − profit share = 55,000 + 6,000 − 9,000 = ₹ 52,000. **(D).**

CBSE 2024 · 67/5/I In the same case, interest on Hitesh's drawings will be: (A) ₹ 225 (B) ₹ 4,500 (C) ₹ 300 (D) ₹ 7,200 [1]

> **Ans.** 1st November to 31st March = 5 months: 9,000 × 8% × 5/12 = ₹ 300. **(C).**

CBSE 2024 · 67/5/I Mahi, Ruhi and Ginni (6 : 4 : 1). Mahi guaranteed a profit of ₹ 50,000 to Ginni. Net profit ₹ 1,10,000. Mahi's share after the guarantee: (A) ₹ 20,000 (B) ₹ 60,000 (C) ₹ 40,000 (D) ₹ 10,000 [1]

> **Ans.** Shares: Mahi 60,000; Ruhi 40,000; Ginni 10,000. Deficiency 40,000 borne by Mahi alone: 60,000 − 40,000 = ₹ 20,000. **(A).**

CBSE 2025 · 67/1/I Sara and Tara had capitals of ₹ 6,00,000 and ₹ 4,00,000 on 1st April, 2023. On 1st October, 2023 Tara withdrew ₹ 1,00,000 for personal use. Interest on capital is @ 8% p.a. Interest on Tara's capital for the year ended 31st March, 2024: (A) ₹ 28,000 (B) ₹ 30,000 (C) ₹ 48,000 (D) ₹ 32,000 [1]

> **Ans.** A withdrawal "for personal use" is **drawings**, not a withdrawal of capital, so interest is on the full opening capital: 4,00,000 × 8% = ₹ 32,000. **(D).**

CBSE 2025 · 67/1/I Assertion (A): Each partner carrying on the business is the principal as well as the agent for all the other partners. Reason (R): There exists a relationship of mutual agency between all the partners. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) A incorrect, R correct [1]

> **Ans.** Mutual agency is exactly what makes each partner both principal and agent. **(A).**

CBSE 2025 · 67/1/I When capitals are fixed, drawings by a partner are recorded on the: (A) debit side of capital (B) credit side of capital (C) debit side of current account (D) credit side of current account [1]

> **Ans.** **(C).**

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CBSE 2025 · 67/1/1 Anuj withdrew ₹ 20,000 at the beginning of every alternate month starting 1st April, 2023. Interest on his drawings @ 6% p.a. for the year: (A) ₹ 8,400 (B) ₹ 1,200 (C) ₹ 4,200 (D) ₹ 3,600 [1]

Ans. 6 drawings (April, June, Aug, Oct, Dec, Feb) outstanding 12, 10, 8, 6, 4, 2 months: average 7 months on 1,20,000. 1,20,000 × 6% × 7/12 = ₹ 4,200. **(C).**

CBSE 2025 · 67/2/1 Eliza, Fenn and Garry (4 : 3 : 1). Fenn was guaranteed ₹ 25,000, any deficiency met by Eliza. Profit ₹ 80,000. Amount credited to Fenn: (A) ₹ 30,000 (B) ₹ 40,000 (C) ₹ 25,000 (D) ₹ 10,000 [1]

Ans. Fenn's share = 80,000 × 3/8 = 30,000, which already exceeds the guarantee, so no deficiency. **(A).**

CBSE 2025 · 67/2/1 Assertion (A): The maximum number of partners in a partnership firm is 50. Reason (R): Under the Companies Act, 2013 the Central Government prescribes the maximum number of partners, and it has prescribed 50. (A) Both true, R explains A (B) Both true, R does not explain (C) A true, R false (D) both false [1]

Ans. **(A).**

CBSE 2025 · 67/2/1 Nandita withdrew ₹ 3,00,000 during the year for personal use. Interest on drawings @ 10% p.a.: (A) ₹ 9,000 (B) ₹ 30,000 (C) ₹ 18,000 (D) ₹ 15,000 [1]

Ans. Dates unknown: 6 months. 3,00,000 × 10% × 6/12 = ₹ 15,000. **(D).**

CBSE 2025 · 67/2/1 Radhika, Mehar and Shubha share 9 : 8 : 7. If Radhika's share of profit is ₹ 5,40,000, Shubha's share will be: (A) ₹ 5,40,000 (B) ₹ 4,80,000 (C) ₹ 60,000 (D) ₹ 4,20,000 [1]

Ans. One part = 5,40,000 ÷ 9 = 60,000; Shubha = 7 × 60,000 = ₹ 4,20,000. **(D).**

CBSE 2025 · 67/4/1 Emily, Flora and Ginni began on 1st October, 2023 with capitals of ₹ 10,00,000 each; interest on capital @ 10% p.a.; net profit ₹ 7,50,000 for the year ended 31st March, 2024. Profit transferred to Emily's capital: (A) ₹ 2,00,000 (B) ₹ 1,50,000 (C) ₹ 6,00,000 (D) ₹ 2,50,000 [1]

Ans. Interest for 6 months: 50,000 each (1,50,000). Remaining 6,00,000 shared equally: ₹ 2,00,000. **(A).**

CBSE 2025 · 67/5/1 Sudha withdrew ₹ 12,000 on 31st October, 2023; interest on drawings @ 6% p.a. Interest for the year ended 31st March, 2024: (A) ₹ 300 (B) ₹ 30 (C) ₹ 3,000 (D) ₹ 150 [1]

Ans. 5 months: 12,000 × 6% × 5/12 = ₹ 300. **(A).**

CBSE 2025 · 67/4/1 'The business of a partnership firm may be carried on by all the partners or any of them acting for all.' This highlights which feature? (A) agreement (B) business (C) sharing of profit (D) mutual agency [1]

Ans. **(D).**

CBSE 2025 · 67/4/1 Assertion (A): Partners' salary is debited to Profit and Loss Appropriation Account, not to Profit and Loss Account. Reason (R): Partners' salary is an appropriation of profit, not a charge. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) both incorrect [1]

Ans. **(A).**

CBSE 2025 · 67/4/1 Reema, Meesha and Shikha (8 : 7 : 5). On 1st October, 2023 Reema advanced a loan of ₹ 5,00,000; there is no deed. Profit before interest on the loan ₹ 2,15,000. Profit credited to Shikha: (A) ₹ 80,000 (B) ₹ 70,000 (C) ₹ 50,000 (D) ₹ 42,500 [1]

Ans. Interest @ 6% for 6 months = 15,000 (a charge). Profit = 2,00,000; Shikha 5/20 = ₹ 50,000. **(C).**

CBSE 2025 · 67/5/1 Assertion (A): Partners' fixed capital accounts always show a credit balance, which remains the same year after year unless capital is added or withdrawn. Reason (R): When capitals are fixed, items like share of profit, interest on capital, drawings and interest on drawings are recorded in partners' capital accounts. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) A incorrect, R correct [1]

Ans. Those items go to **current** accounts under fixed capitals. **(C).**

CBSE 2025 · 67/5/1 Sun and Moon share equally with fixed capitals of ₹ 5,00,000 each. Interest on capital @ 10% was not credited. The rectifying entry will be: (A) no entry (B) Sun Dr. 50,000, To Moon (C) Moon Dr. 50,000, To Sun (D) both Dr. 50,000, To P&L Appropriation [1]

Ans. Each would get 50,000 interest and lose 50,000 profit: net effect nil. **(A).**

CBSE 2025 · 67/5/1 (OR) The partnership deed should be prepared as per the provisions of: (A) Companies Act, 2013 (B) Indian Partnership Act, 1932 (C) Indian Stamp Act (D) Co-operative Societies Act [1]

Ans. A written deed must be stamped as per the **Indian Stamp Act** (board's key). **(C).**

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CBSE 2025 · 67/S/I Manoj, Dilip and Rajinder have fixed capitals; interest on drawings @ 12% p.a. is charged. Which account is debited for interest on drawings? (A) partners' capital (B) P&L Appropriation (C) interest on drawings (D) P&L [1]

Ans. With fixed capitals the debit goes to the partners' current accounts (the board's answer; none of the options states it exactly).

CBSE 2025 · 67/S/I (OR) Which event does not result in reconstitution of a firm? (A) dissolution of partnership (B) dissolution of partnership firm (C) death of a partner (D) change in profit sharing ratio [1]

Ans. Dissolution of the firm ends the business altogether. **(B).**

CBSE 2025 · 67/6/I Interest on drawings @ 12% p.a. Starting 1st July, 2023 Mohan withdrew ₹ 20,000 every month for personal use. For the year ended 31st March, 2024 interest on his drawings will be charged for _____ months: (A) 6½ (B) 6 (C) 5½ (D) 5 [1]

Ans. Taken as drawn at the beginning of each month (board's answer): 9 drawings outstanding 9, 8, …, 1 months; average (9 + 1)/2 = **5 months. (D).**

CBSE 2025 · 67/6/I Assertion (A): Partnership is the result of an agreement between two or more persons to do business and share its profits and losses. Reason (R): Partnership agreement should always be in written form. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) A incorrect, R correct [1]

Ans. The agreement may be oral or written. **(C).**

CBSE 2025 · 67/6/I Mohan withdrew ₹ 80,000 during the year; interest on drawings @ 12% p.a. Interest: (A) ₹ 9,600 (B) ₹ 4,800 (C) ₹ 800 (D) ₹ 1,600 [1]

Ans. 80,000 × 12% × 6/12 = ₹ 4,800. **(B).**

CBSE 2025 · 67/6/I (OR) The account debited for allowing interest on partners' capital: (A) P&L (B) partners' current (C) interest on capital (D) partners' capital [1]

Ans. Interest on Capital A/c Dr., To Partners' Capital/Current (board's key). **(C).**

CBSE 2025 · 67/7/I Usha withdrew a fixed amount at the end of every half-year. Interest on drawings is charged for _____ months: (A) 3 (B) 6 (C) 9 (D) 12 [1]

Ans. Outstanding 6 and 0 months: average 3. **(A).**

CBSE 2025 · 67/6/I Ashok and Avinash (3 : 2) had capitals of ₹ 10,00,000 and ₹ 15,00,000; interest on capital @ 10% was not credited before distribution. Had it been provided, divisible profit would have: (A) reduced by ₹ 2,50,000 (B) increased by ₹ 2,50,000 (C) no change (D) reduced by ₹ 25,000 [1]

Ans. Interest 1,00,000 + 1,50,000 = 2,50,000 would be appropriated first. **(A).**

CBSE 2025 · 67/7/I Assertion (A): Private assets of a partner can be used for paying off the firm's debts. Reason (R): Liability of a partner for acts of the firm is limited. (A) A incorrect, R correct (B) A correct, R incorrect (C) both correct, R not the explanation (D) both correct, R explains A [1]

Ans. Liability is unlimited. **(B).**

CBSE 2025 · 67/7/I Saloni and Mohini (3 : 2). On 31st March, 2024 Saloni's capital was ₹ 1,50,000; during the year she withdrew ₹ 10,000 and introduced ₹ 32,000; profit ₹ 50,000. Her opening capital: (A) ₹ 1,30,000 (B) ₹ 2,02,000 (C) ₹ 1,08,000 (D) ₹ 98,000 [1]

Ans. 1,50,000 + 10,000 − 32,000 − 30,000 = ₹ 98,000. **(D).**

CBSE 2026 · 67/1/I Assertion (A): Partnership agreement becomes the basis of relationship among the partners. Reason (R): Partnership is the result of an agreement between two or more persons to do business and share its profits and losses. (A) Both correct, R explains A (B) Both correct, R does not explain (C) A correct, R incorrect (D) A incorrect, R correct [1]

Ans. **(A).**

CBSE 2026 · 67/1/I Tarun and Tej (3 : 2). On 1st April, 2024 Tej gave a loan of ₹ 50,000 to the firm. Net profit before interest on the loan was ₹ 3,75,000. Profit transferred to the P&L Appropriation Account: (A) ₹ 3,75,000 (B) ₹ 3,72,000 (C) ₹ 4,25,000 (D) ₹ 3,78,000 [1]

Ans. Interest @ 6% (no deed) = 3,000 is a charge: 3,75,000 − 3,000 = ₹ 3,72,000. **(B).**

CBSE 2026 · 67/1/I (OR) Ashok and Vasu (4 : 3). Vasu's capital on 31st March, 2025 was ₹ 3,75,000; during the year he withdrew ₹ 40,000 and introduced ₹ 1,50,000; profit ₹ 1,40,000. His opening capital: (A) ₹ 2,75,000 (B) ₹ 4,25,000 (C) ₹ 2,05,000 (D) ₹ 3,45,000 [1]

Ans. 3,75,000 + 40,000 − 1,50,000 − 60,000 = ₹ 2,05,000. **(C).**

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CBSE 2026 · 67/1/1 Interest on drawings @ 12% p.a. Starting from 31st December, Madhvi withdrew ₹ 40,000 at the end of every month (books close 31st March). Interest: (A) ₹ 19,200 (B) ₹ 4,800 (C) ₹ 2,400 (D) ₹ 1,600 [1]

> **Ans.** Four drawings (Dec, Jan, Feb, Mar) of 1,60,000 outstanding 3, 2, 1, 0 months: average 1.5 months. 1,60,000 × 12% × 1.5/12 = ₹ 2,400. **(C)**.

CBSE 2026 · 67/1/1 Nidhi and Kunal (4 : 1) had capitals of ₹ 3,00,000 and ₹ 2,00,000; interest on capital @ 6% p.a.; profit ₹ 15,000. Interest on capitals: (A) 18,000 and 12,000 (B) ₹,500 each (C) Nidhi 9,000; Kunal 6,000 (D) 12,000 and 3,000 [1]

> **Ans.** Interest due 30,000 > profit; shared 3 : 2. **(C)**.

CBSE 2026 · 67/2/1 Navya, Kartik and Samir (4 : 3 : 1). Samir was guaranteed at least ₹ 57,000; any deficiency borne by Navya and Kartik equally. Profit ₹ 4,00,000. Deficiency borne by Kartik: (A) ₹ 3,500 (B) ₹ 4,000 (C) ₹ 3,000 (D) ₹ ₹,000 [1]

> **Ans.** Samir's share 50,000; deficiency ₹,000 ÷ 2 = ₹ 3,500. **(A)**.

CBSE 2026 · 67/2/1 Nandita withdrew ₹ 80,000 in cash and ₹ 20,000 as furniture for personal use during the year; interest on drawings @ 6% p.a. Interest: (A) ₹ 6,000 (B) ₹ 1,200 (C) ₹ 2,400 (D) ₹ 3,000 [1]

> **Ans.** Drawings in kind count too: 1,00,000 × 6% × 6/12 = ₹ 3,000. **(D)**.

CBSE 2026 · 67/2/1 Dilshad, Ajit and Deepna (2 : 2 : 1) have fixed capitals of ₹ 5,00,000, ₹ 4,00,000 and ₹ 1,00,000. Interest on capital was provided @ 6% instead of ₹%. The adjustment entry: (A) Deepna's Current Dr. 1,000, To Dilshad's Current (B) Dilshad's Current Dr., To Deepna's (C) Deepna's Capital Dr., To Dilshad's Capital (D) Dilshad's Capital Dr., To Deepna's Capital [1]

> **Ans.** Short interest: 5,000, 4,000, 1,000 (credit); profit taken back 4,000, 4,000, 2,000. Net: Dilshad +1,000, Ajit nil, Deepna −1,000; fixed capitals use current accounts. **(A)**.

CBSE 2026 · 67/2/1 On 1st October, 2024 Rohit gave a loan of ₹ 2,00,000 to the firm at 10% p.a. as per the agreement; the accountant insists on 6%. Interest for the year ended 31st March, 2025: (A) ₹ 20,000 (B) ₹ 10,000 (C) ₹ 12,000 (D) ₹ 6,000 [1]

> **Ans.** Agreed 10% for 6 months = ₹ 10,000. **(B)**.

CBSE 2026 · 67/2/1 Amita, Shivani and Tarush (4 : 3 : 2). Tarush's profit was ₹ 1,80,000. Amita's: (A) ₹ 2,70,000 (B) ₹ 3,60,000 (C) ₹ 1,80,000 (D) ₹ 2,00,000 [1]

> **Ans.** One part 90,000 × 4 = ₹ 3,60,000. **(B)**.

CBSE 2026 · 67/3/1 Atul, Bajaj and Madan (1 : 2 : 5). Interest on drawings @ 18% p.a. Bajaj withdrew ₹ ₹,000 at the end of each quarter. Interest: (A) ₹ 1,890 (B) ₹ 3,150 (C) ₹ 420 (D) ₹ 5,040 [1]

> **Ans.** 28,000 × 18% × 4.5/12 = ₹ 1,890. **(A)**.

CBSE 2026 · 67/3/1 (OR) Damodar, Rao and Shridharan (3 : 1 : 1) have fixed capitals of ₹ 4,00,000, ₹ 3,00,000 and ₹ 2,00,000; interest on capital @ 6%. The entry for allowing interest on Rao's capital: (A) P&L Appropriation Dr. 18,000, To Rao's Capital (B) P&L Appropriation Dr., To Rao's Current (C) Interest on Capital Dr. 18,000, To Rao's Current (D) Interest on Capital Dr., To Rao's Capital [1]

> **Ans.** Interest 3,00,000 × 6% = 18,000 is first credited through Interest on Capital A/c to the current account (capitals are fixed). **(C)**.

CBSE 2026 · 67/3/1 Divya and Bholi (3 : 1) had fixed capitals of ₹ 8,00,000 and ₹ 6,00,000 on 1st April, 2024; Bholi introduced ₹ 50,000 on 30th September, 2024; interest on capital @ 12% p.a. Bholi's interest: (A) ₹ ₹8,000 (B) ₹ ₹5,000 (C) ₹ ₹2,000 (D) ₹ 3,000 [1]

> **Ans.** ₹2,000 + 50,000 × 12% × 6/12 = ₹ ₹5,000. **(B)**.

CBSE 2026 · 67/3/1 Persons who have entered into partnership with one another are collectively called: (A) firm (B) partnership (C) partners (D) partners' firm [1]

> **Ans.** Collectively a firm; individually partners. **(A)**.

CBSE 2026 · 67/3/1 (OR) In the absence of a partnership deed, partners are entitled to: (A) interest on capital (B) profits in capital ratio (C) interest @ 6% p.a. on loans to the firm (D) remuneration [1]

> **Ans.** **(C)**.

CBSE 2026 · 67/3/1 When capitals are fluctuating, drawings, interest and salary are shown in the: (A) current account (B) capital account (C) drawings account (D) P&L Appropriation Account [1]

> **Ans.** **(B)**.

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CBSE 2026 · 67/4/I Reena and Teena (2 : 1). Teena withdrew ₹ 20,000 at the beginning of each month; interest on drawings @ 6% p.a. Interest for the year: (A) ₹ 7,800 (B) ₹ 7,200 (C) ₹ 9,600 (D) ₹ 6,600 [1]

Ans. 2,40,000 × 6% × 6.5/12 = ₹ 7,800. **(A).**

CBSE 2026 · 67/4/I (OR) Rohan withdrew ₹ 15,000 at the beginning of each quarter. Interest on drawings is calculated for an average period of: (A) 6 (B) 4½ (C) 7½ (D) 6½ months [1]

Ans. (12 + 9 + 6 + 3) ÷ 4 = 7½. **(C).**

CBSE 2026 · 67/4/I Ankur and Angad (8 : 7). On 1st July, 2024 Angad advanced ₹ 8,00,000; there is no deed; he demands 10%. Interest due on 31st March, 2025: (A) ₹ 36,000 (B) ₹ 48,000 (C) ₹ 80,000 (D) ₹ 60,000 [1]

Ans. Without a deed only 6%: 8,00,000 × 6% × 9/12 = ₹ 36,000. **(A).**

CBSE 2026 · 67/4/I Anita and Priyal (3 : 2) had capitals of ₹ 3,00,000 and ₹ 4,00,000; interest on capital @ 8%; profit ₹ 28,000. Interest allowed: (A) 24,000 and 32,000 (B) 16,000 and 12,000 (C) Anita 12,000, Priyal 16,000 (D) 16,800 and 11,200 [1]

Ans. Interest due 56,000 > profit; shared 3 : 4. **(C).**

CBSE 2026 · 67/S/I Arora and Gurmeet (3 : 2). Starting 1st October, 2024 Arora withdrew ₹ 30,000 at the beginning of each quarter; interest on drawings @ 12% p.a. Interest for the year ended 31st March, 2025: (A) ₹ 1,800 (B) ₹ 2,700 (C) ₹ 450 (D) ₹ 3,600 [1]

Ans. Two drawings (1 Oct, 1 Jan) outstanding 6 and 3 months: 30,000 × 12% × 9/12 = ₹ 2,700. **(B).**

CBSE 2026 · 67/S/I Alok, Sarah and Aditya (5 : 3 : 2). On 1st January, 2025 Alok advanced ₹ 2,00,000; no agreement. Interest due on 31st March, 2025: (A) ₹ 20,000 (B) ₹ 12,000 (C) ₹ 3,000 (D) ₹ 5,000 [1]

Ans. 2,00,000 × 6% × 3/12 = ₹ 3,000. **(C).**

CBSE 2026 · 67/S/I Munna and Sonu (4 : 1) have fixed capitals; Munna withdrew ₹ 50,000; interest on drawings @ 6% p.a. Entry for interest on Munna's drawings: (A) Interest on Drawings Dr., To Munna's Capital (B) Munna's Capital Dr. (C) Interest on Drawings Dr., To Munna's Current (D) Munna's Current Dr. 1,500, To Interest on Drawings 1,500 [1]

Ans. 50,000 × 6% × 6/12 = 1,500, debited to the current account (fixed capitals). **(D).**

B. Short answer (3 marks)

CBSE 2024 · 67/1/I Mohan, Suhaan and Adit (3 : 2 : 1) have fixed capitals of ₹ 2,00,000, ₹ 1,00,000 and ₹ 1,00,000. For 2022-23 interest on capital was credited @ 8% instead of 5% p.a. Pass the adjusting entry. [3]

Ans. Excess interest @ 3%: Mohan 6,000, Suhaan 3,000, Adit 3,000 (total 12,000) must be taken back; the same ₹ 12,000 is profit to be shared 3 : 2 : 1.

Particulars	Mohan	Suhaan	Adit	Total
Excess interest to be debited	(6,000)	(3,000)	(3,000)	(12,000)
Profit to be credited (3 : 2 : 1)	6,000	4,000	2,000	12,000
Net effect	**nil**	**1,000 Cr.**	**1,000 Dr.**	**nil**

Capitals are fixed, so current accounts are used.

Particulars		Dr. (₹)	Cr. (₹)
Adit's Current A/c	Dr.	1,000	
To Suhaan's Current A/c			1,000
(Excess interest on capital adjusted)			

CBSE 2024 · 67/1/I (OR) Manoj and Nitin (2 : 1). On 31st March, 2023 their capitals after profits and drawings were ₹ 90,000 and ₹ 80,000. Net profit ₹ 30,000; drawings Manoj ₹ 40,000, Nitin ₹ 20,000. Interest on capital @ 10% p.a. was omitted, and interest on drawings (Manoj ₹ 3,000, Nitin ₹ 2,000) was not charged. Pass the adjusting entry. [3]

Ans. Opening capital = closing + drawings − profit share: Manoj 90,000 + 40,000 − 20,000 = 1,10,000; Nitin 80,000 + 20,000 − 10,000 = 90,000.

Particulars	Manoj	Nitin	Total
Interest on capital @ 10% (credit)	11,000	9,000	20,000
Less interest on drawings (debit)	(3,000)	(2,000)	(5,000)
Net to be credited	8,000	7,000	15,000
Less profit wrongly given (2 : 1)	(10,000)	(5,000)	(15,000)
Net effect	**2,000 Dr.**	**2,000 Cr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Manoj's Capital A/c	Dr.	2,000	
To Nitin's Capital A/c			2,000
(Omitted interest on capital and drawings adjusted)			

CBSE 2024 · 67/2/I (OR) Chaman, Burman and Aman shared 3 : 2 : 1. Aman was guaranteed a minimum profit of ₹ 60,000. The net profit for 2022–23 was ₹ 1,20,000. Pass journal entries for distribution of profit. [3]

Ans. Shares: Chaman 60,000; Burman 40,000; Aman 20,000. Aman's deficiency 40,000 is borne by Chaman and Burman 3 : 2 (24,000 and 16,000).

Particulars		Dr. (₹)	Cr. (₹)
Profit and Loss Appropriation A/c	Dr.	1,20,000	
To Chaman's Capital A/c			60,000
To Burman's Capital A/c			40,000
To Aman's Capital A/c			20,000
(Profit distributed)			
Chaman's Capital A/c	Dr.	24,000	
Burman's Capital A/c	Dr.	16,000	
To Aman's Capital A/c			40,000
(Deficiency of guarantee made good)			

Final shares: Chaman 36,000; Burman 24,000; Aman 60,000.

CBSE 2024 · 67/3/I Misha and Prisha (3 : 2) had capitals of ₹ 50,000 and ₹ 30,000 on 1st April, 2022. Drawings: Misha ₹ 12,900, Prisha ₹ 9,600. Interest on capital @ 10% p.a.; interest on drawings ₹ 660 (Misha) and ₹ 540 (Prisha). Prisha advanced a loan of ₹ 20,000 on 1st August, 2022. Net profit ₹ 22,600. Prepare the Profit and Loss Appropriation Account. [3]

Ans. "Net profit" is after charging interest on the partner's loan (a charge, not an appropriation), so the loan is ignored here. Divisible profit = 22,600 + 1,200 – 8,000 = 15,800 (3 : 2).

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Misha 5,000; Prisha 3,000	8,000	By Profit and Loss A/c (net profit)	22,600
To Profit: Misha 9,480; Prisha 6,320	15,800	By Interest on Drawings: Misha 660; Prisha 540	1,200
	23,800		**23,800**

Cr.

CBSE 2024 · 67/3/I (OR) On 31st March, 2023 the capitals of Raghav and Diya were ₹ 4,00,000 and ₹ 3,00,000 after drawings and net profit. Interest on capital @ 10% p.a. was omitted. Net profit was ₹ 1,00,000. Raghav drew ₹ 2,000 at the beginning of each month; Diya ₹ 3,000 at the beginning of each quarter. Pass the adjustment entry. [3]

Ans. No ratio given: profits shared equally (50,000 each). Drawings: Raghav 24,000; Diya 12,000.
Opening capital: Raghav 4,00,000 + 24,000 – 50,000 = 3,74,000; Diya 3,00,000 + 12,000 – 50,000 = 2,62,000.

Particulars	Raghav	Diya	Total
Interest on capital (credit)	37,400	26,200	63,600
Profit wrongly given back (1 : 1)	(31,800)	(31,800)	(63,600)
Net effect	**5,600 Cr.**	**5,600 Dr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Diya's Capital A/c	Dr.	5,600	
To Raghav's Capital A/c			5,600
(Omitted interest on capital adjusted)			

CBSE 2024 · 67/4/I Atul and Gita (3 : 2) have fixed capitals of ₹ 4,00,000 and ₹ 2,00,000. Interest on capital @ 6% p.a. was not credited. Pass the adjusting entry. [3]

Ans.

Particulars	Atul	Gita	Total
Interest on capital (credit)	24,000	12,000	36,000
Profit taken back (3 : 2)	(21,600)	(14,400)	(36,000)
Net effect	**2,400 Cr.**	**2,400 Dr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Gita's Current A/c	Dr.	2,400	
To Atul's Current A/c			2,400

CBSE 2024 · 67/5/I Anand, Ridhi and Shyam (2 : 2 : 1) have fixed capitals of ₹ 1,00,000, ₹ 60,000 and ₹ 40,000. Interest on capital was credited @ 9% instead of 7% p.a. Pass the adjusting entry. [3]

Ans.

Particulars	Anand	Ridhi	Shyam	Total
Excess interest @ 2% (debit)	(2,000)	(1,200)	(800)	(4,000)
Profit credited back (2 : 2 : 1)	1,600	1,600	800	4,000
Net effect	**400 Dr.**	**400 Cr.**	**nil**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Anand's Current A/c	Dr.	400	
To Ridhi's Current A/c			400

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CBSE 2025 · 67/1/1 Amish, Nitish and Misha share 2 : 2 : 1. They agree to share equally with retrospective effect for the last three years. Profits: 2021-22 ₹ 1,15,000; 2022-23 ₹ 1,24,000; 2023-24 ₹ 2,11,000. Pass a single adjustment entry. [3]

Ans. Total profit 4,50,000.

Partner	Given (2 : 2 : 1)	Due (1 : 1 : 1)	Effect
Amish	1,80,000	1,50,000	30,000 Dr.
Nitish	1,80,000	1,50,000	30,000 Dr.
Misha	90,000	1,50,000	60,000 Cr.

Particulars		Dr. (₹)	Cr. (₹)
Amish's Capital A/c	Dr.	30,000	
Nitish's Capital A/c	Dr.	30,000	
To Misha's Capital A/c			60,000

CBSE 2025 · 67/1/1 (OR) Vidhi, Manas and Ansh (2 : 3 : 5). Ansh is guaranteed at least ₹ 1,20,000; any deficiency is borne by Vidhi and Manas equally. Profit for 2023-24 ₹ 2,00,000. Pass journal entries. [3]

Ans. Shares 40,000; 60,000; 1,00,000. Deficiency 20,000 borne equally.

Particulars		Dr. (₹)	Cr. (₹)
Profit and Loss Appropriation A/c	Dr.	2,00,000	
To Vidhi's Capital A/c			40,000
To Manas's Capital A/c			60,000
To Ansh's Capital A/c			1,00,000
Vidhi's Capital A/c	Dr.	10,000	
Manas's Capital A/c	Dr.	10,000	
To Ansh's Capital A/c			20,000

CBSE 2025 · 67/2/1 (OR) Parul and Rajul (5 : 3) have fixed capitals of ₹ 6,00,000 and ₹ 8,00,000; interest on capital @ 12% p.a.; net profit ₹ 1,26,000. Prepare the P&L Appropriation Account. [3]

Ans. Interest due ₹2,000 + 96,000 = 1,68,000 > profit, so the profit is shared in the ratio of interest 3 : 4: Parul 54,000, Rajul ₹2,000.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹ Cr.
To Interest on Capital: Parul 54,000; Rajul ₹2,000	1,26,000	By Profit and Loss A/c	1,26,000
	1,26,000		1,26,000

CBSE 2025 · 67/2/1 Aakash and Baadal began on 1st October, 2023 with capitals of ₹ 80,00,000 and ₹ 60,00,000, sharing equally; interest on capital @ 10% p.a. Baadal is guaranteed that his share of profit after interest will not be less than ₹ ₹,00,000 per annum, any deficiency met by Aakash. Profit for the year ended 31st March, 2024 ₹ 13,00,000. Prepare the P&L Appropriation Account. [3]

Ans. Only 6 months: interest 4,00,000 and 3,00,000; guarantee for 6 months = 3,50,000. Divisible profit 6,00,000 (3,00,000 each); deficiency 50,000 from Aakash.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹ Cr.
To Interest on Capital: Aakash 4,00,000; Baadal 3,00,000	₹,00,000	By Profit and Loss A/c	13,00,000
To Profit: Aakash 3,00,000 – 50,000 = 2,50,000	2,50,000		
To Profit: Baadal 3,00,000 + 50,000 = 3,50,000	3,50,000		
	13,00,000		13,00,000

CBSE 2025 · 67/4/1 Abhay and Sujoy started with capitals of ₹ 80,00,000 and ₹ 60,00,000, sharing in the capital ratio. Drawings ₹ 6,00,000 and ₹ 4,00,000; interest on drawings @ 10% p.a. per the deed. Abhay's profit share is guaranteed by Sujoy at a minimum of ₹ 3,50,000. Profit for the year ₹ 6,50,000. Prepare the P&L Appropriation Account. [3]

Ans. Ratio 4 : 3. Interest on drawings (dates unknown, 6 months): 30,000 and 20,000. Divisible profit ₹,00,000: Abhay 4,00,000 (above the guarantee, so no deficiency), Sujoy 3,00,000.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹ Cr.
To Profit: Abhay 4,00,000; Sujoy 3,00,000	₹,00,000	By Profit and Loss A/c	6,50,000
		By Interest on Drawings: Abhay 30,000; Sujoy 20,000	50,000
	₹,00,000		₹,00,000

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CBSE 2025 · 67/4/I (OR) Sonia and Shruti (5 : 3) have fixed capitals of ₹ 25,00,000 and ₹ 15,00,000; profit ₹ 24,00,000. Calculate their share of profit if (i) the deed is silent on interest on capital (ii) the deed provides interest @ 10% p.a. [3]

Ans. (i) No interest without a deed: Sonia 5/8 × 24,00,000 = **₹ 15,00,000**; Shruti **₹ 9,00,000**.
(ii) Interest 2,50,000 + 1,50,000 = 4,00,000; remaining 20,00,000: Sonia **₹ 12,50,000**, Shruti **₹ 7,50,000** (plus their interest).

CBSE 2025 · 67/5/I Suman and Lata (3 : 2) had capitals of ₹ 1,50,000 and ₹ 2,00,000; interest on capital @ 8% p.a. Show the treatment of interest if the profit is (i) ₹ 14,000 (ii) ₹ 60,000. [3]

Ans. Interest due 12,000 and 16,000 = 28,000.
(i) Profit 14,000 < 28,000: shared 3 : 4 ⟶ Suman 6,000, Lata 8,000; nothing left.
(ii) Full interest; balance 32,000 in 3 : 2.

Profit and Loss Appropriation A/c (case ii)

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Suman 12,000; Lata 16,000	28,000	By Profit and Loss A/c	60,000
To Profit: Suman 19,200; Lata 12,800	32,000		
	60,000		60,000

Cr.

CBSE 2025 · 67/6/I Jain and Gupta started on 1st April, 2023 with fixed capitals of ₹ 15,00,000 and ₹ 12,00,000 (3 : 2). On 1st July, 2023 Jain withdrew ₹ 1,00,000 from capital and Gupta introduced ₹ 2,00,000. Interest on capital @ 10% p.a.; drawings Jain ₹ 50,000, Gupta ₹ 60,000; interest on drawings @ 18% p.a. Shares of divisible profit ₹ 72,000 and ₹ 48,000. Prepare the current accounts. [3]

Ans. Interest: Jain 15,00,000 × 10% × 3/12 + 14,00,000 × 10% × 9/12 = 37,500 + 1,05,000 = 1,42,500; Gupta 1,20,000 + 2,00,000 × 10% × 9/12 = 1,35,000. Interest on drawings (6 months): 4,500 and 5,400.

Partners' Current Accounts

Dr. Particulars	Jain	Gupta	Particulars	Jain	Gupta
To Drawings	50,000	60,000	By Interest on Capital	1,42,500	1,35,000
To Interest on Drawings	4,500	5,400	By P&L Appropriation	72,000	48,000
To Balance c/d	1,60,000	1,17,600			
	2,14,500	1,83,000		2,14,500	1,83,000

Cr.

CBSE 2025 · 67/6/I Aman, Raj and Suresh (5 : 3 : 8). Suresh is guaranteed a minimum of ₹ 5,00,000; deficiency borne by Aman and Raj equally. Profit ₹ 8,00,000. Prepare the P&L Appropriation Account. [3]

Ans. Shares 2,50,000; 1,50,000; 4,00,000. Deficiency 1,00,000: 50,000 each.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Aman (2,50,000 – 50,000)	2,00,000	By Profit and Loss A/c	8,00,000
To Raj (1,50,000 – 50,000)	1,00,000		
To Suresh (4,00,000 + 1,00,000)	5,00,000		
	8,00,000		8,00,000

Cr.

CBSE 2025 · 67/6/I (OR) Jay and Vijay (7 : 3) have fixed capitals of ₹ 9,00,000 and ₹ 7,00,000; interest on capital was to be 8% but was allowed @ 9%. Pass the rectifying entry. [3]

Ans.

Particulars	Jay	Vijay	Total
Excess interest @ 1% taken back	(9,000)	(7,000)	(16,000)
Profit credited (7 : 3)	11,200	4,800	16,000
Net effect	2,200 Cr.	2,200 Dr.	nil

Particulars		Dr. (₹)	Cr. (₹)
Vijay's Current A/c	Dr.	2,200	
To Jay's Current A/c			2,200

CBSE 2026 · 67/1/I Sultan, Singh and Tulsi (9 : 7 : 4) have fixed capitals of ₹ 6,00,000, ₹ 5,00,000 and ₹ 4,00,000; interest on capital was to be 10% but was allowed @ 12%. Pass the adjusting entry. [3]

Ans.

Particulars	Sultan	Singh	Tulsi	Total
Excess interest @ 2% (debit)	(12,000)	(10,000)	(8,000)	(30,000)
Profit credited (9 : 7 : 4)	13,500	10,500	6,000	30,000
Net effect	1,500 Cr.	500 Cr.	2,000 Dr.	nil

Particulars		Dr. (₹)	Cr. (₹)
Tulsi's Current A/c	Dr.	2,000	
To Sultan's Current A/c			1,500
To Singh's Current A/c			500

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CBSE 2026 · 67/1/1 (OR) Sameer and Manveer (5 : 3) admitted Sandeep for 1/5th share with a guaranteed minimum of ₹ 80,000; any deficiency borne by Sameer and Manveer 3 : 5. Profit ₹ 3,20,000. Prepare the P&L Appropriation Account. [3]

Ans. Sandeep 64,000; deficiency 16,000 borne 6,000 and 10,000. Sameer 1,60,000; Manveer 96,000.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Sameer (1,60,000 – 6,000)	1,54,000	By Profit and Loss A/c	3,20,000
To Manveer (96,000 – 10,000)	86,000		
To Sandeep (64,000 + 16,000)	80,000		
	3,20,000		3,20,000

Cr.

CBSE 2026 · 67/1/1 Shree and Hari (2 : 3) have fixed capitals; Hari is allowed a commission of 5% of net profit. Net profit ₹ 1,00,000. Pass entries (i) crediting Hari's commission to his current account (ii) transferring the commission to the P&L Appropriation Account. [3]

Ans. Commission = 5% × 1,00,000 = 5,000.

Particulars		Dr. (₹)	Cr. (₹)
(i) Partner's Commission A/c	Dr.	5,000	
To Hari's Current A/c			5,000
(ii) Profit and Loss Appropriation A/c	Dr.	5,000	
To Partner's Commission A/c			5,000

CBSE 2026 · 67/2/1 Bose withdrew ₹ 3,000 at the beginning of each of the first three months and ₹ 4,000 at the end of each of the remaining nine months; interest on drawings @ 6% p.a. Calculate interest for the year ended 31st March, 2025. [3]

Ans. First three: 9,000 for an average (12 + 10)/2 = 11 months: 9,000 × 6% × 11/12 = 495.
Remaining nine (end of month, July to March): 36,000 for an average (8 + 0)/2 = 4 months: 36,000 × 6% × 4/12 = 720.
Total = ₹ 1,215.

CBSE 2026 · 67/2/1 Sarita and Veena (3 : 2): capitals ₹ 4,00,000 and ₹ 3,00,000; current accounts ₹ 80,000 Cr. and ₹ 60,000 Dr. on 1st April, 2024. Sarita's salary ₹ 2,000 per month; Veena's commission ₹ 30,000; interest on capital @ 8%; drawings ₹ 20,000 and ₹ 15,000; divisible profit credited ₹ 36,000 and ₹ 24,000. Prepare current accounts. [3]

Ans.

Partners' Current Accounts

Dr. Particulars	Sarita	Veena	Particulars	Sarita	Veena
To Balance b/d		60,000	By Balance b/d	80,000	
To Drawings	20,000	15,000	By Salary	24,000	
To Balance c/d	1,52,000	3,000	By Commission		30,000
			By Interest on Capital	32,000	24,000
			By P&L Appropriation	36,000	24,000
	1,72,000	78,000		1,72,000	78,000

Cr.

CBSE 2026 · 67/3/1 Laxmi, Rani and Priya (5 : 7 : 8) have fixed capitals of ₹ 8,00,000, ₹ 7,00,000 and ₹ 5,00,000; interest on capital was to be 9% but 12% was allowed. Pass a single adjusting entry. [3]

Ans.

Particulars	Laxmi	Rani	Priya	Total
Excess interest @ 3% (debit)	(24,000)	(21,000)	(15,000)	(60,000)
Profit credited (5 : 7 : 8)	15,000	21,000	24,000	60,000
Net effect	9,000 Dr.	nil	9,000 Cr.	nil

Particulars		Dr. (₹)	Cr. (₹)
Laxmi's Current A/c	Dr.	9,000	
To Priya's Current A/c			9,000

CBSE 2026 · 67/3/1 (OR) Sukesh and Surbhi (5 : 3) admitted Suman for 1/5th share with a guaranteed minimum of ₹ 1,20,000; deficiency borne by Sukesh. Profit ₹ 5,50,000. Prepare the P&L Appropriation Account. [3]

Ans. Suman 1,10,000; deficiency 10,000. Others share 4,40,000 in 5 : 3.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Sukesh (2,75,000 – 10,000)	2,65,000	By Profit and Loss A/c	5,50,000
To Surbhi	1,65,000		
To Suman (1,10,000 + 10,000)	1,20,000		
	5,50,000		5,50,000

Cr.

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CBSE 2026 · 67/4/1 Rohit, Ashish and Sameer started on 1st October, 2024 with capitals of ₹ 12,00,000, ₹ 6,00,000 and ₹ 6,00,000, sharing 3 : 1 : 1; interest on capital @ 5% p.a. Sameer is guaranteed at least ₹ 1,50,000 per annum after interest, any deficiency met by Rohit. Profit for the year ended 31st March, 2025 ₹ 5,60,000. Prepare the P&L Appropriation Account. [3]

Ans. Six months: interest 30,000; 15,000; 15,000. Divisible 5,00,000 ⟶ 3,00,000; 1,00,000; 1,00,000. Sameer's guarantee for 6 months = ₹5,000 < 1,00,000, so no deficiency.

Profit and Loss Appropriation A/c

Dr. Particulars	₹	Particulars	₹
To Interest on Capital: Rohit 30,000; Ashish 15,000; Sameer 15,000	60,000	By Profit and Loss A/c	5,60,000
To Profit: Rohit 3,00,000; Ashish 1,00,000; Sameer 1,00,000	5,00,000		
	5,60,000		**5,60,000**

Cr.

CBSE 2026 · 67/4/1 (OR) Tara, Dev and Ishaan (4 : 3 : 1); interest on drawings @ 10% p.a. Drawings ₹ 30,000, ₹ 18,000 and ₹ 12,000 were omitted from interest. Pass the adjusting entry. [3]

Ans. Six months average: 1,500; 900; 600 = 3,000.

Particulars	Tara	Dev	Ishaan	Total
Interest on drawings (debit)	(1,500)	(900)	(600)	(3,000)
Profit credited (4 : 3 : 1)	1,500	1,125	375	3,000
Net effect	**nil**	**225 Cr.**	**225 Dr.**	**nil**

Particulars		Dr. (₹)	Cr. (₹)
Ishaan's Capital A/c	Dr.	225	
To Dev's Capital A/c			225

What the board asked (16 papers, 2024–2026)

Type	2024	2025	2026	Total
MCQs and Assertion-Reason (1 mark each)	31	26	23	80
Short answer (3 marks)	7	10	9	26

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Quick-reference sheet

Item	Key fact
maximum partners	50
no deed: profit	equal
no deed: interest on loan	6% p.a. (a charge)
no deed: interest on capital, drawings, salary	none
opening capital	closing + drawings − profit − additional capital
profit < interest on capital	profit shared in ratio of interest
loss	no interest on capital, no salary
commission after charging it	NP × r/(100 + r)
beginning / end of month	6½ / 5½ months
beginning / end of quarter	7½ / 4½ months
dates not known	6 months

Case study (practice): the absent partner. Asha and Bela began a firm without any deed. Asha put in ₹ 4,00,000 and Bela ₹ 2,00,000; Asha also lent ₹ 1,00,000 to the firm on 1st October. Bela worked alone for three months while Asha was abroad and wants ₹ 5,000 a month for it. Profit for the year ₹ 1,23,000. (i) How will profit be shared? (ii) Is Bela entitled to the salary? (iii) What interest does Asha get, and on what? (iv) Find each partner's share.

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Practice set: test yourself Exam-style

Try every question before looking at the answers on page 30. 64 or more out of 80 means you are ready for the board.

A. Fill in the blanks (1 mark each)

1. Partnership is defined in Section _____ of the 1932 Act.
2. In the absence of a deed, interest on a partner's loan is _____.
3. Under the fixed capital method, drawings go to the _____ account.
4. Interest on drawings is _____ to the P&L Appropriation Account.
5. Rent paid to a partner is a _____ against profit.
6. Drawings at the end of each quarter carry interest for _____ months.
7. If profit is less than interest on capital, it is shared in the ratio of _____.
8. Each partner is an agent and a _____ of the firm.

B. True or false? (1 mark each)

1. A partnership deed must be registered.
2. Partners' liability is unlimited.
3. Interest on capital is allowed even in a loss, if the deed is silent.
4. A current account can show a debit balance.
5. Salary to a partner is an appropriation of profit.
6. Manager's commission is an appropriation.
7. Drawings evenly through the year carry interest for 6 months.
8. Past omissions are corrected by reopening the P&L Account.

C. Very short answer (1 mark each)

1. Minimum number of partners.
2. Name the two methods of keeping capital accounts.
3. Average period for drawings at the beginning of each month.
4. Rate of interest on drawings when the deed is silent.
5. Who bears a guarantee given by the firm?
6. Formula for commission after charging it.
7. Interest on capital for 9 months on ₹ 80,000 @ 10%.
8. Average period for drawings at the end of each half-year.
9. Which account shows the distribution of profit?
10. Name the Act that requires stamping of the deed.

D. Short answer I (2 marks each)

1. Distinguish between a charge and an appropriation, with one example each.
2. Give two differences between fixed and fluctuating capitals.
3. State four contents of a partnership deed.
4. How is opening capital found when only closing capitals are given?
5. A partner draws ₹ 5,000 at the beginning of each quarter; rate 8%. Find interest.
6. What is mutual agency?
7. Explain 'guarantee of profit to a partner'.
8. Why is the P&L Appropriation Account prepared?

My score (fill in after checking the answers)

Section	A /8	B /8	C /10	D /16	E /18	F /20	G (bonus)	Total /80
My marks								

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E. Short answer II (3 marks each)

1. X and Y (3 : 2) have capitals of ₹ 2,00,000 and ₹ 1,00,000; interest on capital 10%; profit ₹ 24,000. Show the distribution.
2. Calculate interest on drawings @ 6% when ₹ 1,500 is drawn at the beginning of each month for 6 months from 1st October.
3. A, B and C (2 : 2 : 1); C is guaranteed ₹ 30,000 by A alone; profit ₹ 1,20,000. Prepare the P&L Appropriation Account.
4. Interest on capital @ 5% on fixed capitals of ₹ 60,000 and ₹ 40,000 was omitted (ratio 1 : 1). Pass the adjusting entry.
5. State the provisions of Section 13 relevant to accounts.
6. Prepare a proforma current account of a partner.

F. Long answer (6 marks each)

1. P and Q (3 : 2): capitals ₹ 5,00,000 and ₹ 3,00,000; interest on capital 6%; P's salary ₹ 3,000 p.m.; Q's commission 5% of net profit after charging it; drawings ₹ 60,000 and ₹ 40,000 (interest 5%, dates unknown); net profit ₹ 2,10,000. Prepare the P&L Appropriation Account and current accounts.
2. R, S and T (2 : 2 : 1) have retrospectively changed to 1 : 1 : 1 for the last three years (profits ₹ 60,000, ₹ 90,000, ₹ 1,50,000). Pass a single adjusting entry with working.

G. HOTS (higher-order thinking)

1. Why is interest on a partner's loan paid even in a loss, but interest on capital is not?
2. Why does the fixed capital method give a better picture of each partner's investment?
3. Why is the average period for end-of-quarter drawings 4½ months?
4. A partner withdraws capital on 1st January. Why must interest on capital be split into two periods?

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20 MCQs

1. The maximum number of partners in a firm is:
(a) 10 (b) 100 (c) 50 (d) unlimited

2. In the absence of a deed, profits are shared:
(a) equally (b) in capital ratio (c) as decided by the senior partner (d) in the ratio of experience

3. Interest on partner's loan, when the deed is silent:
(a) 5% (b) nil (c) 12% (d) 6%

4. Under the fixed capital method, salary to a partner is credited to:
(a) capital account (b) current account (c) P&L Account (d) salary payable

5. Interest on drawings is:
(a) debited to P&L Appropriation (b) credited to P&L Appropriation (c) debited to P&L Account (d) credited to capital

6. Drawings of ₹ 2,000 at the end of each month; interest 6%. Interest:
(a) ₹ 780 (b) ₹ 600 (c) ₹ 720 (d) ₹ 660

7. Drawings at the beginning of each quarter carry interest for:
(a) 7½ (b) 4½ (c) 6 (d) 6½ months

8. Rent paid to a partner is:
(a) an appropriation (b) a drawing (c) a charge against profit (d) a capital loss

9. If the firm suffers a loss, interest on capital (deed silent on charge) is:
(a) allowed in full (b) charged to partners (c) allowed in profit ratio (d) not allowed

10. Capitals ₹ 1,00,000 and ₹ 50,000; interest 10%; profit ₹ 6,000. Interest to the first partner:
(a) ₹ 10,000 (b) ₹ 4,000 (c) ₹ 3,000 (d) ₹ 6,000

11. Commission of 10% of net profit after charging it, on ₹ 55,000:
(a) ₹ 5,500 (b) ₹ 6,050 (c) ₹ 5,000 (d) ₹ 4,500

12. Mutual agency means each partner is:
(a) both agent and principal (b) only an agent (c) only a principal (d) an employee

13. A current account with a debit balance is shown:
(a) on the liabilities side (b) on the assets side (c) in the P&L Account (d) nowhere

14. Opening capital = closing capital + drawings −:
(a) loss share (b) interest on drawings (c) profit share and additional capital (d) salary

15. A guarantee given by the firm is borne by:
(a) the guaranteed partner (b) creditors (c) the senior partner (d) all other partners in their ratio

16. Drawings at the beginning of each half-year; average period:
(a) 9 (b) 3 (c) 6 (d) 12 months

17. Past omissions of interest are adjusted through:
(a) partners' capital/current accounts (b) P&L Account (c) a suspense account (d) goodwill

18. If capitals are not stated to be fixed, they are treated as:
(a) fixed (b) loan (c) current (d) fluctuating

19. A partnership deed is stamped under the:
(a) Companies Act (b) Indian Stamp Act (c) Contract Act (d) Income Tax Act

20. Interest on capital for 6 months on ₹ 1,20,000 @ 8%:
(a) ₹ 9,600 (b) ₹ 2,400 (c) ₹ 4,800 (d) ₹ 7,200

1 (c) · 2 (a) · 3 (d) · 4 (b) · 5 (b) · 6 (d) · 7 (a) · 8 (c) · 9 (d) · 10 (b) · 11 (c) · 12 (a) · 13 (b) · 14 (c) · 15 (d) · 16 (a) · 17 (a) · 18 (d) · 19 (b) · 20 (c)

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Answers to the practice set

A. 1. 4 2. 6% p.a. 3. current 4. credited 5. charge 6. 4½ 7. interest (capitals × time) 8. principal

B. 1. F (desirable, not compulsory) 2. T 3. F 4. T 5. T 6. F (charge) 7. T 8. F

C. 1. 2 2. fixed and fluctuating 3. 6½ months 4. none is charged 5. all old partners in their ratio 6. NP × r/(100 + r) 7. ₹ 6,000 8. 3 months 9. P&L Appropriation Account 10. Indian Stamp Act

D. 1. charge: allowed even in a loss (rent, interest on loan); appropriation: only from profit (salary, interest on capital) 2. two accounts vs one; capital constant vs changing 3. capital, ratio, interest, salaries, admission/retirement rules 4. closing + drawings − profit − additional capital 5. 20,000 × 8% × 7½/12 = ₹ 1,000 6. any partner can act for all and binds them 7. a minimum profit promised; deficiency borne by the guarantor(s) 8. to show distribution of profit

E. 1. interest due 30,000 > profit; shared 2 : 1: X 16,000, Y 8,000 2. 9,000 × 6% × 3½/12 = ₹ 157.50 3. A 48,000 − 6,000 = 42,000; B 48,000; C 30,000 4. interest 3,000 + 2,000; taken back 2,500 each: Second partner Dr. 500, To first 500 5, 6: see notes.

F. 1. Interest 30,000 and 18,000; salary 36,000; interest on drawings 1,500 and 1,000; profit before commission 2,10,000 + 2,500 − 84,000 = 1,28,500; commission = 1,28,500 × 5/105 = 6,119 (rounded); balance 1,22,381 shared 3 : 2 (73,429; 48,952). 2. Total 3,00,000; given 1,20,000, 1,20,000, 60,000; due 1,00,000 each: R Dr. 20,000, S Dr. 20,000, To T 40,000.

G. 1. a loan is a debt with an agreed return, so its interest is a charge; interest on capital is a reward to owners and comes out of profit 2. the capital account shows the permanent investment and the current account the year's changes 3. first drawing outstanding 9 months, last nil: (9 + 0)/2 4. different capital was used before and after the withdrawal

Case. (i) equally (no deed) (ii) no: no remuneration without a deed (iii) 6% p.a. on the loan only: 1,00,000 × 6% × 6/12 = ₹ 3,000 (iv) (1,23,000 − 3,000)/2 = ₹ 60,000 each

Last-night summary

- Partnership: 2–50 persons, agreement, business, mutual agency, profit sharing, unlimited liability; the deed and the Section 13 rules when there is none.
- Fixed capitals: capital + current accounts; fluctuating: one account for everything.
- P&L Appropriation: interest on capital, salary, commission, reserve, profit; interest on drawings credited. Charges (loan interest, rent) go to P&L.
- Interest on capital on opening capital for time used; profit short → ratio of interest; loss → none.
- Interest on drawings: 6, 6½, 5½, 7½, 4½, 9, 3 months or the product method; guarantee: deficiency borne by the guarantor; past adjustments by one entry.

Assertion–Reason (6)

(a) Both true, R explains A. (b) Both true, R does not explain A. (c) A true, R false. (d) A false, R true.

1. A: Interest on a partner's loan is debited to the P&L Account. R: It is a charge against profit.
2. A: Under fixed capitals the capital account never shows a debit balance. R: Drawings and losses are taken to the current account.
3. A: Salary to a partner is allowed even when the firm has a loss. R: Salary is an appropriation of profit.
4. A: When profit is less than interest on capital, it is shared in the ratio of interest. R: Interest on capital is an appropriation.
5. A: Drawings at the end of every month earn interest for 5½ months on average. R: The first drawing is outstanding for 11 months and the last for nil.
6. A: A partnership firm is a separate legal entity. R: The firm name is only a collective name for the partners.

Key: 1 (a) · 2 (a) · 3 (d) · 4 (a) · 5 (a) · 6 (d)

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