TS Grewal Solutions Class 12 Accountancy Vol 1 Chapter 2
Accounting For Partnership Firms - Fundamentals

TS Grewal Solutions for Class 12 Accountancy Chapter 2 Accounting for Partnership Firms- Fundamentals is contemplated to be an important concept to be learnt thoroughly by the students. Here, we have provided TS Grewal Accountancy solutions for class 12.

Board	CBSE
Class	Class 12
Subject	Accountancy
Chapter	Chapter 2
Chapter Name	Accounting for Partnership Firms- Fundamentals
Number of questions solved	10
Category	TS Grewal

This Chapter 2 Accounting for Partnership Firms- Fundamentals explains the below-mentioned concepts:

- Partnership Deed
- Special aspects of partnership accounts
- Maintenance of capital accounts of partners
- Past Adjustments
- Final Accounts

TS Grewal Solutions for Class 12 Accountancy Chapter 2- Accounting for Partnership Firms- Fundamentals

Question 1

What are the rules that are associated, when there is a situation of absence of Partnership Deed?

1. Partners salaries
2. Interest on partners capitals
3. Interest on partners loan

4. Division of gains
5. Interest on partners drawings

Solution:

The provisions of the Indian Provision Act (IPA), 1932 are applicable in the absence of Partnership Deed. Accordingly,

1) No partner is allowed to receive his or her salary
2) No interest in the partner's capital is permitted
3) 6% of interest on the partner's loan is allowed
4) When the Profits are distributed, it is supposed to be done in equal ratio
5) Interest on partner's drawings charged is Nil

Question 2

The following differences have arisen among X, Y and Z. Now, you can decide who is correct in each of the scenario given below:

1. X has utilised ₹. 10,000/- that belongs to the company and incurred a profit of ₹. 5,000/-. Now, Y & Z expects that amount to be given to the company.

2. Y has utilised ₹. 10,000/-that belongs to the enterprise and has suffered a loss of ₹. 2,000/-. However, he demands the enterprise to bear the loss that is suffered by him.

3. X & Y wants to buy a few commodities from B Ltd., and Z has not given his consent.

4. Y & Z wants to admit A as the partner and X is not agreeing.

Solution:

1. X is bound to pay ₹. 10,000/- with a profit of ₹. 5,000/- to the company. The reason is, this amount belongs to the company and according to the agent and principal relationship, X is both the agent and principal to the company and to Y & Z. According to the set of regulations, any profits gained by an agent (X) by utilising the company's property or an asset is certainly accountable to the company.

2. Y is liable to pay ₹. 10,000/- to the enterprise. This is according to the Partnership Act, 1932, each partner of a partnership enterprise is liable to the company for any loss (₹.2,000/-) suffered by his or her obstinate negligence which is precisely evident from the fact that he has utilised the company asset and misrepresented himself as the principal, instead of agent to the rest of the partners and the enterprise.

3. According to the Partnership Act, 1932, a partner has a right to purchase or sell the commodities without consulting the other partners until and unless a Public notice has

been issued by the partnership firm to constrain the partners to purchase or sell (trade). Accordingly, X & Y can purchase commodities from B Ltd.

4. In such a scenario, A will not be admitted as one of the partners; as X has not given his consent to admit A. According to the Partnership Act, 1932, a new partner cannot be admitted into the firm; until and unless all the existing partners give their consent on the same.

Question 3

Sunil and Amith were partners with a capital contribution of ₹. 15,00,000/- and ₹.10,00,000/- each. And, they do not have a partnership deed. Sunil's demand is, that the profits of the enterprise must be shared in the capital ratio. However, Amith has succeeded in convincing Sunil that the gains would be shared equally. Now, explain how Amith would have succeeded in convincing Sunil for the equal share of profits?

Solution:

If the partnership deed is either silent on the few aspects or there is no partnership deed entered between the partners, then the provisions of Indian Partnership Act, 1932 will come into the picture and would be applicable.

According to the Indian Partnership Act, 1932, if there exists no agreement with regards to the ratio in which profits are supposed to be shared, then either profits or losses must be shared in equal proportion among all the partners. Correspondingly, Sunil's opinion regarding the profit allocation in the capital ratio is certainly unacceptable and Amith must convince Sunil by affirming the provisions that are declared in the Indian Partnership Act, 1932.

Question 4

Suhas and Saptham were partners since1st of April, 2016 and no partnership agreement was made. Each partner contributed ₹. 8,00,000/- and 12,00,000/- as the capital. In addition, Suhas gave an advance of an amount of ₹. 2,00,000/- to the firm on 1st of October, 2016. Due to a long illness and medical issues, Suhas couldn't be a part of the business activities from 1st of August to 30th of September, 2016. The profit for the year ended 31st March 2017 amounted to ₹. 2,00,000/-. Now, conflicts have begun between Suhas and Saptham.

Suhas Claims:

- He should be entitled to interest @ 10% per annum on the loans and capital
- Gains must be allocated in the proportion of capital

Saptham Claims:

- Profits must be allocated equally

- He must be entitled to an amount of ₹. 5,000/- per month as a reimbursement for the period he managed to regulate the business enterprise in Suhas's absence
- Interest on loan and capital must be allowed @ 6% per annum

Now, you are required to settle the conflicts between Suhas and Saptham. Also, prepare Profit and Loss Appropriation Account.

Solution:

Suhas Claims:

- As he is entitled to only 6% interest on the loan, he cannot claim interest on capital to the Indian Partnership Act, 1932.
- According to the Indian Partnership Act, 1932, in the absence of any agreement. Profit is allocated equally.

Saptham Claims:

- According to the Indian Partnership Act, 1932, in the absence of partnership agreement, profit and loss will be shared equally among all partners and therefore, it will be accepted.
- As there is no agreement on the matter of remuneration, he is not entitled to any remuneration.
- 6% interest for the loan must be given, but interest on the capital is not permitted.

Distribution of profits:

Dr. **Profit and Loss Adjustment Account** Cr.

Particulars	₹	Particulars	₹
To interest on partner's loan a/c: Suhas= [2,00,000 X (6/100) X (6/12)]	6,000	By Profit and Loss a/c	2,00,000
To Profit and Loss Appropriation A/c	1,94,000		
	2,00,000		2,00,000

Dr. **Profit and Loss Appropriation Account** Cr.

Particulars	₹	Particulars	₹
To profit transferred to : Suhas's capital a/c Saptham's capital a/c	 97,000 97,000	By Profit and Loss Appropriation a/c	1,94,000
	1,94.000		1,94,000

Question 5

Beena and Mona are Partners sharing Profit and Loss in the ratio of 3:4 with capitals of ₹. 3,00,000/- and ₹. 5,00,000/- accordingly. On the 1st of October 2017, Beena and Mona granted loans of ₹. 60,000/- and ₹. 30,000/- respectively to the enterprise. Show the distribution of Profit and Loss for the year ended 31st March 2018 in each of the following below mentioned cases:

Case no.1: If the profit before interest for the year amounted to ₹. 20,000/-

Case no.2: If the profit before interest for the year amounted to ₹. 2,000/-

Case no.3: If the profit before interest for the year amounted to ₹. 4,000/-

Solution:

- Calculation of interest on the loan for 6 months =

  Interest on Beena's loan for 6 months = [latex]60,000\times \frac{6}{100}\times \frac{6}{12} = 1,800[/latex]

  Interest on Mona's loan for 6 months = [latex]30,000\times \frac{6}{100}\times \frac{6}{12} = 900[/latex]

- ❑ **Case no.1:** If the profit before interest for the year amounted to ₹. 20,000/-

Dr. **Profit and Loss Appropriation Account for the year ended March 31st, 2018** Cr.

Particulars	₹	Particulars	₹
To Interest on Beena's loan a/c To Interest on Mona's loan a/c	1,800 900	By Net Profit b/d (before interest)	20,000
To Profit transferred to: Beena's capital a/c = 17,300 X 3/7 Mona's capital a/c = 17,300 X 4/7	 7,414 9,886		

	17,300		
	20,000		20,000

❑ **Case no.2:** If the profit before interest for the year amounted to ₹. 2,000/-

Dr. **Profit and Loss Appropriation Account for the year ended March 31st, 2018** Cr.

Particulars	₹	Particulars	₹
To Interest on Beena's loan a/c	1,800	By Profit b/d (before interest)	2,000
To Interest on Mona's loan a/c	900	By Loss transferred to : Beena's capital a/c = 700 X 3/7 Mona's capital a/c = 700 X 4/7	 300 400
			700
	2,700		2,700

❑ **Case no.3:** If the profit before interest for the year amounted to ₹. 4,000/-

Dr. **Profit and Loss Appropriation Account for the year ended March 31st, 2018** Cr.

Particulars	₹	Particulars	₹
To Interest on Beena's loan a/c	1,800	By Profit b/d (before interest)	4,000
To Interest on Mona's a/c	900		
To Profit transferred to : Beena's capital a/c = 1,300 X 3/7 Mona's capital a/c = 1,300 X 4/7	 557 743		
	1300		
	4,000		4,000

Question 6

Uma and Suma were partners. Uma's capital is ₹. 2,00,000/- and Suma's capital is ₹. 1,00,000/-. Interest on capital is payable @ 6% per annum. Suma is entitled to a salary of ₹. 5,000/- per month. Profit for the current year before interest and salary to Suma is ₹. 1,00,000/-. Prepare a Profit and Loss appropriation account.

Solution:

Dr. Profit and Loss Appropriation Account Cr.

Particulars	₹	Particulars	₹
To Interest on capital: Uma's capital = 2,00,000 X 6% = 12,000 Suma's Capital = 1,00,000 X 6% = 6,000	18,000	By Profit and Loss (Net Profit)	1,00,000
To Salary to Suma's account = 5,000 X 12	60,000		
To Profit transferred to: Uma's capital account - 11,000 Suma's capital account - 11,000	22,000		
	1,00,000		1,00,000

Working Note -

Calculation of profit share of each partner divisible profit =

1,00,000 (Profit for the current year before interest) - 18,000 - 60,000 = 22,000

22,000 X ½ = 11,000

Question 7

Rosy and Charlotte are partners in an enterprise sharing profits in the ratio of 4:5. Rosy's capital is ₹. 2,00,000/- and Charlotte's capital is ₹. 1,50,000/-. The partnership deed furnished that, Rosy was to be paid a salary of ₹. 3,000/- per month and Charlotte was to receive a commission of ₹. 15,000/- per annum. Interest on capital was to be allowed @ 6% per annum and interest on drawings was to be charged at @ 5% per annum; interest on Rosy's drawings was ₹. 1,500/- and on Charlotte's drawings was ₹. 500/-. Interest on capital earned was ₹. 12,000/- and ₹. 9,000/-. The business earned a profit of ₹. 1,00,000/- for the year ended 31st of March, 2018. Prepare Profit and Loss Appropriation account of the firm.

Solution:

Dr. Profit and Loss Appropriation Account Cr.

Particulars	₹	Particulars	₹
To Salary to Rosy (3,000X12)	36,000	By Profit and Loss a/c (Net profits)	1,00,000
To Commission to Charlotte	15,000	By Interest on drawings a/c : Rosy - 1,500 Charlotte - 500	2,000
To Interest on capital = Rosy = 2,00,000X6% Charlotte = 1,50,000X6%	12,000 9,000		
To Profit transferred to: Rosy's capital a/c = 13,333 Charlotte's capital a/c = 16,667	30,000		
	1,02,000		1,02,000

Working Note -

Calculation of share of profit for each partner

Profit available for each partner = 1,00,000 + 2,000 - 36,000 - 15,000 - 21,000 = 30,000

Profit sharing ratio = 4:5

Rosy's profit share = 30,000 X 4/9 = 13,333

Charlotte's profit share = 30,000 X 5/9 = 16,667

Question 8

Dravid and Tendulkar are partners sharing profits in the ratio of 4:5. Their capitals as on 31st of March, 2017 was ₹. 3,00,000/- each; whereas current accounts had balances of ₹. 70,000/- and ₹. 50,000/- respectively. Interest to be allowed @ 6% per annum on the balance in the capital account. The enterprise earned a net profit of ₹. 5,00,000/- for the year ended 31st March, 2018. Pass the necessary journal entries for the capital on it and allocation of profit. Also, prepare P&L appropriation account for the year.

Solution:

Journal Entries

Date	Particulars	L.F.	Dr.	Cr.

	Profit and Loss appropriation A/c Dr. To Dravid's current A/c To Tendulkar's current A/c (Being interest on capital transferred to the P & L appropriation A/c)		36,000	18,000 18,000
	Profit and Loss appropriation A/c Dr. To Dravid's current A/c To Tendulkar's current A/c (Being profit transferred to the partner's current A/c)		4,64,000	2,06,222 2,57,778

Working Notes -

Net profit - Total interest on capital = 5,00,000 - 36,000 = 4,64,000

Dr. Profit and Loss Appropriation A/c Cr.

Particulars	₹	Particulars	₹
To Interest on capital: Dravid's A/c = 18,000 Tendulkar's A/c = 18,000	36,000	By Profit and Loss A/c	5,00,000
To Profit transferred to: Dravid's current A/c = 2,06,222 Tendulkar's current A/c = 2,57,778	4,64,000		
	5,00,000		5,00,000

Working Notes -

Calculation of Interest on capital =

Interest on Dravid's capital = 3,00,000 X 6/100 = 18,000

Interest on Tendulkar's capital = 3,00,000 X 6/100 = 18,000

Question 9

Arvind, Sam and Deepak are partners sharing profits and losses equally. As per the partnership deed, Deepak is entitled to a commission of 12% on the net profit after charging such commission. The net profit before charging such commission is ₹. 2,50,000/-. Now, ascertain the amount of commission that is payable to Deepak.

Solution:

Net profit before charging commission = 2,50,000

Commission to Deepak - 12% on the net profit after charging such commission

Hence, the commission to Deepak =

Net profit X Rate / 100 + Rate

= 2,50,000 X 12 / 100 + 12

= 2,50,000 X 12 / 112

= 26,875

Question 10

R and S, are two partners, drew some amount for their personal use, ₹. 1,50,000/- and 1,00,000/- respectively. Interest is chargeable at 12% per annum on the drawings. What is the amount of interest that is chargeable from R and S?

Solution:

As the date of drawings is not mentioned, Interest on the drawing is computed on the average basis for a period of 6 months.

Interest on R's Drawings = 1,50,000 X 6/100 X 6/12 = 4,500

Interest on S's drawings = 1,00,000 X 6/100 X 6/12 = 3,000

The above-provided solutions are considered to be the best solution for 'Accounts Class 12 TS Grewal Solutions for Chapter 2- Accounting for Partnership Firms- Fundamentals'. Stay tuned to BYJU'S to learn more and score well in the upcoming board examinations.