



ST. LAWRENCE HIGH SCHOOL



A Jesuit Christian Minority Institution

Study Materials 6

Class: XII

Sub: Accountancy

Chapter: Unit I: Introduction to Partnership

Topic: SAQ

Date: 22/06/2020

1. In the absence of partnership deed, how would you treat interest on capital?

In absence of partnership deed, the partners are not entitled to get interest on their capital.

2. If a fixed amount is withdrawn on 15th day of every month for 12 months, for what period will the interest on total amount withdrawn be calculated?

The period of interest will be 6 months.

3. A and B are partners in a firm without a partnership deed. A's capital is ₹1,10,000 and B's capital is ₹1,14,000. A had given a loan of ₹10,000 to the firm and claims interest at the market rate, i.e., 9% on it. State with reasons whether his claim is valid or not.

In absence of the Partnership Deed, partners are entitled to get interest @ 6% p.a. as per the provision of the Indian Partnership Act, 1932. Hence, A's claim is not justified.

4. How is interest on drawings calculated if the drawings are made at the beginning of each month of a calendar year?

Interest on drawings is to be calculated in the following way:

$$\text{Amount of annual Drawings} \times \text{rate of interest} \times \frac{6.5}{12}$$

5. How will you calculate interest on drawings of equal amount on the last day of each month of a calendar year?

Interest on drawings is to be calculated in the following way:

$$\text{Amount of annual Drawings} \times \text{rate of interest} \times \frac{5.5}{12}$$

6. Give entries in respect of the following:

(a) Net Profit

Profit & Loss A/c.....Dr
To Profit & Loss Appro. A/c

(b) Salary to Partner.

Partners' Salary A/c.....Dr.
To Partners' Capital/ Current A/c

7. Write the adjustment entry for interest on drawings.

Partners' Capital/ Current A/c.....Dr.
To Interest on Partners' Drawings A/c

8. List any two items appearing on the credit side of the Current A/c

Two items that credited in Partners' Current A/c are:

- Partners' Salary

- Interest on Partners' Capital

9. Give any two reasons in favour of having partnership deed.

- Conflicts among the partners related to business issues can be solved legally.
- To recover a debt of ₹100 or more, the firm can take legal help.

10. Mention two important clauses usually included in a partnership deed.

- The profit sharing ratio of the partners
- Names, address and other details of the partners.

11. List any two items appearing on the debit side of the Current A/c.

- Partners' Drawings
- Interest on Partners' Drawings

12. List any two items appearing on the debit side of the Capital A/c when it is maintained under fluctuating method.

- Partners' Drawings
- Interest on Partners' Drawings

13. Define Goodwill.

Goodwill is an intangible fixed and non-current asset of a partnership business. It is to be noted that goodwill is **not a fictitious asset** to a partnership business as it does not represent accumulated loss.

14. What do you mean by Super Profit?

Any excess of normal profit over average or annual profit is known as Super Profit.

15. When valuation of goodwill is necessary?

At the time of reconstruction of a partnership firm, valuation of goodwill is necessary.