

1. Prem and Priya are partners with capital of Rs 3 00,000 and Rs 2,00,000 respectively. The profit and loss account of the firm showed a net profit of Rs 2,13,400 for the year. Prepare profit and loss appropriation account and partners capital accounts after taking the following into consideration.

- (a) Interest on Prem's loan of Rs 1,00,000 to the firm.
- (b) Interest on capital to be allowed @6% per annum.
- (c) Interest on drawings @8% per annum and drawings were; Prem Rs 40,000 and Priya Rs 50,000.
- (d) Priya is to be allowed a commission on sales @ 4%. Sales for the year was Rs 5,00,000.
- (e) 10% of the divisible profits is to be kept in a reserve account [12 marks]

2. P, Q, R and S are partners sharing profits and losses in the ratio of 4:3:3:2. Their respective fixed capitals on 31st March, 2016 were Rs 60,000, Rs 90,000, Rs 1,20,000 and Rs 90,000 respectively. After preparing the final accounts for the year ended 31st March, 2016, it was discovered that interest on capital @ 12% per annum was not allowed and interest on drawings amounting to Rs 2,000, Rs 2,500, Rs 1,500 and Rs 1,000 respectively was also not charged. Pass the necessary adjustment journal entry showing your working clearly.. [8 marks]