

Worksheet – 6

Interest on Partners' capital Account

1. A and B are partners sharing Profit and Loss in the ratio 3 : 2 having Capital Account balances of ₹ 50,000 and ₹ 40,000 on 1st April, 2018. On 1st July, 2018, A introduced ₹ 10,000 as his additional capital whereas B introduced only ₹ 1,000. Interest on capital is allowed to partners @ 10% p.a.

Calculate interest on capital for the financial year ended 31st March, 2019.

2. Ram and Mohan are partners in a business. Their capitals at the end of the year were ₹ 24,000 and ₹ 18,000 respectively. During the year, Ram's drawings and Mohan's drawings were ₹ 4,000 and ₹ 6,000 respectively. Profit (before charging interest on capital) during the year was ₹ 16,000. Calculate interest on capital @ 5% p.a. for the year ended 31st March, 2019.
3. Following is the extract of the Balance Sheet of Neelkanth and Mahadev as on 31st March, 2019.

Liabilities	₹	Assets	₹
Neelkant's Capital	10,00,000	Sundry Assets	30,00,000
Mahadev's Capital	10,00,000		

Neelkant's Current A/c	1,00,000		
Mahadev' Current A/c	1,00,000		
Profit and Loss Appropriation A/c (2018-19)	8,00,000		
	30,00,000		30,00,000

During the year, Mahadev's drawings were ₹ 30,000. Profits during the year ended 31st March, 2019 is ₹ 10,00,000. Calculate interest on capital @ 5% p.a. for the year ending 31st March, 2019.

4. From the following Balance Sheet of Long and Short, calculate interest on capital @ 8% p.a. for the year ended 31st March, 2019.

Balance Sheet as on 31st March, 2019			
Liabilities	₹	Assets	₹
Long's Capital A/c	1,20,000	Fixed Assets	3,00,000
Short's Capital A/c	1,40,000	Other Assets	60,000

General Reserve	1,00,000		
	3,60,000		3,60,000

During the year, Long withdrew ₹ 40,000 and Short withdrew ₹ 50,000. Profit for the year was ₹ 1,50,000 out of which ₹ 1,00,000 was transferred to General Reserve.

5. Moli and Bholi contribute ₹ 20,000 and ₹ 10,000 respectively towards capital. They decide to allow interest on capital @ 6% p.a. Their respective share of profits is 2 : 3 and the net profit for the year is ₹ 1,500. Show distribution of profits:

(i) when there is no agreement except for interest on capitals; and

(ii) when there is an agreement that the interest on capital as a charge.