Chapter: Fundamentals of Partnership

Topic: Interest on Capital

Q1

S. No.	Cases	Provisions
I	If the **partnership agreement is silent** on interest on capital.	Interest on capital will be _____
II	If the partnership agreement provides for interest on capital but is **silent as to its treatment** as a charge or appropriation.	It is taken as _____
III	If the partnership agreement provides for interest on capital **as a charge.**	It is shown in _____ Account

Q2 Interest on Capital is _____ for the business
A. Revenue
B. Expense
C. Gain
D. None of the above

Q3 If partner's capital account and current account balances are given, Interest on capital is calculated on _____:

Q4 Interest on Capital is allowed on

(a) the opening capital.

(b) the capital at the year end.

(c) average capital of the year.

(d) the capital in the middle of the year.

Q5 Amar and Balbir are partners having profit sharing ratio 3:2. Their capitals on 1st April ,2021 were Rs. 1,00,000 and Rs. 50,000 respectively. Partnership deed provides for Interest on capital @ 10% per annum. Calculate Interest on capital for the year ended 31st March,2022 in following Situations:

Sno.	Profit/Loss	Interest on capital	
1.	Loss of 15,000	Amar: _____	Balbir: _____
2.	Profit of Rs. 18,000	Amar: _____	Balbir: _____
3.	Profit of Rs. 15,000	Amar: _____	Balbir: _____
4.	Profit of Rs. 9,000	Amar: _____	Balbir: _____

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Q6 For ,Calculating Opening Capital from Closing Capital, will following things added, subtracted or not considered

Fixed Capital method	Fluctuating Capital method
Capital at the end	Capital at the end
Drawings	Drawings
Capital withdrawn	Capital withdrawn
Loss	Loss
Profit	Profit
Capital further introduced	Capital further introduced
Capital in the beginning	Capital in the beginning

Q7 Rani and Suman are in partnership with capitals of Rs, 80,000 and Rs. 60,000, respectively on 1st April,2022. Rani withdrew Rs. 10,000 from her capital on 1st July ,2021and introduced Rs. 20,000 as additional capital on 1st October,2021. Interest on their capitals is provided at @ 10% p.a.

For the year ended March 31, 2022, Interest is calculated as follows:

Interest on Rani's capitals =

10 /100 of Rs. 80,000 for _____ months

+ 10/100 of Rs. 70,000 for ____ months

+ 10/100 of Rs. 90,000 for _____ months

Q8 Sajal and Varnit are partners in a firm sharing profits and losses in the ratio of 3:2 their capitals at the end of the financial year 2020 were Rs. 5,60,000 and Rs. 4,10,000 after debiting drawings and crediting Share of Profits respectively. Their drawings during the year were₹75,000 and Rs. 45,000 respectively. Profit for the year Rs. 1,00,000. Calculate interest on capital for the Year Ending 31st March 2020. The rate of interest on capital is 10% p.a.How much interest is allowed on Sajal and Varnit Capital?

(a) ₹60,000,₹40,000

(b) ₹48,500,₹36,500

(c) ₹56,000,₹41,000

(d) ₹57,500,₹41,500

Q9 When the partnership agreement provides for treating interest on capital as a charge:

(a) Interest will be allowed in case of only profit

(b) Full Interest will be allowed whether there are profits or losses

(c) Partial interest will be allowed

(d) No interest will be allowed

LIVEWORKSHEETS