

ANSWER KEY & MARKING SCHEME · CBSE CLASS 12

Accounting for Partnership Firms — Fundamentals

Accountancy · Chapter 2 · Use this with the Board Paper · Companion to Quick Drill

HOW TO USE

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

MODEL ANSWERS · BOARD PAPER
Section A — Multiple Choice (1 mark each, 6 Qs)

- Q1. Maximum number of partners in a firm per current law is ____ . [1 mark]**
 | Ans: 50 (per Companies Rules 2014).
- Q2. In the absence of a deed, interest on a partner's loan to the firm is ____ per annum. [1 mark]**
 | Ans: 6% (Section 13(d) proviso).
- Q3. Partner's salary is debited to which account? [1 mark]**
 | Ans: Profit & Loss Appropriation A/c (NOT P&L A/c).
- Q4. Drawings of ₹2,000 at end of every month for 12 months. AP = ____ months. [1 mark]**
 | Ans: 5.5 months (end of month case).
- Q5. Fluctuating Capital Method is the ____ when deed is silent. [1 mark]**
 | Ans: Default (Fixed Capital Method requires explicit deed provision).
- Q6. Closing Current A/c balance can appear on which side(s) of the Balance Sheet? [1 mark]**
 | Ans: Either Liabilities (if Cr) or Assets (if Dr).

Section B — Very Short Answer (2 marks each, 4 Qs)

- Q7. State any four essential features of a partnership. [2 marks]**
 | Ans: (1) Contract/Agreement between 2+ persons; (2) Sharing of profits (and losses); (3) Business activity; (4) Mutual agency — each partner can bind the firm in ordinary business. (Bonus: max 50 partners under Companies Rules 2014.)
- Q8. Distinguish between Fixed Capital Method and Fluctuating Capital Method in any three points. [2 marks]**
 | Ans: (1) Number of accounts: Fixed uses 2 per partner (Capital + Current); Fluctuating uses 1. (2) Capital balance behaviour: Fixed stays mostly constant; Fluctuating changes every year. (3) Default: Fluctuating is default; Fixed requires deed provision. (Bonus: drawings + interest + salary + profit share go to Current under Fixed, to Capital under Fluctuating.)
- Q9. Calculate interest on drawings if a partner draws ₹4,000 in the middle of every month at 12% per annum. [2 marks]**
 | Ans: Total drawings = $4,000 \times 12 = 48,000$. AP = 6 months (middle of month). Interest = $48,000 \times 12\% \times 6/12 = ₹2,880$.
- Q10. Pass journal entry for interest on capital allowed to a partner ₹8,000 (under Fluctuating Capital Method). [2 marks]**
 | Ans: Profit & Loss Appropriation A/c Dr ₹8,000 / To Partner's Capital A/c ₹8,000. (Narration: Interest on capital allowed to partner.)

Section C — Short Answer (3 marks each, 3 Qs)

Q11. State the four default rules under Section 13 of the Indian Partnership Act 1932 that apply in the absence of a partnership deed. [3 marks]

Ans: (1) Section 13(b): profits and losses shared EQUALLY among partners, regardless of capital. (2) Section 13(d): NO interest is payable on partner's capital. (3) Section 13(c): NO partner salary or commission is payable. (4) Section 13(d) proviso: Interest at 6% per annum is payable on partner LOANS (advances over and above capital). Any of these can be overridden by the deed.

Q12. A draws ₹6,000 at the beginning of every month. B draws ₹6,000 at the end of every month. Both made drawings for 12 months. Rate of interest 10% per annum. Calculate interest on drawings for A and for B. [3 marks]

Ans: A: Total drawings = $6,000 \times 12 = 72,000$. AP = 6.5 months (beginning). Interest = $72,000 \times 10\% \times 6.5/12 = ₹3,900$. B: Total = $72,000$. AP = 5.5 months (end). Interest = $72,000 \times 10\% \times 5.5/12 = ₹3,300$.

Q13. Y guarantees Z a minimum profit of ₹12,000 per annum. The firm earns ₹40,000 profit. X, Y, Z share in 2:2:1 ratio. Calculate each partner's actual share. [3 marks]

Ans: Normal shares: X = $40,000 \times 2/5 = 16,000$; Y = $40,000 \times 2/5 = 16,000$; Z = $40,000 \times 1/5 = 8,000$. Z guaranteed 12,000; deficiency = $12,000 - 8,000 = 4,000$ borne by Y (the guarantor). Actual shares: X = ₹16,000; Y = $16,000 - 4,000 = ₹12,000$; Z = ₹12,000.

Section D — Long Answer / Case Study (4 marks each, 2 Qs)

Q14. P and Q are partners sharing profits 3:2. Their capitals on 1 April 2024 were P ₹2,00,000 and Q ₹1,50,000. The partnership deed provides for: (a) Interest on capital @ 10% per annum, (b) Salary to P ₹3,000 per month, (c) Interest on drawings @ 12% per annum. Drawings during the year: P ₹24,000 (₹2,000 at the end of every month), Q ₹18,000 (₹1,500 at the end of every month). Net Profit for the year ended 31 March 2025 (before any appropriation) was ₹1,20,000. Prepare the Profit & Loss Appropriation Account. [4 marks]

Ans: Step 1 — Interest on Capital: P = $2,00,000 \times 10\% = 20,000$; Q = $1,50,000 \times 10\% = 15,000$. Step 2 — Salary to P = $3,000 \times 12 = 36,000$. Step 3 — Interest on Drawings (end-of-month, AP=5.5): P = $24,000 \times 12\% \times 5.5/12 = 1,320$; Q = $18,000 \times 12\% \times 5.5/12 = 990$. Step 4 — P&L Appropriation A/c: Cr side = Net Profit 1,20,000 + Interest on Drawings (P 1,320 + Q 990) 2,310 = 1,22,310. Dr side = Interest on Capital 35,000 + Salary 36,000 = 71,000. Profit transferred = $1,22,310 - 71,000 = 51,310$ (P $3/5 = 30,786$; Q $2/5 = 20,524$). Both sides = 1,22,310. ✓

Q15. Case study: M and N are partners in a firm without a deed. M contributed ₹3,00,000 capital; N contributed ₹1,00,000 capital and worked full-time in the business. After one year M demands: (i) profit-sharing in capital ratio 3:1, (ii) 8% interest on his capital, (iii) salary to N ₹5,000 per month. The firm earned ₹1,00,000 profit during the year. Advise M citing relevant Indian Partnership Act 1932 provisions. Compute each partner's actual share. [3 marks]

Ans: No deed exists, so Section 13 defaults govern. (i) Profit-sharing: Section 13(b) — EQUAL sharing, not capital ratio. M's demand for 3:1 sharing is REJECTED. (ii) Interest on capital: Section 13(d) — NO interest on capital in absence of deed. M's 8% demand is REJECTED. (iii) Salary to N: Section 13(c) — NO partner salary in absence of deed. N's salary demand is REJECTED. Actual shares: ₹1,00,000 split EQUALLY → M = ₹50,000 and N = ₹50,000. Practical lesson: this is precisely why a written deed should always be executed at firm formation.

★ **TOPPER TEMPLATE — 5-6 mark question: Prepare Profit & Loss Appropriation Account from given particulars**

Annual — appears in every CBSE board set since 2010

Step 1 [1 mark]	Format the Appropriation A/c header correctly	Title: 'Profit & Loss Appropriation Account for the year ended 31 March 20XX'. Two columns: Dr (left) and Cr (right). Both sides labelled 'Particulars' and 'Amount (₹)'.
Step 2 [2 marks]	Credit side: Net Profit transferred + Interest on Drawings	Cr side opens with 'By Profit & Loss A/c (Net Profit transferred)' = ₹X. Add 'By Interest on Drawings' (if applicable) with sub-totals per partner. Show partner-wise breakdown in narrations: 'By Interest on Drawings — A ₹500 + B ₹400 = ₹900'.
Step 3 [2 marks]	Debit side: Interest on Capital + Salary + Commission + Reserve	Dr side: 'To Interest on Capital — A ₹X + B ₹Y = ₹X+Y'. 'To Partner's Salary — to A ₹Z'. 'To Partner's Commission — to B ₹W'. 'To Reserve / General Reserve' (if appropriated).
Step 4 [1 mark]	Profit transferred to Partners' Capital A/c	Final Dr line: 'To Profit Transferred to Partners' Capital A/c — A (3/5) ₹M + B (2/5) ₹N = ₹M+N'. The PSR division must be shown. Both sides totalled must match.

COMMON LOSS OF MARKS:

- Treating Partner's Salary as a P&L A/c expense (debit) instead of P&L Appropriation A/c. -1 mark.
- Forgetting to credit Interest on Drawings to the Appropriation A/c. -0.5 mark.
- Showing profit share without explicit PSR ratio breakdown. -0.5 mark.
- Not totalling both sides. -0.5 mark.

★ **TOPPER TEMPLATE — 6-mark question: Prepare Capital A/c and Current A/c under Fixed Capital Method**

Common — 2017, 2019, 2021, 2023

Step 1 [1 mark]	Capital A/c (per partner) — opens with opening capital, closes with same amount	Capital A/c is STATIC under Fixed Capital Method: only opening Cr balance + additional capital introduced (Cr) + capital withdrawn permanently (Dr). Drawings, interest on capital, salary, profit share all go to Current A/c — never to Capital A/c. Closing balance equals opening + additions – permanent withdrawals.
Step 2 [1 mark]	Current A/c structure — opens with opening Cr (usually) balance	Current A/c opens with opening balance (usually Cr but can be Dr). Cr entries: Interest on Capital + Salary + Commission + Profit share. Dr entries: Drawings + Interest on Drawings + Loss share.
Step 3 [2 marks]	Compute each line precisely	Interest on Capital = Opening Capital × Rate × Time. Interest on Drawings (if drawings spread): use product method or average period. Salary: fixed annual amount. Profit/Loss share: per PSR.
Step 4 [2 marks]	Close Current A/c and present balance sheet entry	Closing balance c/d = balancing figure (Cr if income > drawings; Dr if drawings > income). In Balance Sheet: Cr balance → Liabilities under Partners' Current A/c; Dr balance → Assets under Partners' Current A/c (Dr). Show both partners' Capital A/c balances on the Liabilities side separately.

COMMON LOSS OF MARKS:

- Routing drawings through Capital A/c instead of Current A/c under Fixed method. -2 marks (it defeats the purpose of the Fixed method).
- Wrong sign for Interest on Drawings — should be Dr in Current A/c. -1 mark.
- Forgetting Dr balance treatment in Balance Sheet. -0.5 mark.

★ **TOPPER TEMPLATE — 3-4 mark question: Calculate Interest on Drawings using Average Period method**

Annual — 80% of years (2016, 2017, 2018, 2019, 2020, 2022, 2023)

Step 1 [1 mark]	Identify drawing pattern and the period covered	Drawings made at regular intervals. CBSE common patterns: ₹X at the beginning of each month, ₹X at the end of each month, ₹X in the middle of each month, ₹X quarterly. Identify which pattern.
Step 2 [1 mark]	Compute Average Period correctly per pattern	Monthly drawings at BEGINNING of each month: $AP = (12 + 1)/2 = 6.5$ months. Monthly drawings at END of each month: $AP = (11 + 0)/2 = 5.5$ months. Monthly drawings in MIDDLE of each month: $AP = 6$ months. Quarterly at beginning: $AP = (12 + 3)/2 = 7.5$ months. Quarterly at end: $AP = (9 + 0)/2 = 4.5$ months.
Step 3 [1 mark]	Apply formula: Interest = Total drawings × Rate × AP/12	Worked example: Total annual drawings = ₹60,000. Rate = 10% per annum. Drawings at beginning of each month ($AP = 6.5$ months). Interest = $60,000 \times 10/100 \times 6.5/12 = ₹3,250$.
Step 4 [1 mark]	Show journal entry / Capital A/c posting	Journal: 'Partner's Capital A/c Dr ₹3,250 / To P&L Appropriation A/c ₹3,250'. (Or to Current A/c under Fixed Capital Method.)

COMMON LOSS OF MARKS:

- Using $AP = 6$ months for all monthly drawing patterns (only middle-of-month case is 6 months). -1 mark.
- Treating end-of-month drawings as 6.5 months (it should be 5.5 months). -1 mark.
- Forgetting to divide by 12 in the formula. -1 mark.

MARKING SCHEME — GENERAL NOTES

- P&L Appropriation A/c questions: step marks for (1) Interest on Capital computation, (2) Salary/Commission inclusion, (3) Interest on Drawings credit-side entry, (4) Profit distribution in PSR, (5) Both sides totalled.
- Section 13 questions: 0.5 mark per default rule named correctly; full 3 marks for all four with concise explanations.
- Capital + Current A/c questions: distinguish CLEARLY which entries go to each account — wrong routing loses up to 2 marks.
- Interest on Drawings questions: half-mark deductions for wrong AP value (e.g. 6 months for beginning-of-month case).
- Guarantee of profit questions: must show normal-share computation FIRST, then deficiency, then final shares.