CHAPTER-1 ACCOUNTING FOR PARTNERSHIP FIRMS— FUNDAMENTALS

concept no.



Calculation of Interest on Partner's Capitals

concept no.5

Determining Opening Capital

Interest on capital for the year is allowed on Opening Capital of the partner, unless the partner has introduced additional capital or has withdrawn it during the year. Closing balance of the Capital Account of the previous year is the opening balance in the Capital Account of the Current Year. In case opening capital is not given and is to be determined to calculate interest on capital,

(a) When Capitals are fixed:

CALCULATION OF OPENING CAPITAL ₹
Capital at the end of the year ...
Add: Withdrawal of Capital ...
Less: Additional Capital introduced during the year ...
Capital in the beginning of the year ...

(b) When Capitals are fluctuating:

CALCULATION OF OPENING CAPITAL
Capital at the end of the year
Add: Drawings Against Capital (Withdrawal of Capital) ,Drawings Against Profit Interest on Drawings ,Share of Loss for the year*
Less: Additional Capital introduced during the year, Interest on Capital ...
Partner's Salary/Remuneration,Share of Profit for the year* ...
Capital in the beginning of the year ...

PARTNER'S CAPITAL ACCOUNT

Particulars	₹	Particulars	₹
To Cash/Bank A/c (Drawings Against Capital)		By Balance b/d (Balancing Figure)	
To Drawings A/c(Drawings Against Profit)		By Cash/Bank A/c(Capital Introduced)	
To Interest on Drawings A/c	...	By Interest on Capital A/c	...
To Profit & Loss Appropriation A/c (Loss for the year)	...	By Partner's Salary/Commission A/c	
To Balance c/d (Given)		ByProfit & Loss Appropriation A/c (Share of Profit)	

concept no.5

Questions

Q.1) A and B are partners in a business and their capitals at the end of the year were ₹ 7,00,000 and ₹ 6,00,000 respectively. Determine their opening capitals on the basis of the following information:
(a) Drawings of A and B for the year were ₹ 75,000 and ₹ 50,000 respectively.
(b) B introduced capital of ₹ 1,00,000 during the year.
(c) Interest on capital credited to the Capital Accounts of A and B were ₹ 15,000 and ₹ 10,000 respectively.
(d) Interest on drawings debited to the Capital Accounts of A and B were ₹ 7,500 and ₹ 5,000 respectively.
(e) Share of profit credited to Capital Accounts was ₹ 1,00,000 each.
[ANS: A-₹ 6,67,500 ,B-₹ 4,45,000

Q.2) A and 8 are partners in the ratio of 3 :2. The firm maintains Fluctuating Capital Accounts and the balance of the same as on 31st March, 2024 amounted to ₹ 1,60,000 and ₹ 1,40,000 for A and 8 respectively. Their drawings during the year were ₹ 30,000 each.
As per Partnership Deed, interest on capital @ 10% p.a. on opening capitals had been provided to them. Calculate opening capitals of partners given that their profit was ₹ 90,000. Show your workings clearly.
[Ans.: Opening Capital: A– ₹ 1,38,364; B– ₹ 1,31,636.]

Q.3) Aan and Mohan are partners sharing profits and losses in the ratio of 3 : 2. The firm maintains fluctuating Capital Accounts and the balance in their Capital Accounts as on 31st March, 2024 was R 4,00,000 and ₹ 3,50,000 respectively. Drawings during the year were ₹ 75,000 each.
As per Partnership Deed interest on Capital @ 10% p.a. on Opening Capital had been allowed to them.
Calculate Opening Capitals of partners given that net profit during the year 2023-24 was ₹ 2,25,000. Show your working.
[ANS: Opening Capital Aan ₹ 3,45,909 & Mohan ₹ 3,29,091

Total Capital of Partner =

Add: Total Drawings of Partner=

Less: Profits (including interest on capital)

Total capital in the beginning of the year excluding interest on capital for the year=

Interest on Capital:

= opening capital including intr x rate/100+rate =

Divisible Profit = Profit- Intr.