WHAT THE EXAMINER USUALLY ASK?

- Income Distribution Summary.
- General Journal entry for distribution of profit or loss.
- Partners’ Capital account and Current account.
- Income Summary account.
- Multiple Choice Questions (MCQs).
DISTRIBUTION OF PROFIT OR LOSS

- When the partnership earns profit or loss, it is distributed among the partners according to their ratio.
- If there is no agreement about the ratio of partners, profit or loss will be distributed equally.
- Profit or loss will be distributed to the partners after the distribution of:
  - Salaries.
  - Commission.
  - Bonus.
  - Interest on capital.
  - Interest on drawings.
- The profit or loss earned by the partnership firm is transferred to the partners’ current account instead of their capital account in case of fixed capital.
- Income Distribution Summary is prepared for the distribution of profit or loss.

Entry to Record Distribution of Net Profit:

Expense and revenue summary DR. (with total profit)
Partner A’s current account CR. (with partner’s profit)
Partner B’s current account CR. (with partner’s profit)
(To record the distribution of net profit)

Entry to Record Distribution of Net Loss:

Partner A’s current account DR. (with partner’s loss)
Partner B’s current account DR. (with partner’s loss)
Expense and revenue summary CR. (with total loss)
(To record the distribution of net loss)

FORMAT OF income distribution summary

_name of partnership
Income Distribution Summary
For the period ended ________

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Partner A</th>
<th>Partner B</th>
<th>Total</th>
<th>Remaining Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital balances</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Salary</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Bonus</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Interest on capital</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Distribution of remaining profit</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>-----</td>
</tr>
</tbody>
</table>
ILLUSTRATION # 1: (Distribution of Net Profit) 1998 Regular & Private – BIEK

Munir, Nasir and Wazir are partners in the firm “Siddiqui Brothers”. On 1st January, 1997 their capital balances appeared at Rs.250,000; Rs.150,000 and Rs.100,000 respectively. According to partnership agreement, each partner was entitled to receive interest at 5% per annum at capitals at start and salary of Rs.7,500 per annum. After allowing interest and salary to the partners, the balance off undistributed profits was to be distributed equally among the partners. The income statement for the year ended December 31, 1997 shows a net profit of Rs.137,500.

REQUIRED

Prepare Income Distribution summary of the firm for the year ended December 31, 1997. Also record the necessary journal entries for the distribution of profit.

SOLUTION # 1:

**SIDDIQUI BROTHERS**

**INCOME DISTRIBUTION SUMMARY**

**FOR THE PERIOD ENDED 31 DECEMBER 1997**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Munir</th>
<th>Nasir</th>
<th>Wazir</th>
<th>Total</th>
<th>Remaining Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital balances</td>
<td>250,000</td>
<td>150,000</td>
<td>100,000</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td></td>
<td></td>
<td>137,500</td>
<td></td>
</tr>
<tr>
<td>5% interest on capital balances</td>
<td>12,500</td>
<td>7,500</td>
<td>5,000</td>
<td>25,000</td>
<td>112,500</td>
</tr>
<tr>
<td>Salary</td>
<td>7,500</td>
<td>7,500</td>
<td>7,500</td>
<td>22,500</td>
<td>90,000</td>
</tr>
<tr>
<td>Distribution of remaining profit</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>90,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Total</td>
<td>50,000</td>
<td>45,000</td>
<td>42,500</td>
<td>137,500</td>
<td></td>
</tr>
</tbody>
</table>

**SIDDIQUI BROTHERS**

**GENERAL JOURNAL**

<table>
<thead>
<tr>
<th>S.no</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Expense and Revenue Summary</td>
<td></td>
<td>137,500</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Munir Capital</td>
<td></td>
<td></td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td>Nasir Capital</td>
<td></td>
<td></td>
<td>42,500</td>
</tr>
<tr>
<td></td>
<td>Wazir Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the distribution of net profit)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ILLUSTRATION # 2: (Distribution of Net Loss) 2006 Regular & Private – BIEK

Jamal and Swaleh are partners having capitals of Rs.900,000 and Rs.600,000 respectively. They had agreed to the following terms:

(i) Jamal and Swaleh will be entitled to a monthly salary of Rs.6,000 and Rs.3,000 respectively.
(ii) Swaleh will be allowed the commission of Rs.30,000 per year.
(iii) The remaining profit and loss will be divided between the partners in the ratio of their capitals.

Net loss of the firm during the year is Rs.10,000.

REQUIRED

(i) Prepare Income Distribution Summary.
(ii) Give necessary entry (entries) in General Journal regarding distribution of the net loss of the firm among partners.
### SOLUTION # 2:

**PARTNERSHIP DISTRIBUTION OF PROFIT/LOSS**

**CHAPTER # 8**

#### INCOME DISTRIBUTION SUMMARY

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jamal</th>
<th>Swaleh</th>
<th>Total</th>
<th>Remaining Profit or Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Balances</td>
<td>900,000</td>
<td>600,000</td>
<td>1,500,000</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>72,000</td>
<td>36,000</td>
<td>108,000</td>
<td>(118,000)</td>
</tr>
<tr>
<td>Salary</td>
<td>-----</td>
<td>30,000</td>
<td>30,000</td>
<td>(148,000)</td>
</tr>
<tr>
<td>Commission</td>
<td>(88,800)</td>
<td>(59,200)</td>
<td>(148,000)</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Total Distribution of remaining loss in the ratio 3:2**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jamal</th>
<th>Swaleh</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(88,800)</td>
<td>(59,200)</td>
<td>(148,000)</td>
<td>Nil</td>
</tr>
</tbody>
</table>

#### GENERAL JOURNAL

<table>
<thead>
<tr>
<th>S.no</th>
<th>Particulars</th>
<th>P/R</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Jamal Capital</td>
<td></td>
<td>16,800</td>
<td>6,800</td>
</tr>
<tr>
<td></td>
<td>Swaleh Capital</td>
<td></td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>Expense and Revenue Summary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(To record the distribution of net loss)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PRACTICE QUESTIONS

Question # 1: 2001 Regular & Private – BIEK
Furqan and Fareed are partners with capital balances of Rs.50,000 and Rs.70,000 respectively. The partnership deed provides as under:-
(i) Furqan is allowed an annual salary of Rs.36,000.
(ii) Fareed is allowed commission of Rs.60,000.
(iii) Mark-up allowed on initial capital @10%.
(iv) Remaining balance of profit or loss is to be distributed equally.
The net income for the year ending on March 31, 2001 amounted to Rs.140,000.
REQUIRED
The income distribution summary for the year ending on March 31, 2001.

Question # 2: 2008 Regular & Private – BIEK
Tariq and Bilal are equal partners in a firm. For the year ended 30th April, 2008, the firm’s net income amounted to Rs.140,000. As per their agreement Tariq was to receive the salary of Rs.5,000 per month and Bilal Rs.50,000 per annum.
REQUIRED
(i) Prepare Income Distribution Summary.
(ii) Journal entry showing the distribution of net income between partners using the current accounts.

Question # 3: 2013 Regular – BIEK
Hamza, Qasim and Raza are partners with fixed capitals of Rs.150,000/-, Rs.160,000/-, and Rs.170,000/ respectively. According to agreements they are entitled as follows:
(i) Commission to Hamza Rs.50,000/- per annum.
(ii) Salary allowed to Qasim Rs.7,000/- per month.
(iii) Interest on capital to be charged at 10% per annum to each partner.
(iv) Balance of profit or loss to be distributed equally.
(v) Net income for the year ended on Dec. 31, 2012 is Rs.135,000/-.  
REQUIRED
(i) Prepare Income Distribution Summary.
(ii) Record the necessary Journal entries of the final distribution of profit or loss.

Question # 4: 2010 Regular & Private – BIEK
Mr. Mifta, Mr. Alam, Mr. Bilal and Mr. Zeeshan are partners with capitals of Rs.40,000; Rs.50,000; Rs.60,000 and Rs.80,000 respectively. They started their business on April 1, 2009 and share profit and losses equally. The partnership agreement stated that Mr. Mifta is entitled to get a salary of Rs.5,000 per month, interest is paid on their capitals @ 6% per annum. Bonus is given to Mr. Zeeshan Rs.40,000. Partnership closes its books on December 31, each year. Total income of the firm was Rs.135,350 for the year ended December 31, 2009.
REQUIRED

Question # 5: 2012 Regular – BIEK
On April 1, 2010, Amjad and Mansoor started their business as a partnership firm. They agree to share profits and losses in the ratio of their beginning capital balances. As per agreement, Amjad entitled to salary of Rs.4,000 per month and commission given to Mansoor Rs.28,000 during the year. They also agreed to receive interest on initial capital @ 6% per annum. The net income for the year ended December 31, 2011 was Rs.114,750 before distribution.
The balances on the capital and current accounts at the last balance sheet were:

<table>
<thead>
<tr>
<th></th>
<th>Amjad</th>
<th>Mansoor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Rs.200,000</td>
<td>Rs.150,000</td>
</tr>
<tr>
<td>Current account</td>
<td>Rs.12,000</td>
<td>Rs.17,000</td>
</tr>
</tbody>
</table>

**REQUIRED**

Prepare income distribution summary for the period.
Prepare and complete partner’s current account.

**Question # 6:**

Tariq, Shams, and Shahab are partners with fixed capitals of Rs.160,000/-, Rs.180,000/- and Rs.260,000/- respectively. The partnership agreement provided as under:

(i) Commission paid to Tariq Rs.50,000/- per annum.
(ii) Salary is allowed to Shams Rs.70,000/- per annum.
(iii) Interest on beginning capital of partners is to be charged @ 12% per annum.
(iv) Remaining profit or loss to be distributed equally.

The income statement for the year ended December 31st, 2010 showed a net loss of Rs.138,000/-.

**REQUIRED**

Prepare Income Distribution Summary and also record the necessary journal entries.

**Question # 7:**

Karim and Umer are partners with capitals of Rs.30,000 and Rs.20,000 respectively. The partnership agreement provides that partners shall receive salary allowance as under:

Karim  Rs.4,000
Umer  Rs.3,000

Umer who manages the business is also to receive commission to the extent of Rs.2,000 per annum.
Remaining profit or loss is to be shared by the partners in the ratio of their capitals at start.

**REQUIRED**

a) Give necessary General Journal entries under each of the following separate cases:
   (i) If the net income is Rs.4,000.
   (ii) If the net loss is Rs.6,000.

b) Prepare Income Distribution Summary in each of the above cases separately.

**Question # 8:**

Abid, Saleem and Khalid are partners in a business. On January 1, 1991 their capital balances were Rs.60,000; Rs.50,000 and Rs.40,000 respectively. The partnership deed has the following provisions regarding distribution of net income:

(i) Each partner is to receive profit @10% on capital balances as it stands on the first day of each accounting year.
(ii) Each partner will be allowed a monthly salary of Rs.1,000.
(iii) The remaining net income or net loss, if any, will be divided equally.

On December 31, 1991, the business operation showed net income of Rs.48,000.

**REQUIRED**

a) Prepare an Income Distribution Summary showing the distribution of net income.
b) Make entries in the General Journal for distribution of net income to each partner.
c) Prepare capital account of each partner post, rule and balance each account.
Question # 9:  
1995 Regular & Private – BIEK
Ansar, Azam and Azeem are partners having capitals of Rs.60,000; Rs.50,000 and Rs.50,000 respectively. They had agreed to the following terms:
(i) Azam and Azeem shall be entitled to a monthly salary of Rs.1,200 and Rs.1,500 respectively.
(ii) Ansar shall be allowed commission Rs.2,500 per year.
(iii) The remaining profit or loss shall be divided among the partners in the ratio of their beginning capitals.

REQUIRED
a) Prepare table showing the distribution of profit/loss among the partners as per above terms under each of the following assumptions:
   (i) If the firm earns net income of Rs.60,000 during the year.
   (ii) In the firm sustains net loss of Rs.20,000 during the year.

b) Prepare profit & loss appropriation account under each of the above assumptions separately.

c) Give the necessary entries in the General Journal under each of the above assumptions separately.

Question # 10:
2003 Private – BIEK
Akram and Ayaz partners with capital of Rs.150,000 and Rs.250,000 respectively. Their partnership agreement provides that each partner to be allowed 10% of his capital as markup, and the remaining profit/loss be divided equally.

REQUIRED
Profit/Loss Distribution Summary and general journal entries for:
   (i) Net income Rs.4,000.
   (ii) Net loss Rs.4,000.

Question # 11:
2003 Regular – BIEK
Sobia and Hira are partners having capital of Rs.50,000 and Rs.70,000 respectively. The partnership deed permitted as under:
(i) Sobia and Hira will be entitled to salary of Rs.15,000 and Rs.20,000 respectively during the year.
(ii) Sobia will be allowed commission Rs.5,000.
(iii) Remaining profit or loss will be divided during among partners equally.

REQUIRED
Prepare:
a) Income Distribution Summary under each of the following cases separately:
   (i) If the firm’s net loss is Rs.20,000.
   (ii) If the firm’s net profit is Rs.40,000.

b) Give entries in General Journal under each of the above cases separately.

Question # 12:
2005 Regular & Private – BIEK
Partners A and B have beginning capitals of Rs.80,000 and Rs.120,000 respectively. Profit and loss sharing is as follows:
Interest at 20% on beginning capitals, salaries to A and B of Rs.20,000 and Rs.10,000 respectively and remainder amount is shared in the ratio of 2:3.

REQUIRED
(i) Choose from the given options how much of Rs.60,000 net income would be distributed to A?
   a. Rs.36,000
   b. Rs.32,000
   c. Rs.31,000
   d. Rs.28,000

(ii) Make entries in the general journal for distribution of net income to each partner.
**Question # 13:**  
1993 Regular & Private – BIEK  
Faisal, Hasan and Salman are partners with capital balances of Rs.45,000, Rs.30,000 and Rs.15,000 respectively. Capitals are fixed. The partnership deed provides that:

(i) Annual salary of Rs.36,000 to Hasan and Rs.24,000 to Salman is to be allowed.

(ii) Remaining income to be distributed in the ratio of 2:2:1.

During the year partners drawings were:
Faisal Rs.40,00; Hasan Rs.30,000; and Salman Rs.26,000. Net income for the year was Rs.150,000.

**REQUIRED**
Prepare:

a) Income Distribution Summary.

b) General Journal entries to record the partner’s drawings and distribution of net income.

**Question # 14:**  
2000 Regular & Private – BIEK  
Yamin and Majeed are partners. The net income for the year ended December 31, 1999 is Rs.15,000 shown in the expense and revenue summary account as a credit. The capital accounts for the year ended December 31, 1999 are as follows:

<table>
<thead>
<tr>
<th>Capital - Yamin</th>
<th>Jan, 1</th>
<th>Dec, 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>March, 1 Withdrawals</td>
<td>10,000</td>
<td>Balance 65,000</td>
</tr>
<tr>
<td>Investment</td>
<td>5,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital - Majeed</th>
<th>Jan, 1</th>
<th>Nov, 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>July, 1 Withdrawals</td>
<td>20,000</td>
<td>Balance 50,000</td>
</tr>
<tr>
<td>Investment</td>
<td>10,000</td>
<td></td>
</tr>
</tbody>
</table>

**REQUIRED**
Prepare journal entries to record distribution of net income under following cases separately:

Case I: Nothing is stated in agreement regarding profit sharing.

Case II: Income is divided in the ratio of beginning capital.

Case III: Income is divided in the ratio of ending capital.

Case IV: 6% profit on ending capital, salaries to Yamin Rs.9,000 and Majeed Rs.5,000. Balance of profit divided Yamin 40% and Majeed 60%.

**Question # 15:**  
2002 Private – BIEK  
Sony and Tony are partners. The equity section of their balance sheet on Jan. 1, 2001 was as under:

<table>
<thead>
<tr>
<th>Partner’s Equity Section</th>
<th>Sony</th>
<th>Tony</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sony – Capital</td>
<td>Rs.85,000/-</td>
<td>Rs.65,000/-</td>
</tr>
<tr>
<td>Sony – Current</td>
<td>Rs.15,000/-</td>
<td>Rs.10,000/-</td>
</tr>
<tr>
<td>Tony – Capital</td>
<td>Rs.100,000/-</td>
<td>Rs.75,000/-</td>
</tr>
<tr>
<td>Tony – Current</td>
<td>Rs.75,000/-</td>
<td>Rs.75,000/-</td>
</tr>
</tbody>
</table>

The partnership firm earned a net income of Rs.60,000/- for the year ended Dec. 31, 2001. They follow the fixed capital method, and share profit and loss according to the following plan:

(i) Annual salary to Sony Rs.24,000/- and to Tony Rs.12,000/-.  
(ii) 10% interest per annum on capitals of Jan. 1, 2001.  
(iii) Remaining profit or loss to be shared equally.

During the year, Sony withdrew cash Rs.20,000/- and Tony withdrew merchandise at cost Rs.35,000/- from the nosiness for personal use.
REQUIRED

(i) Prepare profit distribution summary.
(ii) Record in general journal the distribution of profit and withdrawals of cash and merchandise by the partners.
(iii) Set up the partner’s current accounts and show necessary posting therein.
(iv) Prepare the equity section of the balance sheet of partnership as on Dec. 31, 2001.

Question # 16: 2002 Regular – BIEK
Irfan, Imran and Inam are partners having capital balances of Rs.40,000/-, Rs.50,000/- and Rs.30,000/- respectively and the profit or loss is distributed among them according to their capital sharing ratio. Irfan gets a salary of Rs.2,000/- per month and Inam gets a salary which is half of Irfan’s. In addition, a bonus @ 20% of the capital balances is also distributed among them.
The remaining profit after payment of salary and bonus amounts to Rs.12,000/-.
REQUIRED
a) Determine the net profit.
b) Prepare an income distribution summary.

Question # 17: 2009 Regular & Private – BIEK
Nadeem and Afroz are running a partnership business. At the end of year, their income summary account shows a credit balance of Rs.550,000. Their capital accounts for the year ended December 31, 2008 are as follows:

<table>
<thead>
<tr>
<th>Nadeem Capital</th>
<th>Afroz Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>May, 1 Withdrawals 5,000</td>
<td>Jan, 1 Balance 25,000</td>
</tr>
<tr>
<td>Aug, 1 Investment 20,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan, 1 Balance 15,000</td>
<td></td>
</tr>
<tr>
<td>May, 1 Investment 10,000</td>
<td></td>
</tr>
<tr>
<td>Aug, 1 Investment 8,000</td>
<td></td>
</tr>
</tbody>
</table>

REQUIRED
Prepare General Journal entries to record the distribution of net income. The income is divided between them in the ratio of their average capital.

Question # 18: 2013 Private – BIEK
Asad and Ahsan are partners in a firm. At the end of the year 2012, the net profit of the firm is Rs.880,000. Their capital accounts are as follows:

<table>
<thead>
<tr>
<th>Asad Capital</th>
<th>Ahsan Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>May, 1 Withdrawals 8,000</td>
<td>Jan, 1 2012 Balance 40,000</td>
</tr>
<tr>
<td>Aug, 1 Additional Investment 32,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>May, 1 Additional Investment 12,000</td>
<td></td>
</tr>
<tr>
<td>Aug, 1 Additional Investment 12,800</td>
<td></td>
</tr>
</tbody>
</table>

REQUIRED
(i) Calculate the average capital of the partners.
(ii) Prepare General Journal entry to record distribution of net income in the ratio of their average capitals.
MULTIPLE CHOICE QUESTIONS (MCQS)

1. In the absence of an agreement profit & loss are divided by partners in the ratio of:
   a) Capital  b) Equally  
   c) Time devoted by each partner  d) None of these

2. Current accounts of the partners should be opened when the capitals are:
   a) Fluctuating  b) Fixed  
   c) Either fixed or fluctuating  d) None of these

3. Under fixed capital method, profit will credited to:
   a) Capital account  b) Drawings account  
   c) Current account  d) Profit and loss account

4. Salary paid to partner should be:
   a) Debited to his current account  b) Credited to his current account  
   c) Credit to profit & loss appropriation a/c  d) None of the above

5. Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. A?
   a) Rs.52,500  b) Rs.43,500  
   c) Rs.50,500  d) Rs.42,500

6. A company has distributable profit Rs.490,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively. The share of Mr. C will be:
   a) Rs.98,000  b) Rs.147,000  
   c) Rs.245,000  d) Rs.343,000

7. In this account profit/loss of partner is transferred under the fluctuating capital method:
   a) Partner’s capital account  b) Partner’s retained earnings account  
   c) Partner’s current account  d) Partner’s income account

8. If in the partnership deed regarding sharing of P/L is silent the profit and loss shall be distributed through:
   a) Profit and loss distributed on beginning capital  
   b) Profit and loss distributed on ending capital  
   c) Profit and loss distributed equally  
   d) Profit and loss distributed on average capital

9. Current account of the partners should be opened when the capital are:
   a) Fluctuating  b) Decreasing  
   c) Fixed  d) Increasing

10. If the partnership makes loss during the financial year, this is:
    a) Credit to the partner’s drawings account  
    b) Debit to the partner’s salaries account  
    c) Debit to the partner’s current account  
    d) Credit to the partner’s current account

11. Salman and Kamran are in a partnership. There is no formal agreement. If profit for the year is
12. Michael and John are in partnership business. They have made a profit of Rs.147,500 in the year ended 31 May 2005. The partnership agreement provides for a yearly salary of Rs.120,000 to Michael and interest on capital at 3%. Remaining profits are shared in the ratio 1:4. At the start of the year, Michael had invested Rs.100,000 in the business and John Rs.200,000. What share of profit does John receive?
   a) Rs.20,800  
   b) Rs.3,700  
   c) Rs.126,700  
   d) Rs.14,800

13. Under fixed capital method after distribution of profit or loss in the general journal entry capital accounts are:
   a) Increased
   b) Decreased
   c) Constant
   d) Both increase and decrease

14. Mr. X, Mr. Y and Mr. Z having capital balances of Rs.150,000; Rs.100,000 and Rs.200,000 respectively. Capital ratio would be:
   a) 1:1:1
   b) 3:2:3
   c) 5:2:4
   d) 3:2:4