

Q76. Mannu and Shristhi are partners in a firm sharing profits in the ratio of 3:2. Following information is of the firm as on 31st March, 2024:

Liabilities	Amount	Assets	Amount
Mannu's Capital 3,00,000		Drawings:	
Shristhi's Capital <u>1,00,000</u>	4,00,000	Mannu 40,000	
		Shristhi <u>20,000</u>	60,000
		Other Assets	3,40,000
	4,00,000		4,00,000

Profit for the year ended 31st March, 2024 was 50,000 which were divided in the agreed ratio, but interest @ 5% p.a. On capital and 6% p.a. on drawings was inadvertently omitted. Adjust interest on drawings on an average basis for 6 months. Give the adjustment entry.

Solution –

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Shristhi Capital A/cDr		2,880	
	To Mannu Capital A/c			2,880
	(Being Adjustment of Profit Made)			

Adjustment of Profit:-

Particulars	Mannu	Shristhi	Total
	(3, 00,000 x 5%)	(1, 00,000 x 5%)	
Interest on Capital	15,000	5,000	20,000
- Interest on Drawings	(1,200)	(600)	(1,800)
Right Distribution (Dr)	13,800	4,400	18,200
- Wrong Distribution (Cr)	10,920	7,280	18,200
18,200 (3:2)			

Adjusted Profit	2,880 (Cr)	2,880 (Dr)	(Nil)
-----------------	------------	------------	-------

Interest on Drawings:-

Mannu – $40,000 \times 6/100 \times 6/12 = 1,200$

Shristhi – $20,000 \times 6/100 \times 6/12 = 600$

Q77. On 31st March, 2018, the balances in the capital Accounts of Abhir, Bobby and Vineet, after making adjustments for profits and drawings were 8,00,000 6,00,000 and 4,00,000 respectively.

Subsequently, it was discovered that interest on capital and interest on drawings had been omitted. The partners were entitled to interest on capital @ 10% p.a. and were to be charged interest on drawings @ 6% p.a. The drawings during the year were: Abhir – 20,000 drawn at the end of each month, Bobby – 50,000 drawn at the beginning of every half year and Vineet – 1, 00,000 withdrawn on 31st October, 2017. The net profit for the year ended 31st March, 2018 was 1, 50,000. The profit sharing ratio was 2:2:1.

Pass necessary adjusting entry for the above adjustments in the books of the firm. Also, show your working clearly.

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Bobby's Capital A/cDr		14,402	
	To Abhir Capital A/c			10,112
	To Vineet Capital A/c			4,290
	(Being Interest on capital omitted now rectify)			

Working Note 1:

Adjustment Table

Particulars	Abhir		Booby		Vineet		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Profit Wrongly Credited (2:2:1)	60,000		60,000		30,000			1,50,000
Interest on Drawings	6,600		4,500		2,500			13,600
Interest on Capital		76,712		50,098		36,790	1,63,600	
Total	66,600	76,712	64,500	50,098	32,500	36,790	1,63,600	1,63,600
	10,112 (Cr)		14,402 (Dr)		4,290 (Cr)		Nil	

Working Note 2:

Calculation of Interest on Drawings:-

Particulars	Abhir	Bobby	Vineet
Drawings	(20,000 x 12) 2,40,000	(50,000 x 2) 1,00,000	1,00,000
Average Period	1.5 month (11 + 0) <u>2</u>	9 month (12 + 6) <u>2</u>	5 month (5 + 5) <u>2</u>
Interest on Drawings	2,40,000 x 6% x 5.5/12 6,600	1,00,000 x 6% x 9/12 4,500	1,00,000 x 6% x 5/12 2,500

Average Period Method:-

Month Left After First Drawing + Month Left after last drawings

2

Interest on Drawings = Total Drawing x Rate of Interest X Average Period

100

12

Working Note 3:-

Calculation of Opening Capital:

Particulars	Abhir	Bobby	Vineet
Closing Capital	8,00,000	6,00,000	4,00,000
Add Drawings	2,40,000	1,00,000	1,00,000
	(20,000 x 12)	(50,000 x 2)	
Less Share of Profit (2:2:1)	60,000	60,000	30,000
Opening Capital	9,80,000	6,40,000	4,70,000

Interest on Capital (10%) – 98,000 64,000 47,000

Total Interest on Capital = 98,000 + 64,000 + 47,000 = 2, 09,000

Available Profit = 1, 63,600

Interest on capital will be allow as

Abhir – 1, 63,600 x 98/209 = 76,711

Bobby – 1, 63,600 x 64/ 209 = 50,097

Vineet – 1, 63,600 x 47/209 = 36,790

Q78. On 31st March, 2014, the balances in the Capital Accounts of Saroj, Mahinder and Umar after making adjustments for profits and drawings, etc, were 80,000 60,000 and 40,000 respectively. Subsequently, it was discovered that the interest on capital and drawings has been omitted.

- a) The profit for the year ended 31st March, 2014 was 80,000**
- b) During the year Saroj and Mahinder each withdrew a sum of 24,000 in equal instalments in the end of each month and Umar withdrew 36,000.**
- c) The interest on drawings was to be charged @ 5% p.a. and interest on capital was to be allowed @ 10% p.a.**
- d) The profit sharing ratio among partners was 4:3:1**

Showing your workings clearly. Pass the necessary rectifying entry.

Solution –

Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Saroj's Capital A/cDr		2,350	
	Mahinder Capital A/c ...Dr		1,300	
	To Umar Capital A/c			3,650
	(Being Interest on capital and Interest on drawing omitted now rectified)			

Adjustment Table

Particulars	Saroj		Mahinder		Umar		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Capital		6,400		5,400		6,600	18,400	
Interest on Capital	550		550		900			2,000
Less Shares (4:3:1)	8,200		6,150		2,050			16,400
Total	8,750	6,400	6,700	5,400	2,950	6,600	18,400	18,400
Net Effect	2,350 (Dr)		1,300 (Dr)		3,650 (Cr)		Nil	

Calculation of Opening Capital:

Particulars	Saroj	Mahinder	Umar
Closing Capital	80,000	60,000	40,000
Add Drawings	24,000	24,000	36,000
Less Share Profit 80,000 (4:3:1)	40,000	30,000	1,000
Opening Capital	64,000	54,000	66,000

Q79. Capitals of Kajal, Neerav and Alisha as on 31st March, 2024 amounted to 90,000 3, 30,000 and 6, 60,000 respectively. Profit of 1, 80,000 for the year ended 31st March, 2024 were distributed in the ratio of 4:1:1 after allowing interest on capital @ 10% p.a. During the year, each partner withdrew 3, 60,000. The Partnership Deed was silent as to profit-sharing ratio but provided for interest on capital @ 12%

Pass the necessary adjustment entry showing the working clearly.

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Kajal Capital A/cDr		66,000	
	To Neerav Capital A/c			30,000
	To Alisha Capital A/c			36,000
	(Being some error now rectified)			

Adjustment Table

Particulars	Kajal		Neerav		Alisha		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Profit Wrongly Distribution (4:1:1)	1,20,000		30,000		30,000			1,80,000

Interest on Capital Wrongly Distribution (10%)	30,000		60,000		90,000			1,80,000
Interest on Capital Shared be distributed (12%)		36,000		72,000		1,08,000	2,16,000	
Profit Shared (1:1:1)								
Total		48,000		48,000		48,000	1,44,000	
	1,50,000	84,000	90,000	1,20,000	1,20,000	1,56,000	3,60,000	3,60,000
Net Effect	66,000 (Dr)		30,000 (Cr)		36,000 (Cr)		Nil	

Calculation of Opening Capital:

Particulars	Kajal	Neerav	Alisha
Closing Capital	90,000	3,30,000	6,60,000
Add Drawings	3,60,000	3,60,000	3,60,000
Less Share Profit 1,80,000 (4:1:1)	1,20,000	30,000	30,000
Opening Capital	3,30,000	6,60,000	9,90,000

Interest on Capital

Kajal – 3, 30,000 x 10/110 = 30,000

Neerav – 6, 60,000 x 10/110 = 60,000

Alisha – 9, 90,000 x 10/110 = 90,000

Opening Capital

$$\text{Kajal} - 3, 30,000 - 30,000 = 3, 00,000$$

$$\text{Neerav} - 6, 60,000 - 60,000 = 6, 00,000$$

$$\text{Alisha} - 9, 90,000 - 90,000 = 9, 00,000$$

Interest on Capital:

$$\text{Kajal} - 3, 00,000 \times 12\% = 36,000$$

$$\text{Neerav} - 6, 00,000 \times 12\% = 72,000$$

$$\text{Alisha} - 9, 00,000 \times 12\% = 1, 08,000$$

GUARANTEE OF MINIMUM PROFIT TO A PARTNER:-

Q80. Mohit and Sobhit are partners sharing profits in the ratio of 3:2 Rohit was admitted for $\frac{1}{6}$ th share of profit with a minimum guaranteed amount of 10,000. At the close of the first financial year, the firm earned a profit of 54,000. Find out the share of profit which Mohit, Shobhit and Rohit will get.

Solution – New profit Sharing Ratio (After Rohit Admission)

$$\text{Profit Sharing Ratio} = 3:2:1$$

$$\text{Total Profit} = 54,000$$

$$\text{Mohit} = 54,000 \times \frac{3}{6} = 27,000$$

$$\text{Shobhit} - 54,000 \times \frac{2}{6} = 18,000$$

$$\text{Rohit} - 54,000 \times \frac{1}{6} = 9,000$$

Rohit was admitted for $\frac{1}{6}$ th share of profit with a minimum guaranteed amount of 10,000. But amount is 9,000. So both the partners share their profit 1,000 for Rohit. So ratio is 3:2

$$\text{Mohit} - 1,000 \times \frac{3}{5} = 600$$

$$\text{Shobhit} - 1,000 \times \frac{2}{5} = 400$$

$$\text{Mohit} - 27,000 - 600 = 26,400$$

$$\text{Shobhit} - 18,000 - 400 = 17,600$$

$$\text{Rohit} - 9,000 + 1000 = 10,000$$

P/L Appropriation Account for the year ended			
Dr		Cr	
Particulars	Amount	Particulars	Amount
Profit Transfer to Partners A/c		P/L A/c (Net profit)	54,000
Mohit 26,400			
Shobhit 17,600			
Rohit <u>10,000</u>	54,000		
	54,000		54,000

Q81. A, B and C were in partnership sharing profits and losses in the ratio of 4:2:1. It was provided that C's share in profit for a year would not be less than 75,000. Profit for the year ended 31st March, 2024 amounted to 3, 15,000. You are required to show the appropriation among the partners. The profit & loss appropriation Account is not required.

Solution – A: B: C = 4:2:1

Total Profit = 3, 15,000

$$A - 3, 15,000 \times \frac{4}{7} = 1, 80,000$$

$$B - 3, 15,000 \times \frac{2}{7} = 90,000$$

$$C - 3, 15,000 \times \frac{1}{7} = 45,000$$

C's share in profit for a year would not be less than 75,000. But they have only 45,000.

$$75,000 - 45,000 = 30,000$$

Then, 30,000 have been distributed in 4:2 ratios.

$$30,000 \times \frac{4}{6} = 20,000$$

$$30,000 \times \frac{2}{6} = 10,000$$

$$A - 1,80,000 - 20,000 = 1,60,000$$

$$B - 90,000 - 10,000 = 80,000$$

$$C - 45,000 + 30,000 = 75,000$$

Q-82

Asha, Disha and Raghav were partners in a firm sharing profits in the ratio of 2 : 3 : 1. According to the partnership agreement, Raghav was guaranteed an amount of 40,000 as his share of profit. The net profit for the year ended 31st March, 2022 amounted to ₹ 1,20,000. profits.

Prepare Profit & Loss Appropriation Account of the firm for the year ended 31st March, 2022. (CBSE 2023)

particulars	amount	particulars	Amount
To profit transfer to	120,000	By profit	1,20,000
Asha (40,000-8000)= 32000			
Disha(60,000-12000)= 48000			
Ragav 40,000			
	120,000		120,000

Net profit =120,000

Asha share of profit=120,000 x 2/6=40,000

disha share of profit=120,000 x 3/6=60,000

ragav share of profit=120,000 x 1/6=20,000

however guarantee of profit=40,000

deficiency borne by Asha $20,000 \times \frac{2}{5} = 8,000$

deficiency borne by Disha $20,000 \times \frac{3}{5} = 12,000$

Q83. X, Y and Z entered into partnership on 1st October, 2023 to share profits in the ratio of 4:3:3. X, personally guaranteed that Z's share of profit after charging interest on capital @ 10% p.a. would not be less than 80,000 in a year. Capital contributions were: X-3,00,000, Y – 2,00,000 and Z – 1,50,000.

Profit for the year ended 31st March, 2024 was 1,60,000. Prepare Profit & Loss Appropriation Account.

Solution –

P/L Appropriation Account

Dr

for the year ended

Cr

Particulars	Amount	Particulars	Amount
To Interest on Capital A/c	32,500	P/L A/c (Net profit)	1,60,000
X 15,000			
Y 10,000			
Z 7,500			
Profit Transfer to Partners A/c	1,27,500		
X 49,250			
Y 38,250			
Z 40,000			
	1,60,000		1,60,000

Working Note 1:

$$X - 3,00,000 \times 10\% \times 6/12 = 15,000$$

$$Y - 2,00,000 \times 10\% \times 6/12 = 10,000$$

$$Z - 1,50,000 \times 10\% \times 6/12 = 7,500$$

Working Note 2:

Profit Distribution

$$X - 1,27,500 \times 4/10 = 51,000$$

$$Y - 1,27,500 \times 3/10 = 38,250$$

$$Z - 1,27,500 \times 3/10 = 38,250$$

Z's share of profit after charging interest on capital @ 10% p.a. would not be less than 80,000 in a year. But they have 40,000

$$Z - 40,000 - 38,250 = 1,750$$

$$X - 51,000 - 1,750 = 49,250$$

Profit – 40,000

Q84. A, B and C are partners profits in the ratio of 5:4:1. C is given a guarantee that his minimum share of profit in any given year would be at least 5000. Deficiency, if any, would be borne by A and B equally. Profit for the year ended 31st March, 2024 was 400,000.

Pass necessary Journal entries in the books of the firm.

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
	P/L (Net Profit) A/cDr		40,000	
	To A's Capital A/c			19,500
	To B's Capital A/c			15,500
	To C's Capital A/c			5,000

	(Being Profit distribution to Partners)			
--	---	--	--	--

Working Note:

$$A - 40,000 \times 5/10 = 20,000 - 500 = 19,500$$

$$B - 40,000 \times 4/10 = 16,000 - 500 = 15,500$$

$$C - 40,000 \times 1/10 = 4,000 + 1,000 = 5,000$$

Q85. Atul, Bipul and Charu sharing profits equally. Bipul is Guaranteed minimum profit of 2, 00,000 per annum. Salary is payable to Bipul of 10,000 per month. Net Profit for the year ended 31st March, 2024 is 6, 60,000.

Prepare Profit & Loss Appropriation Account for the year.

Solution –

**P/L Appropriation Account
for the year ended**

Dr

Cr

Particulars	Amount	Particulars	Amount
To bipul salary A/c	120,000	P/L A/c (Net profit)	660,000
Profit Transfer to Partners A/c			
atul 170,000			
bipul 200,000	540,000		
charu 170,000			
	6,60,000		6,60,000