

Q86. Parul, Prerna and Kaushal are partners sharing profits equally. Parul is guaranteed minimum annual profit of 2, 00,000. Kaushal is to get commission @ 5% of Net Sales and the Commission is determined at 50,000. Net Profit for the year ended 31st March, 2024 is 2, 50,000.

Prepare Profit & Loss Appropriation Account for the year.

Solution –

Profit 2,50,000

Commission 50,000

Parul share = $200,000 \times \frac{1}{3} = 66,666$

Prerna share = $200,000 \times \frac{1}{3} = 66,667$

Kaushal share = $200,000 \times \frac{1}{3} = 66,667$

Deficiency in parul share = $200,000 - 66,666 = 1,33,334$

Prerna and parul borne deficiency equally = $1,33,334 / 2 = 66,667$

particulars	amount	Particulars	Amount
To commission to koushal	50,000	By net profit	2,50,000
Profit Transfer to Partners A/c			
Parul 200,000			
Prerna 0			
Koushal 0			
	200,000		
	2,50,000		2,50,000

Q87. Nimrat, Maira and Kabir are partners sharing profits in the ratio of 2:2:1. Nimrat is guaranteed minimum profit of 1, 60,000 per annum. The net for the year ended 31st March, 2024 of 100,000.

Prepare Profit & Loss Appropriation Account for the year.

solution

particulars	Amount	particulars	amount
To nimrat capital	160,000	By profit	100,000
		By loss transfer to partners capital a/c	60,000
		Mira 40,000	
		Kabir 20,000	
	160,000		1,60,000

Q88. Ashmit, Abbas and Karman are partners sharing profits in the ratio of 3:2:1. Abbas is guaranteed minimum profit of 1, 50,000 per annum. The firm incurred loss for the year ended 31st March, 2024 of 30,000.

Prepare Profit & Loss Appropriation Account for the year.

Solution –

Particulars	amount	particular	amount
Loss	30,000	Loss transfer to partners capital a/c	180,000
To guarantee of profit	150,000	Ashmit 1,35,000	
		(180,000x 3/4)	
		Karman 45000	

		(180,000x 1/4)	
	180,000		180,000

Q89. P, Q and R entered into partnership on 1st April, 2018 to share profit and losses in the ratio of 12:8:5. It was provided that in no case R's share in profit would be less than 30,000 p.a. the profits and losses for the year ended 31st March, were 2022 profit 1,20,000 2023 profit 1,80,000 2024 loss 1,20,000. Pass the necessary Journal entries in the books of the firm.

Solution –

Journal Entries

Date	Particulars	L.F	Dr	Cr
2022	P/L Appropriation A/cDr To P's Capital A/c To Q's Capital A/c To R's Capital A/c (Being Profit Transfer to Partners account)		1,20,000	57,600 38,400 24,000
	P's Capital A/cDr Q's Capital A/cDr To R's Capital A/c (Being received from P and Q in Ratio 12:8)		3,600 2,400	6,000
2023	P/L Appropriation A/cDr To P's Capital A/c To Q's Capital A/c		1,80,000	86,400 57,600

	To R's Capital A/c (Being Profit Transfer to Partners account 12:8:5)			36,000
2023	P's Capital A/cDr Q's Capital A/cDr R's Capital A/cDr To P/L Appropriation A/c (Being Loss Transfer to partner A/c 12:8:5)		57,600 38,400 24,000	1,20,000
	P's Capital A/cDr Q's Capital A/c To R's Capital A/c (Being deficiency met by 3:2) 24000+30,000		32,400 21,600	54,000

Q-90 P and Q were partners in a firm sharing profits in the ratio of 5:3 on 1 st April 2023 they admitted to R as a new partner for 1/8th share in the profits with a guaranteed profit of ₹ 75,000. The new profit-sharing between P and Q will remain the same but they agreed to bear any deficiency on account of guarantee to R in the ratio of 3 : 2. The profit of the firm for the year ended 31st March, 2024 was ₹4,00,000.

Prepare Profit & Loss Appropriation Account of P, Q and R for the year ended 31st March, 2024.

Ans

P/L appropriation a/c

Particulars	amount	particulars	amount
Partners capital a/c		Net profit	400,000
P 2,18,750			
Less			
Deficiency 15000	2,03,750		
Q 1,31,250			
Less			
Deficiency 10,000			
R 50,000	1,21,250		
Add			
From P 15000			
From Q 10,000			
	75,000		
	400,000		400,000

Profit of the firm =400,000

R share $\frac{1}{8}$

So $400,000 \times \frac{1}{8} = 50,000$

Profit for the year = $400,000 - 50,000 = 350,000$

P share of profit = $350,000 \times \frac{5}{8} = 2,18,750$

Q share of profit = $350,000 \times \frac{3}{8} = 1,31,250$

R share of profit = 75000

Deficiency of R profit = $75000 - 50,000$

=25000

P contribution to R deficiency

$25000 \times \frac{3}{5} = 15000$

Q contribution to R deficiency

= $25000 \times \frac{2}{5} = 10,000$

Share of profit

P's capital a/c $2,18,750 - 15000 = 203750$

Q's capital a/c $1,31,250 - 10,000 = 121250$

R's capital a/c 75000

Q91. A and B are in partnership sharing profits and losses in the ratio of 3:2 they admit C, their Manager, as a partner with effect from 1st April, 2023, for 1/4th share of profits.

C, while a Manager, was in receipt of a salary of 27,000 p.a. and a commission of 10% of net profit after charging such salary and commission.

In term of the Partnership Deed, any excess amount, which C will be entitled to receive as a partner over the amount which would have been due to him if he continued to be Manager, will be borne by A. Profit for the year ended 31st March, 2023 amounted to 2,25,000.

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

Solution –
Dr

P/L Appropriation Account
for the year ended

Cr

Particulars	Amount	Particulars	Amount
Profit Transfer to Partners A/c	2,25,000	P/L A/c (Net profit)	2,25,000
A 96,750			
B 72,000			
C 56,250			
	2,25,000		2,25,000

Working Note 1:

Calculation of amount C will get

C's Salary = 27,000

Commission

(2, 25,000 – 27,000) x 10/110 = 18,000

$$27000+18000=45,000$$

Working Note 2:

Profit Sharing Ratio of C

$$= 2, 25,000 \times \frac{1}{4} = 56,250$$

Working Note 3:

Deficiency met by A

C's share in Profit as Partner = 56,250

- As a manager C will get 45,000
- 11,250

Working Note 4:

Profit Share

$$2, 25,000 - 45,000 = 1, 80,000 \text{ (in 3:2)}$$

$$A - 1, 80,000 \times \frac{3}{5} = 1, 08,000 - 11,250 = 96,750$$

$$B - 1, 80,000 \times \frac{2}{5} = 72,000$$

$$C - 45,000 + 11,250 = 56,250$$

Q92. Asgar, Chaman and Dholu are partners in a firm. Their Capital Accounts stood at 6, 00,000; 5, 00,000 and 4, 00,000 respectively on 1st April, 2023. They shared Profits and Losses in the proportion of 4:2:3. Partners are entitled to interest on capital @ 8% per annum and salary to Chaman and Dholu @ 7,000 per month and 10,000 per quarter respectively as per the provision of the Partnership Deed.

Dholu's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of 1, 10,000 p.a. Any deficiency arising on that account shall be met by Asgar. The profit for the year ended 31st March, 2024 amounted to 4, 24,000

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

Solution – P/L Appropriation Account

Dr		Cr	
Particulars	Amount	Particulars	Amount
To Interest on Capital A/c (8%)	32,500	P/L A/c (Net profit)	4,24,000
Asgar 48,000			
Chaman 40,000			
Dholu <u>32,000</u>			
To Partners Salary A/c	1,24,000		
Chaman 7,000 x 12 = 84,000			
Dholu 10,000 x 4 = 40,000			
Profit Transfer to Partners A/c	1,80,000		
Asgar 70,000			
Chaman 40,000			
Dholu <u>70,000</u>			
	4,24,000		4,24,000

Profit Distribution = 1, 80,000 (4:2:3)

Asgar – 80,000 – 10,000 = 70,000

Chaman – 40,000 = 40,000

Dholu – 60,000 + 10,000 = 70,000

In Dholu Account after profit sharing and salary add

$60,000 + 40,000 = 1,00,000$

But guarantee of profit =110,000

Deficiency arise $110,000 - 100,000 = 10,000$ (which is borne by asgar)

Q93. The partners of a firm, Alia, Bhanu and Chand distributed the profits for the year ended 31st March, 2017, 80,000 in the ratio of 3:3:2 without providing for the following adjustments:

- a) Alia and Chand were entitled to a salary of 1,500 each per month
- b) Bhanu was entitled for a commission of 4,000.
- c) Bhanu and Chand had guaranteed a minimum profit of 35,000. To Alia, any deficiency to be borne equally by Bhanu and Chand.

Pass the necessary Journal Entry for the above adjustments in the books of the firm. Show working clearly

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Bhanu Capital A/cDr		21,000	
	Chand Capital A/cDr		2,000	
	To Alia Capital A/c			23,000
	(Being Loan is rectified)			

Working Note:*Adjustment Table*

Particulars	Alia		Bhanu		Chand		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Salary omitted now rectified		18,000				18,000	36,000	
Bhanu's Commission				4,000			4,000	
Profit Wrongly Distributed (3:3:2)								
Profit Share correctly	30,000		30,000		20,000			80,000
Total		35,000		5,000		40,000		
	30,000	53,000	30,000	9,000	20,000	18,000	80,000	80,000
Net Effect	23,000 (Dr)		21,000 (Cr)		2,000 (Cr)		Nil	

Q94. Ajay, Binay and Chetan were partners sharing profits in the ratio of 3:3:2. The Partnership Deed provided for the following:

- a) Salary of 2,000 per quarter to Ajay and Binay**
- b) Chetan was entitled to a commission of 8,000**
- c) Binay was guaranteed a profit of 50,000 p.a**

The profit of the firm for the year ended 31st March, 2015 was 1, 50,000 which was distributed among Ajay, Binay and Chetan in the ratio of 2:2:1, Without taking into consideration the provision of partnership Deed .Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your working clearly.

Solution – Journal Entries

Date	Particulars	L.F.	Dr	Cr
	Ajay Capital A/cDr		6,400	
	Binay Capital A/cDr		2,000	
	To Chetan Capital A/c			8,400
	(Being Adjustment done)			

Adjustment Table

Particulars	Ajay		Binay		Chetan		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Salary		8,000		8,000			16,000	
Chetan Commission						8,000	8,000	
Profit Wrongly Share(2:2:1)	60,000		60,000		30,000			1,50,000
Profit Share in		45,600	60,000	50,000	30,000	30,400	1,26,000	1,50,000
Total	60,000	53,600		58,000		38,400	1,50,000	
Net Effect	6,400 (Dr)		2,000 (Dr)		8,400 (Cr)		Nil	

Guarantee of profit to binay 50,000

Profit = 1, 26,000 in (3:3:2)

Ajay =47250

Binay=47250

Chetan=31500

But Guarantee of profit to binay 50,000

Deficiency arise = 50,000-47250=2750

Which borne by ajay and Chetan in 3:2 ratio

$$\text{Ajay} - 47,250 - 1,650 = 45,600$$

$$\text{Binay} - 47,250 + 2,750 = 50,000$$

$$\text{Chetan} - 31,500 - 1,100 = 30,400$$

Q95. Ankur, Bhavna and Disha are partners in a firm. On 1st April, 2023, the balances in their Capital Accounts stood at 14, 00,000 6, 00,000 and 4, 00,000 respectively. They shared profits in the proportion of 7:3:2 respectively. Partners are entitled to interest on capital @ 6% per annum and salary to Bhavna @ 50,000 p.a. and a commission of 3,000 per month to Disha as per the provisions of the Partnership Deed.

Bhavna's Share of profit (excluding interest on capital) is guaranteed at not less than 1,70,000 p.a. Disha's share of profit (including interest on capital but excluding commission) is guaranteed at not less than 1,50,000 p.a. Any Deficiency arising on that account shall be met by Ankur. The profit of the firm for the year ended 31st March, 2024 amounted to 9, 50,000.

Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2024

Solution –

P/L Appropriation Account

Dr

for the year ended

Cr

Particulars	Amount	Particulars	Amount
To Interest on Capital A/c (6%)	1,44,000	P/L A/c (Net profit)	9,50,000
Ankur 84,000			
Bhavna 36,000			
Disha <u>24,000</u>			
To Bhavna Salary A/c	50,000		
To Disha Commission A/c	3,6000		
Profit Transfer to Partners A/c	7,20,000		
(7:3:2)			
Ankur 4,14,000			
Bhavna 1,80,000			
Disha <u>1,26,000</u>	9,50,000		
			9,50,000

Working Note:

Profit = 7, 20,000 (7:3:2)

Ankur – 4, 20,000 – 6,000 = 4, 14,000

Bhavna – 1, 80,000 (guarantee of profit 170,000 excluding interest on capital)

Disha – 1, 20,000 +6000=126,000(including interest on capital but excluding commission)

Disha share + Interest on capital

1, 20,000 + 24,000 = 1, 44,000

Deficiency Disha Profit – 1, 50,000 – 1, 44,000 = 6,000

Minimum Earning Guaranteed by a Partner:

Q96. Three chartered Accountants Abhijit, Balajit and Charanjit form a partnership, profits being shared in the ratio of 3:2:1 subject to the following:

- a) Charanjit's share of profit guaranteed to be not less than 15,000 p.a
- b) Baljit gives a guarantee to the effect that gross fee earned by him for the firm shall be equal to his average gross fee of the preceding five year when he was carrying on profession alone, which on an average works out at 25,000

The profit for the first year of the partnership is 75,000. The gross fee earned by Baljit for the firm is 16,000. You are required to show Profit & Loss Appropriation Account after giving effect to the above.

Solution -

P/L Appropriation Account

Dr

for the year ended

Cr

Particulars	Amount	Particulars	Amount
Profit Transfer to Partners A/c	84,000	P/L A/c	75,000
Abhijit 41,400		By Baljit Capital A/c	9,000
Baljit 27,600		(25,000 – 16,000)	
Charanjit <u>15,000</u>			
	84,000		84,000

Working Note:

Profit = 84,000 (3:2:1)

Abhijit – 42,000 – 600 = 41,400

Baljit – 28,000 – 400 = 27,600

$$\text{Charanjit} - 14,000 + 1,000 = 15,000$$

Baljit New share of profit

$$= 27,600 - 9,000 = 18,600$$

97. Xen, Sam and Tim are partners in a firm. For the year ended 31st March, 2024, the profit of the firm 120,000 was distributed equally among them, without giving effect to the following terms of the partnership Deed:

- (i) Sam's guarantee to the firm that the firm would earn a profit of at least 1,35,000. Any shortfall in these profits would be met by him.
- (ii) Profits to be shared in the ratio of 2:2:1.

You are required to pass the necessary Journal entries to rectify the error in accounting.

solution

Xen's capital a/c Dr.	40,000	
Sam's capital a/c Dr.	40,000	
Tim's capital a/c Dr.	40,000	
To P/L appropriation a/c		120,000
(being wrong profit taken back)		

Sam's capital a/c Dr.	15000	
To to profit & loss adjustment a/c	15000	

(being short fall in profit)

P/L adjustment a/c Dr.	1,35,000	
To Xen's capital a/c	54000	

To Sam's capital a/c	54000
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To Tim's capital a/c	27000
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(being rectify profit distributed(2:2:1))

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