



Q8. Ram, Raj and George are partners sharing profits in the ratio 5: 3: 2. According to the partnership agreement George is to get a minimum amount of Rs.10,000 as his share of profits every year. The net profit for the year 2013 amounted to Rs.40,000. Prepare the Profit and Loss Appropriation Account.
Sol:

Profit and Loss Appropriation Account			
Dr.			Cr.
Particulars	Amount Rs.	Particulars	Amount Rs.
To Profit transferred to		By Profit and Loss A/c	40,000
Ram's Capital (WN 1)	18,750	(Net Profit)	
Raj's Capital (WN 1)	11,250		
George's Capital	10,000		
	40,000		40,000

Working Note:

1. Calculation of Ram and Raj share in profit:

	Rs.
Profit for the year	40,000
Less: George share in profit	10,000
Remaining share in profit	30,000

The remaining share in profit should be shared between Ram and Raj in 5:3 (PSR) ratio.

$$\text{Ram's Share} = 30,000 \times \frac{5}{8} = 18,750$$

$$\text{Raj's Share} = 30,000 \times \frac{3}{8} = 11,250$$

***** END *****