



Q34. Ram, Mohan and Sohan are partners with capitals of Rs.5,00,000, Rs.2,50,000 and Rs.2,00,000 respectively. After providing interest on capital @ 10% p.a. the profits are divisible as follows: Ram  $\frac{1}{2}$ , Mohan  $\frac{1}{3}$  Sohan  $\frac{1}{6}$ . But Ram and Mohan have guaranteed that Sohan's share in the profit shall not be less than Rs.25,000, in any year. The net profit for the year ended March 31, 2015 is Rs.2, 00,000, before charging interest on capital. You are required to show distribution of profit.

Sol:

Profit and Loss Appropriation Account					
as on March 31, 2015					
Dr.			Cr		
Particulars			Amount Rs.	Particulars	Amount Rs.
To Interest on Capital				By Profit and Loss A/c	2,00,000
Ram		50,000			
Mohan		25,000			
Sohan		20,000	95,000		
To Profit Transferred to					
Ram's Capital	52,500				
Less : Share of deficiency	(4,500)	48,000			
Mohan's Capital	35,000				
Less : Share of deficiency	(3,000)	32,000			
Sohan's Capital	17,500				
Add : Deficiency received from					
Ram	4,500				
Mohan	3,000	25,000	1,05,000		
			2,00,000		2,00,000

Working Note:

1. Calculation for guarantee to the partner:

	Ram	Mohan	Sohan
Guarantee to Sohan			25,000
Profit for distribution Rs.1,05,000 (3:2:1)	52,500	35,000	17,500
Deficiency in Sohan's share			<b>7,500</b>

Deficiency in Sohan's share is to be borne by Ram and Mohan in 3:2 ratio (i.e., PSR).

$$\text{Ram} = 7,500 \times \frac{3}{5} = 4,500$$

$$\text{Mohan} = 7,500 \times \frac{2}{5} = 3,000$$

\*\*\*\*\* END \*\*\*\*\*