



Q35. Amit, Babita and Sona form a partnership firm, sharing profits in the ratio of 3: 2: 1, subject to the following :

- i. Sona's share in the profits, guaranteed to be not less than Rs.15,000 in any year.
- ii. Babita gives guarantee to the effect that gross fee earned by her for the firm shall be equal to her average gross fee of the proceeding five years, when she was carrying on profession alone (which is Rs.25,000). The net profit for the year ended March 31, 2015 is Rs.75,000. The gross fee earned by Babita for the firm was Rs.16,000.

You are required to show Profit and Loss Appropriation Account (after giving effect to the above).

Sol:

Profit and Loss Appropriation Account				
as on March 31, 2015				
Dr.		Cr.		
Particulars		Amount Rs.	Particulars	Amount Rs.
To Profit Transferred to			By Profit and Loss	75,000
Amit's Capital	42,000		By Babita's Capital	9,000
Less : Sona's share of deficiency	(600)	41,400	(Deficiency of Fees 25,000 - 16,000)	
To Babita's Capital	28,000			
Less : Sona's share of deficiency	(400)	27,600		
To Sona's Capital	14,000			
Add : Deficiency received from:				
Amit	600			
Babita	400	15,000		
		84,000		84,000

Working Note:

1. Calculation for guarantee to the partner:

	Amit	Babita	Sona
Guarantee to Sona			15,000
Profit for distribution Rs.84,000 (3:2:1)	42,000	28,000	14,000
Deficiency in Sona's share			1,000

Deficiency in Sona's share is to be borne by Amit and Babita in 3:2 ratio (i.e., PSR).

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

$$\text{Babita} = 1,000 \times \frac{2}{5} = 300$$

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