Q11. Ramesh and Suresh were partners in a firm sharing profits in the ratio of their capitals contributed on commencement of business which were Rs.80,000 and Rs.60,000 respectively. The firm started business on April 1, 2013. According to the partnership agreement, interest on capital and drawings are 12% and 10% p.a., respectively. Ramesh and Suresh are to get a monthly salary of Rs.2,000 and Rs.3,000, respectively.
The profits foryear ended March 31, 2015 before making above appropriations was Rs.1,00,300. The drawings of Ramesh and Suresh were Rs.40,000 and Rs.50,000, respectively. Interest on drawings amounted to Rs.2,000 for Ramesh and Rs.2,500 for Suresh. Prepare Profit and Loss Appropriation Account and partners' capital accounts, assuming that their capitals are fluctuating.

Solution:

Profit and Loss Appropriation Account					
Dr.					Cr.
Particulars		Amount Rs.	Particulars		Amount Rs.
To Interest on Capital			By Profit and Loss A/c		1,00,300
Ramesh	9,600				
Suresh	7,200	16,800	By Interest on Drawings		
			Ramesh	2,000	
To Partner's Salary			Suresh	2,500	4,500
Ramesh	24,000				
Suresh	36,000	60,000			
To Profit transferred to					

	Ramesh Capital [28,000 ×4/7]	16,000				
	Suresh Capital [28,000 × 3/7]	12,000	28,000			
			1,04,800			1,04,800

Partner's Capital Account					
Dr.					Cr
Particulars	Ramesh	Suresh	Particulars	Ramesh	Suresh
To Drawings	40,000	50,000	By Balance b/d	80,000	60,000
To Interest on Drawings	2,000	2,500	By Interest on Capital	9,600	7,200
			By Partner's Salaries	24,000	36,00
To Balance c/d	87,600	62,700	By Profit and Loss Appropriation A/c	16,000	12,000
	1,29,600	1,15,200		1,29,600	1,15,200

Working Note:

1. Calculation of Profit-sharing Ratio.

Profit-sharing Ratio= Capital Ratio.... (Given)

Capital Ratio	=	Ramesh	:	Suresh
		80,000	:	60,000

		4	:	3

Therefore, Profit-sharing Ratio= 4:3.

*********** END **********