



Q31. X, Y and Z are in Partnership, sharing profits and losses in the ratio of 3:2:1, respectively. Z's share in the profit is guaranteed by X and Y to be a minimum of Rs.8,000. The net profit for the year ended March 31, 2015 was Rs.30,000. Prepare Profit and Loss Appropriation Account, indicating the amount finally due to each partner.

Solution:

Profit and Loss Appropriation Account					
Dr.			Cr		
Particulars		Amount Rs.	Particulars		Amount Rs.
To Profit transferred to			By Profit and Loss A/c		30,000
X's Capital	15,000				
Less : Z's Deficiency	(1,800)	13,200			
Y's Capital	10,000				
Less : Z's Deficiency	(1,200)	8,800			
Z's Capital					
Add: Share of Deficiency borne by	5,000				
X	1,800				
Y	1,200	8,000			
		30,000			

Working Note:

1. Calculation for guarantee to the partner:

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	X	Y	Z
Guarantee to Z			8,000
Profit of Rs.30,000 (3:2:1)	15,000	10,000	5,000
Deficiency in Z's share			3,000

Deficiency in Z's share is to be borne by X and Y in 3:2 ratio (i.e., PSR).

Radha = $3000 \times \frac{3}{5} = 1800$

Mary = $3000 \times \frac{2}{5} = 1200$

Q32. Arun, Bobby and Chintu are partners in a firm sharing profit in the ratio or 2:2:1. According to the terms of the partnership agreement, Chintu has to get a minimum of Rs.60,000, irrespective of the profits of the firm. Any Deficiency to Chintu on Account of such guarantee shall be borne by Arun. Prepare the profit and loss appropriation account showing distribution of profits among partners in case the profits for year 2015 are: (i) Rs.2,50,000. (ii) Rs.3,60,000.

Solution:

Case (i)

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 A/c		2,50,000
To Arun's Capital	1,00,000				
Less : Chintu's deficiency	(10,000)	90,000			
To Bobby's Capital		1,00,000			
To Chintu's Capital	50,000				
Add : Deficiency received from:					
Arun	10,000	60,000			
		2,50,000			2,50,000

Working Note:

1. For the year, Calculation for guarantee to the partner:

	Arun	Boby	Chintu
Guarantee to Chintu			60,000
Profit of Rs.2,50,000 (2:2:1)	1,00,000	1,00,000	50,000
Deficiency in Chintu's share			10,000

Deficiency in Chintu's share is to be borne by Arun. Therefore, deficiency received from Arun is Rs.10,000

Case (ii)

Profit and Loss Appropriation Account			
as on March 31,2015			
Dr.			Cr.
Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Profit transferred to		By Profit and Loss A/c	3,60,000
Arun's Capital [3,60,000 × 2/5]	1,44,000		
Bobby's Capital [3,60,000 × 2/5]	1,44,000		
Chintu's Capital [3,60,000 × 1/5]	72,000		
	3,60,000		3,60,000

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