Q30. Radha, Mary and Fatima are partners sharing profits in the ratio of 5:4:1. Fatima is given a guarantee that her share of profit, in any year will not be less than Rs.5,000. The profits for the year ending March 31, 2015 amounts to Rs.35,000. Shortfall if any, in the profits guaranteed to Fatima is to be borne by Radha and Mary in the ratio of 3:2. Record necessary journal entry to show distribution of profit among partner.

Solution:

	Journal				
	Particulars	L.F.	Dr. Rs.	Cr. Rs.	
1.	Profit and Loss A/c	Dr.		40,000	
	To Profit and Loss Appropriation A/c				40,000
	(Being profit transferred from Profit and loss A/c)				
2.	Profit and Loss Appropriation A/c	Dr		35,000	
	To Radha's Capital A/c				16,600
	To Mary's Capital A/c				13,400
	To Fatima's Capital A/c				5,000
	(Being profit distributed among Partner's)				

Working Note:

1. Calculation for guarantee to the partner:

	Radha	Mary	Fatima
Guarantee to Fatima			5,000
Profit of Rs.35,000 (5:4:1)	17,500	14,000	3,500
Deficiency in Fatima's share			1,500

Deficiency in Fatima's share is to be borne by Radha and Mary in 3:2 ratio.

Radha = 1500 x 3/5 = 900
Mary = 1500 x 2/5 = 600

After adjustment of deficiency,

Radha gets Rs.17,500 -Rs.900=Rs.16,600

Mary gets Rs.14,000 -Rs.600=Rs.13,400

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