



Q7. The partnership agreement between Maneesh and Girish provides that:

1. Profits will be shared equally;
2. Maneesh will be allowed a salary of Rs.400 p.m;
3. Girish who manages the sales department will be allowed a commission equal to 10% of the net profits. After allowing Maneesh's salary;
4. 7% interest will be allowed on partner's fixed capital;
5. 5% interest will be charged on partner's annual drawings;
6. The fixed capitals of Maneesh and Girish are Rs.1,00,000 and Rs.80,000, respectively. Their annual drawings were Rs.16,000 and Rs.14,000, respectively. The net profit for the year ending March 31, 2015 amounted to Rs.40,000;

Prepare firm's Profit and Loss Appropriation Account.

Sol:

Profit and Loss Appropriation Account					
Dr.			Cr.		
Particulars		Amount Rs.	Particulars		Amount Rs.
			By Profit and Loss A/c		40,000
To Partner's Salary			Interest on Drawings		
Maneesh		4,800	Maneesh	800	
			Girish	700	1,500
To Partner's commission					
Girish [(40,000 - 4,800) × 10%]		3,520			
To Interest on Capital					
Mannesh	7,000				
Girish	5,600	12,600			
To Profit transferred to A/c					
Maneesh's Current	10,290				
Girish's Current	10,290	20,580			
		41,500			41,500

***** END *****