



Q6. Lokesh and Azad are partners sharing profits in the ratio 3:2, with capitals of Rs.50,000 and Rs.30,000, respectively. Interest on capital is agreed to be paid @ 6% p.a. Azad is allowed a salary of Rs.2,500 p.a. During 2013, the profits prior to the calculation of interest on capital but after charging Azad's salary amounted to Rs.12,500. A provision of 5% of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts.

Sol:

Profit and Loss Appropriation Account					
Dr.			Cr		
Particulars		Amount Rs.	Particulars		Amount Rs.
To Interest on Capital			By Profit and Loss A/c		15,000
Lokesh	3,000		(12,500 + 2,500)		
Azad	1,800	4,800			
To Partner's Salary					
Azad		2,500			
To Provision for Manager's Commission [15,000 × 5%]		750			
To Profit transferred to					
Lokesh Capital	4,170				
Azad Capital	2,780	6,950			
		15,000			15,000

Partner's Capital Account					
Dr.			Cr.		
Particulars	Lokesh	Azad	Particulars	Lokesh	Azad
			By Balance b/d	50,000	30,000
			By Interest on Capital	3,000	1,800
			By Partner's Salaries		2,500
To Balance c/d	57,170	37,080	By Profit and Loss Appropriation A/c	4,170	2,780
	57,170	37,080		57,170	37,080

***** END *****