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.

Sol:

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:

	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).

$$X = 3,000 \times \frac{3}{5} = 1,800$$

$$Y = 3,000 \times \frac{2}{5} = 1,200$$

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