



Q32. Ashok, Brijesh and Cheena are partners sharing profits and losses in the ratio of 2:2:1. Ashok and Brijesh have guaranteed that Cheena share in any year shall be less than Rs.20,000. The net profit for the year ended March 31, 2015 amounted to Rs.70,000. Prepare Profit and Loss Appropriation Account.

Sol:

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	70,000
To Ashok Capital	28,000			
Less : Cheena's deficiency	(3,000)	25,000		
To Brijesh's Capital	28,000			
Less : Cheena's deficiency	(3,000)	25,000		
To Cheena's Capital	14,000			
Add : Deficiency received from:				
Ashok	3,000			
Brijesh	3,000	20,000		
		70,000		70,000

Working Note:

2. Calculation for guarantee to the partner:

	Ashok	Brijesh	Cheena
Guarantee to Cheena			20,000
Profit of Rs.70,000 (2:2:1)	28,000	28,000	14,000
Deficiency in Cheena's share			6,000

Deficiency in Cheena's share is to be borne by Ashok and Brijesh in 2:2 ratio (i.e., PSR).

$$\text{Ashok} = 6,000 \times \frac{2}{4} = 3,000$$

$$\text{Brijesh} = 6,000 \times \frac{2}{4} = 3,000$$

***** END *****