



Q9. Amann, Babita and Suresh are partners in a firm. Their profit sharing ratio is 2:2:1. Suresh is guaranteed a minimum amount of Rs.10,000 as share of profit, every year. Any deficiency on that account shall be met by Babita. The profits for two years ending December 31, 2015 and December 31, 2016 were Rs.40,000 and Rs.60,000, respectively. Prepare the Profit and Loss Appropriation Account for the two years.

Solution:

| <b>Profit and Loss Appropriation Account</b><br><b>for the year 2015</b> |                       |                        |                       |
|--|-----------------------|------------------------|-----------------------|
| <b>Dr.</b>   |                       |                        | <b>Cr.</b>            |
| <b>Particulars</b>   | <b>Amount<br/>Rs.</b> | <b>Particulars</b>     | <b>Amount<br/>Rs.</b> |
| To Profit transferred to   |                       | By Profit and Loss A/c | 40,000                |
| Amann's Capital 16000  | 16,000                |                        |                       |
| Babita's Capital (16,000 - 2,000)  | 14,000                |                        |                       |
| Suresh's Capital (8,000 + 2,000)   | 10,000                |                        |                       |
|  |                       |                        |                       |
|  |                       |                        |                       |
|  | 40,000                |                        | 40,000                |
|  |                       |                        |                       |

| <b>Profit and Loss Appropriation Account</b><br><b>for the year 2016</b> |  |            |
|--|--|------------|
| <b>Dr.</b>   |  | <b>Cr.</b> |

| Particulars              |                  | Amount<br>Rs. | Particulars            | Amount<br>Rs. |
|--------------------------|------------------|---------------|------------------------|---------------|
| To Profit transferred to |                  |               | By Profit and Loss A/c | 60,000        |
|                          | Amann's Capital  | 24,000        |                        |               |
|                          | Babita's Capital | 24,000        |                        |               |
|                          | Suresh's Capital | 12,000        |                        |               |
|                          |                  |               |                        |               |
|                          |                  |               |                        |               |
|                          |                  | 60,000        |                        | 40,000        |
|                          |                  |               |                        |               |

\*\*\*\*\* END \*\*\*\*\*