



Q32. Arun, Bobby and Chintu are partners in a firm sharing profit in the ratio or 2:2:1. According to the terms of the partnership agreement, Chintu has to get a minimum of Rs.60,000, irrespective of the profits of the firm. Any Deficiency to Chintu on Account of such guarantee shall be borne by Arun. Prepare the profit and loss appropriation account showing distribution of profits among partners in case the profits for year 2015 are: (i) Rs.2,50,000; (ii) Rs.3,60,000.

Sol:

Case

(i)

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	2,50,000
To Arun's Capital	1,00,000			
Less : Chintu's deficiency	(10,000)	90,000		
To Bobby's Capital		1,00,000		
To Chintu's Capital	50,000			
Add : Deficiency received from:				
Arun	10,000	60,000		
		2,50,000		2,50,000

Working Note:

1. For the year, Calculation for guarantee to the partner:

	Arun	Boby	Chintu
Guarantee to Chintu			60,000
Profit of Rs.2,50,000 (2:2:1)	1,00,000	1,00,000	50,000
Deficiency in Chintu's share			10,000

Deficiency in Chintu's share is to be borne by Arun. Therefore, deficiency received from Arun is Rs.10,000

Case (ii)

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	3,60,000
Arun's Capital [3,60,000 × 2/5]	1,44,000		
Bobby's Capital [3,60,000 × 2/5]	1,44,000		
Chintu's Capital [3,60,000 × 1/5]	72,000		
	3,60,000		3,60,000

***** END *****