

Q30. Radha, Mary and Fatima are partners sharing profits in the ratio of 5:4:1. Fatima is given a guarantee that her share of profit, in any year will not be less than Rs.5,000. The profits for the year ending March 31, 2015 amounts to Rs.35,000. Shortfall if any, in the profits guaranteed to Fatima is to be borne by Radha and Mary in the ratio of 3:2. Record necessary journal entry to show distribution of profit among partner.

## Solution:

|    | Journal   |     |      |            |            |
|----|---|-----|------|------------|------------|
|    | Particulars   |     | L.F. | Dr.<br>Rs. | Cr.<br>Rs. |
|    |   |     |      |            |            |
| 1. | Profit and Loss A/c                                 | Dr. |      | 40,000     |            |
|    | To Profit and Loss Appropriation A/c                |     |      |            | 40,000     |
|    | (Being profit transferred from Profit and loss A/c) |     |      |            |            |
|    |   |     |      |            |            |
| 2. | Profit and Loss Appropriation A/c                   | Dr  |      | 35,000     |            |
|    | To Radha's Capital A/c                              |     |      |            | 16,600     |
|    | To Mary's Capital A/c                               |     |      |            | 13,400     |
|    | To Fatima's Capital A/c                             |     |      |            | 5,000      |
|    | (Being profit distributed among Partner's)          |     |      |            |            |
|    |   |     |      |            |            |
|    |   |     |      |            |            |

## 1. Calculation for guarantee to the partner:

|                              | Radha  | Mary   | Fatima |
|------------------------------|--------|--------|--------|
| Guarantee to Fatima          |        |        | 5,000  |
| Profit of Rs.35,000 (5:4:1)  | 17,500 | 14,000 | 3,500  |
| Deficiency in Fatima's share |        |        | 1,500  |

Deficiency in Fatima's share is to be borne by Radha and Mary in 3:2 ratio.

Radha =  $1500 \times 3/5 = 900$ Mary =  $1500 \times 2/5 = 600$ 

After adjustment of deficiency,

Radha gets Rs.17,500 -Rs.900=Rs.16,600

Mary gets Rs.14,000 -Rs.600=Rs.13,400

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