



Q33. 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.

Solution:

Profit and Loss Appropriation Account

as on March 31, 2015

Dr.				Cr
		Amount		Amount
Particulars		Rs.	Particulars	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).

$$\text{Ashok} = 6000 \times \frac{2}{4} = 3,000$$

$$\text{Bijesh} = 6000 \times \frac{2}{4} = 3,000$$

Q34. Ram, Mohan and Sohan are partners with capitals of Rs.5,00,000, Rs.2,50,000 and Rs.2,00,000 respectively. After providing interest on capital @ 10% p.a. the profits are divisible as follows: Ram $\frac{1}{2}$, Mohan $\frac{1}{3}$ Sohan $\frac{1}{6}$. But Ram and Mohan have guaranteed that Sohan's share in the profit shall not be less than Rs.25,000, in any year. The net profit for the year ended March 31, 2015 is Rs.2, 00,000, before charging interest on capital. You are required to show distribution of profit.

Solution:

Profit and Loss Appropriation Account					
as on March 31, 2015					
Dr.			Cr		
Particulars			Amount Rs.	Particulars	Amount Rs.
To Interest on Capital				By Profit and Loss A/c	2,00,000
Ram		50,000			
Mohan		25,000			
Sohan		20,000	95,000		
To Profit Transferred to					
Ram's Capital	52,500				
Less : Share of deficiency	(4,500)	48,000			
Mohan's Capital	35,000				
Less : Share of deficiency	(3,000)	32,000			
Sohan's Capital	17,500				
Add : Deficiency received from					
Ram	4,500				
Mohan	3,000	25,000	1,05,000		
			2,00,000		2,00,000

Working Note:

1. Calculation for guarantee to the partner:

	Ram	Mohan	Sohan
Guarantee to Sohan			25,000
Profit for distribution Rs.1,05,000 (3:2:1)	52,500	35,000	17,500
Deficiency in Sohan's share			7,500

Deficiency in Sohan's share is to be borne by Ram and Mohan in 3:2 ratio (i.e., PSR).

Ram = $7500 \times \frac{3}{5} = 4,500$

Mohan = $7,500 \times \frac{2}{5} = 3,000$

***** END *****

