



Q2. Anubha and Kajal are partners of a firm sharing profits and losses in the ratio of 2:1. Their capital, were Rs.90,000 and Rs.60,000. The profits during the year were Rs.45,000. According to partnership deed, both partners are allowed salary, Rs.700 per month to Anubha and Rs.500 per month to Kajal. Interest allowed on capital @ 5% p.a. The drawings at the end of the period were Rs.8,500 for Anubha and Rs.6,500 for Kajal. Interest is to be charged @ 5% p.a. on drawings. Prepare partners capital accounts, assuming that the capital accounts are fluctuating.

Solution: a. If Partner's Salaries, Interest on Capital and Interest on Drawing is charged against profit the solution will be as:

Profit and Loss Appropriation Account				
Dr.				Cr.
Particulars		Amount Rs.	Particulars	Amount Rs.
To Profit Transferred to:			By Profit and Loss A/c	45,000
Anubha's Capital	30,000			
Kajal's Capital	15,000	45,000		
		45,000		45,000

Partner's Capital Account					
Dr.			Cr		
Particulars	Anubha	Kajal	Particulars	Anubha	Kajal
To Drawings	8,500	6,500	By Balance c/d	90,000	60,000
To Interest on Drawings	425	325	By Partner's Salaries	8,400	6,000
			By Interest on Capital	4,500	3,000
			By Profit and Loss Appropriation A/c	30,000	15,000
To Balance c/d	1,23,975	77,175			
	1,32,900	84,000		1,32,900	84,000

b. Alternative, If Partner's Salaries, interest on capital and interest on drawings is distributed out of profit, the solution will be as:

Profit and Loss Appropriation Account					
Dr.			Cr		
Particulars		Amount Rs.	Particulars		Amount Rs.
To Partner's Salary			By Profit and Loss A/c		45,000
Anubha	8,400		By Interest on Drawings		
Kajal	6,000	14,400	Anubha	425	
			Kajal	325	750
To Interest on Capital					
Anubha	4,500				
Kajal	3,000	7,500			
To Profit transferred to					
Anubha's Capital	15,900				
Kajal's Capital	7,950	23,850			
		45,750			45,750

Partner's Capital Account					
Dr.			Cr		
Particulars	Anubha	Kajal	Particulars	Anubha	Kajal
To Drawings	8,500	6,500	By Balance c/d	90,000	60,000
To Interest on Drawings	425	325	By Partner's Salaries	8,400	6,000
			By Interest on Capital	4,500	3,000
			By Profit and Loss Appropriation A/c	15,900	7,950
To Balance c/d	1,09,875	70,125			
	1,18,800	76,950		1,18,800	76,950

Note: Since, the question is quiet about the treatment of Interest on Capitals, Salary to partner, Interest on Drawings. So we have prepared solution by the following two methods:

- a. Charge against profit
- b. Distribution out of profits

The accurate answer to the following question is as per the distribution out of profit method. The 1st method i.e., charge against profit method was done only to match with the answer that was given in the NCERT.

If no information is given about the treatment of the above items then we usually follow Out Of Profits Method.

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