



Q6. Lokesh and Azad are partners sharing profits in the ratio 3:2, with capitals of Rs.50,000 and Rs.30,000, respectively. Interest on capital is agreed to be paid @ 6% p.a. Azad is allowed a salary of Rs.2,500 p.a. During 2013, the profits prior to the calculation of interest on capital but after charging Azad's salary amounted to Rs.12,500. A provision of 5% of profits is to be made in respect of manager's commission. Prepare accounts showing the allocation of profits and partner's capital accounts.

Solution.

Profit and Loss Appropriation Account					
Dr.			Cr		
Particulars		Amount Rs.	Particulars		Amount Rs.
To Interest on Capital			By Profit and Loss A/c		15,000
Lokesh	3,000		(12,500 + 2,500)		
Azad	1,800	4,800			
To Partner's Salary					
Azad		2,500			
To Provision for Manager's Commission [15,000× 5%]		750			
To Profit transferred to					
Lokesh Capital	4,170				

	Azad Capital	2,780	6,950			
			15,000			15,000

Partner's Capital Account					
Dr.			Cr		
Particulars	Lokesh	Azad	Particulars	Lokesh	Azad
			By Balance b/d	50,000	30,000
			By Interest on Capital	3,000	1,800
			By Partner's Salaries		2,500
To Balance c/d	57,170	37,080	By Profit and Loss Appropriation A/c	4,170	2,780
	57,170	37,080		57,170	37,080

***** END *****