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Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
To Interest on Capital		By Net profit	40000
Ali	1250		
Bahadur	1000		2250
To Bahadur Salary	3000		
To General Reserve	3475		
To Profit Transferred :			
Ali Current A/c	21893		
Bahadur Current A/c	9383		31275
Total	<u>40000</u>	Total	<u>40000</u>

Partners Current A/c					
Particulars	Ali	Bahadur	Particulars	Ali	Bahadur
To Drawings	3500	2500	By Interest on Capital	1250	1000
			By Partner Salary	0	3000
			By P & L Apppr A/c	21893	9383
To Balance C/d	19643	10883			

Total	<u>23142.5</u>	<u>13382.5</u>	Total	<u>23142.5</u>	<u>13382.5</u>
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Partners Capital A/c					
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Particulars	Ali	Bahadur	Particulars	Ali	Bahadur
			By Balance B/d	25000	20000

To Balance C/d	25000	20000			
Total	<u>25000</u>	<u>20000</u>	Total	<u>25000</u>	<u>20000</u>

Working Note :

Calculation of Divisible Profits

Net Profits	40000
Less - Interest on Capital	2250
Less - Bahadur Salary	3000
Divisible Profits	34750
General Reserve @ 10%	3475

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**In this question the appropriations are more than the available profits
So the profits are divided in the ratio of appropriations**

Profit & Loss Appropriation A/c			
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Particulars	Amount	Particulars	Amount
		By Net profit	155500

To Profit Transferred :

Kabir	40000		By Interest on Drawings			(For 6 months only)
Zoravar	32000		Kabir	1500		
Parul	88000	160000	Zoravar	1500		
			Parul	1500	4500	160000
Total		<u>160000</u>	Total		<u>160000</u>	

Note :

Calculation of total Appropriations

Description	Kabir	Zoravar	Parul	Total
Interest on Capital	26000	16000	10000	52000
Partner Salary	24000	24000		48000
Partner Commission			100000	100000
Total	50000	40000	110000	200000
Ratio	50	40	110	
	5	4	11	20

Calculation of profits available for appropriation

Net Profit	155500
Add - Interest on Drawings	4500
Total	160000

Note that the total appropriation > profits available so profits will be distributed in the ratio of appropriation

The divisible profits (Net Profit + Int on Drawings - Appropriations) is negative so no amount transferred to reserve

Y	
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Profit and Loss Appropriation A/c

Particulars	Amount	Particulars	Amount
To Interest on Capital		By Profit and Loss A/c	459500
X	24000	(After Interest on Loan)	
Y	18000	By Interest on Drawings	
	42000	X's Capital A/c	5000
To Partners Salary		Y's Capital A/c	6250
X	60000		11250
Y	90000		
	150000		
To Partners Commission			211250
X	17500		
To General Reserve	50000		
			211250
To Profit transferred to :			
X's Capital A/c	118125		
Y's Capital A/c	93125		
	211250		
Total	470750	Total	470750

Partners Capital A/c

Particulars	X	Y	Particulars	X	Y
			By Balance B/d	200000	150000
To Drawings A/c	100000	125000	By Interest on Capital	24000	18000
To Interest on Drawings	5000	6250	By Partners Salaries	60000	90000
			By P & L Appropriation	118125	93125

To Balance c/d	314625	219875	By Partners Commission	17500	
Total	419625	351125	Total	419625	351125

Note :

Capital Ratio

	X	Y
Opening Capital	200000	150000
Capital Ratio	4	3

Division of Profits

Description	X	Y
Upto Rs 175000	100000	75000
Above Rs 175000	18125	18125
Total	118125	93125

Calculation of General Reserve

Net Profit	459500 (After Interest on Loan)
Less - Interest on Capital	42000
Less - Salary	150000
Less - Commission	17500
Balance	250000
Reserve @ 20%	50000

54 Total Profits for last 3 years

Year 1	140000
Year 2	84000
Year 3	106000
Total	330000

Description

	Reya	Mona	Nisha
Incorrect Distribution of Profits (Equally)	110000	110000	110000
Correct Distribution of Profits (3:2:1)	165000	110000	55000

Particulars

Correct Distribution

Distribution of Profits (3:2:1)

Incorrect Distribution

Incorrect Distribution of Profits (Equally)

Total

Reya		Mona		Nisha		Firm	
Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
	165000		110000		55000	330000	
110000		110000		110000			330000
110000	0	110000	0	110000	0	0	330000
55000 Cr		0		55000 Dr		0	

Nisha Capital A/c	Dr..	55000
To Reya Capital A/c		55000

55	Description	P	Q	Total
	Fixed Capital	200000	300000	

Interest @ 12% 24000 36000 60000

Total Interest on Capital is Rs 60000

This Rs 60K was wrongly distributed equally in profit sharing ratio

Description	P	Q
Incorrect Distribution of Profits (Equally)	30000	30000
Correct (Interest on Capital)	24000	36000

Description	P		Q		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Capital		24000		36000	60000	
Incorrect Distribution as Profits (Equally)	30000		30000			60000
Balance	30000	24000	30000	36000	60000	60000
	6000 Dr		6000 Cr		0	

P Current A/c	Dr..	6000
	To Q Current A/c	6000

56	Description	Azad	Benny	Total
	Fixed Capital	40000	80000	
	Interest @ 5%	2000	4000	6000

Total Interest on Capital is Rs 6000

This Rs 6K was wrongly distributed equally in profit sharing ratio

Description	Azad	Benny
Incorrect Distribution of Profits (Equally)	3000	3000
Correct (Interest on Capital)	2000	4000

Description	Azad		Benny		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Capital		2000		4000	6000	
Incorrect Distribution as Profits (Equally)	3000		3000			6000
Balance	3000	2000	3000	4000	6000	6000
	1000 Dr		1000 Cr		0	

Azad Capital A/c	Dr..	1000	
	To Benny Capital A/c		1000

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Description	Ram	Mohan	Sohan
Capital	120000	90000	60000
Incorrect Interest @ 1%	1200	900	600 (6% Less 5%)
Distributed equally	900	900	900

Description	Ram		Mohan		Sohan		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
InCorrect Interest on Capital	7200		5400		3600			16200
Should be distributed as :								
Correct Interest on Capital		6000		4500		3000	13500	
Balance Profits (In profit ratio)		900		900		900	2700	

Total	7200	6900	5400	5400	3600	3900	16200	16200
	300 Dr		0		300 Cr		0	

Ram's Capital A/c	Dr..	300		2700
	To Sohan's Capital A/c		300	

Note :

Total Rs 16200 were distributed incorrectly. Out of that Rs 13500 distributed correctly as interest on capital
The balance (Rs 16200 - Rs 13500) = Rs 2700 to be distributed in profit sharing ratio

58	Description	Ram	Shyam	Mohan
	Capital	300000	100000	200000
	Incorrect Interest @ 1%	3000	1000	2000 (Provided less then actual)
	Distributed in profit sharing ratio	2400	1200	2400

Description	Ram		Shyam		Mohan		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
InCorrect Interest on Capital@9%	27000		9000		18000			54000
Should be distributed as :								
Correct Interest on Capital		30000		10000		20000	60000	
Excess Profits Distributed (In profit ratio)	2400		1200		2400			6000
Total	29400	30000	10200	10000	20400	20000	60000	60000
	600 Cr		200 Dr		400 Dr		0	

6000

OR (Simply reverse all incorrect entries and make correct entries as total profits are given)

Description	Ram		Shyam		Mohan		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
InCorrect Interest on Capital@9%	27000		9000		18000			54000
InCorrect profit distribution	78400		39200		78400			196000
Should be distributed as :								
Correct Interest on Capital		30000		10000		20000	60000	
Correct Profit distribution		76000		38000		76000	190000	
Total	105400	106000	48200	48000	96400	96000	250000	250000
	600 Cr		200 Dr		400 Dr		0	

Shyam's Current A/c	Dr..	200			6000
Mohan's Current A/c	Dr..	400			
	To Ram's Current A/c		600		

**** Due to fixed capitals the entry to be passed in current a/c**

59 When capitals are fluctuating

Calculation of Opening capital

Description	Simrat	Bir	Total	
Closing Balance	480000	600000		
Less - Additional Capital	120000	300000		
Add - Withdraw	240000	60000		
Add - Drawings	120000	60000		Current A/c
Less - share of profits (3:2)	144000	96000		Current A/c

Balance Opening Capital

576000 324000

Note : No adjustment for interest on capital required as it was omitted. This has made the question more simple.

Calculation of Interest on Capital

Simrat

Date	Amount	Period	Rate	Interest
01-Apr-21	576000	1	6%	2880
01-May-21	696000	5	6%	17400
01-Oct-21	456000	6	6%	13680
		Total		33960

Bir

Date	Amount	Period	Rate	Interest
01-Apr-20	324000	1	6%	1620
01-May-21	264000	5	6%	6600
01-Oct-21	564000	6	6%	16920
		Total		25140

Here question has not asked for adjustment entry. It is give here only for knowledge

Description	Simrat		Bir		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Capital		33960		25140	59100	
Incorrect Distribution as Profits (3:2)	35460		23640			59100
Balance	35460	33960	23640	25140	59100	59100

1500 Dr	1500 Cr	0
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OR (Simply reverse all incorrect entries and make correct entries as total profits are given)

Description	Simrat		Bir		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Correct Interest on Capital		33960		25140	59100	
Correct profit distribution		108540		72360	180900	
Incorrect distributions						
Incorrect Distribution as Profits (3:2)	144000		96000			240000
Balance	144000	142500	96000	97500	240000	240000
	1500 Dr		1500 Cr		0	

Simrat Capital A/c	Dr..	1500	
	To Bir Capital A/c		1500

When Capitals are fixed

Calculation of Opening capital

Description	Simrat	Bir	Total
Closing Balance	480000	600000	
Less - Additional Capital	120000	300000	
Add - Withdraw	240000	60000	
Balance Opening Capital	600000	360000	

Simrat

Date	Amount	Period	Rate	Interest
01-Apr-20	600000	1	6%	3000
01-May-20	720000	5	6%	18000
01-Oct-20	480000	6	6%	14400
		Total		35400

Bir

Date	Amount	Period	Rate	Interest
01-Apr-20	360000	1	6%	1800
01-May-20	300000	5	6%	7500
01-Oct-20	600000	6	6%	18000
		Total		27300

Here question has not asked for adjustment entry. It is give here only for knowledge

Description	Simrat		Bir		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Capital		35400		27300	62700	
Incorrect Distribution as Profits (3:2)	37620		25080			62700
Balance	37620	35400	25080	27300	62700	62700
	2220 Dr		2220 Cr		0	

OR (Simply reverse all incorrect entries and make correct entries as total profits are given)

Description	Simrat		Bir		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr

Interest on Capital		35400		27300	62700	
Correct distribution of profits		112380		74920	187300	
Incorrect distribution						
Incorrect Distribution as Profits (3:2)	150000		100000			250000
Balance	150000	147780	100000	102220	250000	250000
	2220 Dr		2220 Cr		0	

Simrat Capital A/c	Dr..	2220
	To Bir Capital A/c	2220

60 Note : In this question some more amount over and above profits has now come to firm in the form of interest on drawings

Description	Pankaj	Anu
Interest on Drawings	3000	1000 (First we take amount as interest on drawings, Capital A/c debited)
To be Distributed equally	2000	2000 (Then we distribute this amount in profit sharing ratio)

Description	Pankaj		Anu		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr
Interest on Drawings omitted	3000		1000			4000
Distribution as Profits (1:1)		2000		2000	4000	
Balance	3000	2000	1000	2000	4000	4000
	1000 Dr		1000 Cr		0	

Pankaj Capital A/c	1000
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To Anu Capital A/c

1000

