71 **Calculation of Opening Capital**

	Saroj	Mahinder	Umar
Closing Capital	80000	60000	40000
Add - Drawings	24000	24000	36000
Less - Profits	40000	30000	10000
Opening Capital	64000	54000	66000
Interest on Capital	6400	5400	6600
Interest on Drawings	550	550	900
When	End	End	Middle

	Saroj		Mahinder		Umar		Firm	
Description	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Incorrect Profits	40000		30000		10000			80000
Correct Distribution								
Interest on Capital		6400		5400		6600	18400	
Interest on Drawings	550		550		900			2000
Correct Profits		31800		23850		7950	63600	
Total	40550	38200	30550	29250	10900	14550	82000	82000
	2350		1300		3650			
	Dr		Dr		Cr			

Adjustment Entry

Saroj Capital A/c Dr.. 2350

Mahinder Capital A/c Dr..	1300	
To Umar Capital A/c		3650

Note :

Calculation of correct Profits to be distributed

Total Profits	80000
Less - Interest on Capital	18400
Add - Interest on Drawings	2000
Divisible Profits	63600

72 **Calculation of Opening Capital**

	Kajal	Neerav	Alisha	Total
Closing Capital	90000	330000	660000	1080000
Add - Drawings	360000	360000	360000	1080000
Less - Profits distributed	120000	30000	30000	180000
Opening Capital with Int on Cap	330000	660000	990000	1980000
Interest on Capital @ 10%	30000	60000	90000	180000
Opening Capital without Interest	**300000**	**600000**	**900000**	**1800000**

Total Profit for the year

Profit as distributed	180000
Add - Interest on Capital	180000
Total	**360000**

Description	Kajal		Neerav		Alisha		Firm	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Incorrect Profits	120000		30000		30000			180000
Incorrect Int on Cap @ 10%	30000		60000		90000			180000
Correct Distribution								
Correct Int on Cap @ 12%		36000		72000		108000	216000	
Correct Profit distribution		48000		48000		48000	144000	
Total	150000	84000	90000	120000	120000	156000	360000	360000
	66000		30000		36000			
	Dr		Cr		Cr			

Kajal Capital A/c	Dr..		66000	
	To Neerav Capital A/c			30000
	To Alisha Capital A/c			36000

73

Profits for the year	54000
Rohit share (1/6)	9000
Balance profits for Mohit and Sobhit	45000

Description	Mohit	Shobhit	Rohit	Total
Profits for the year **(in profit ratio)**	27000	18000	9000	54000
Guranteed Amount Adjustment	-600	-400	1000	54000
Balance Share	26400	17600	10000	54000

Note :
Deficiency will be borne by partners in the ratio of 3:2

74

	A	B	C	Total
Profit sharing ratio	4	2	1	7

Description	A	B	C	Total
Profits for the year	180000	90000	45000	315000
Guranteed Amount Adjustment	-20000	-10000	30000	0
Balance Share	160000	80000	75000	315000

75

Description	X	Y	Z	Total
Capital	300000	200000	150000	
Rate of Interest	10%	10%	10%	
Interest on Capital	15000	10000	7500	32500

(Interest for 6 months. Investment on 01-Oct)

Notice that the partnership started on 01-Oct. Gurateed profits Rs 80000 is for full year
So gurantee for half year will be Rs 40000

Profit & Loss Appropriation A/c

Particulars		Amount	Particulars	Amount
To Interest on Capital			By Net profit	160000
X	15000			
Y	10000			
Z	7500	32500		
To Profit Transferred :				
X	51000			

127500

Less - Given to Z	1750	49250		
Y		38250		
Z	38250			
Add - From X	1750	40000		
Total		120000	Total	160000

76

	A	B	C	Total
Profit sharing ratio	5	4	1	10
Ratio for meeting Guratee	1	1		2

Description	A	B	C	Total
Profits for the year	20000	16000	4000	40000
Guranteed Amount Adjustment	-500	-500	1000	54000
Balance Share	19500	15500	5000	54000

Journal Entries

		Dr.	Cr.
Profit & Loss Appr A/c	Dr..	40000	
To A's Capital A/c			20000
To B's Capital A/c			16000
To C's Capital A/c			4000

(Profits for the year distributed among the partners)

		Dr.	Cr.
A's Capital A/c	Dr..	500	
B's Capital A/c	Dr..	500	
To C's Capital A/c			1000

(Capital A/c adjusted for guranteed share of C)

77

Profit & Loss Appropriation A/c Year 1

Particulars		Amount	Particulars	Amount	
			By Net profit	400000	
To Profit Transferred :					
A		160000			400000
B	160000				
Less - Given to C	20000	140000			
C	80000				
Add - From b	20000	100000			
Total		300000	Total	400000	

Profit & Loss Appropriation A/c Year 2

Particulars		Amount	Particulars	Amount	
			By Net profit	600000	
To Profit Transferred :					
A	240000				600000
B	240000				
C	120000	600000			
Total		600000	Total	600000	

Note : No adjustment for guratee required as the share of profits of C is already hogher than guranteed amount

78

Profit & Loss Appropriation A/c

Particulars		Amount	Particulars	Amount	
To Salary to Bipul		120000	By Net profit	660000	
To Profit Transferred :					
Atul	180000				540000
Less - given to Bipul	10000	170000			
Bipul	180000				
Add - Deficiency	20000	200000			
Charu	180000				
Less - given to Bipul	10000	170000			
Total		660000	Total	660000	

79

Profit & Loss Appropriation A/c

Particulars		Amount	Particulars	Amount	
To Commission to Kaushal		50000	By Net profit	250000	
To Profit Transferred :					
Parul	66667				200000
Add - Deficiency	133333	200000			
Prerna	66667				
Less - given to Parul	66667	0			
Kaushal	66667				
Less - given to Parul	66667	0			
Total		250000	Total	250000	

80

Profit & Loss Appropriation A/c

Particulars		Amount	Particulars		Amount	
			By Net profit		100000	
To Profit Transferred :						
Nimrat	40000					100000
Add - Deficiency	120000	160000	**To Loss Transferred :**			
			Maira	40000		
			Add - given to Nimrat	80000	40000	
			Kabir	20000		
			Add - given to Nimrat	40000	20000	
Total		160000	Total		160000	