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**Calulation of Interest on Loan**

Partner	Amount	Date	Period (Months)	Interest Rate	Interest
Loan by Firm to Pawan	500000	1-Apr-22	12	10%	50000
Loan by Nirmal to Firm	200000	1-Oct-22	6	6%	6000

**Excerpts from Profit and Loss A/c**

Particulars	Amount	Particulars	Amount
Net Loss (Before Adjustments)	10000	By Interest on loan to Pawan	50000
To Interest on Loan to Nirmal	6000		
<b>Net Loss transferred to P &amp; L Appr A/c</b>	<b>34000</b>		
<b>Total</b>	<b>50000</b>	<b>Total</b>	<b>50000</b>

**Or Can also solve directly as below**

Loss before above adjustments	10000
Less - Interest on Loan to Pawan (subtract as there is net loss and not net profit)	50000
Add - Interest on loan from Nirmal (Add as there is net loss and not net profit)	6000

Total distributable profit (Transfer to P & L Appropriation A/c)

34000

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### Calulation of Interest on Loan

Partner	Amount	Date	Period (Months)	Interest Rate	Interest
Loan by Ankit to Firm	250000	1-Oct-22	6	6%	7500
Loan by Bhanu to Firm	250000	1-Oct-22	6	6%	7500
Loan by firm to Charu	100000	1-Oct-22	6	6%	3000

### Journal Entries

S No	Date	Description	Dr	Cr
1	1-Oct-22	Bank A/c Dr.. To Loan by Ankit A/c To Loan by Bhanu A/c (Loan Taken by firm from partners)	500000	250000 250000
2	1-Oct-22	Loan to Charu A/c Dr.. To Bank A/c (Loan given to Charu by firm)	100000	100000
3	31-Mar-22	Interest on Loan by Ankit A/c Dr.. To Loan by Ankit A/c	7500	7500
4	31-Mar-22	Interest on Loan by Bhanu A/c Dr.. To Loan by Bhanu A/c	7500	7500
5	31-Mar-22	Profit & Loss A/c Dr..	15000	

		To Interest on Loan by Ankit A/c		7500
		To Interest on Loan by Bhanu A/c		7500
		(Interest transferred to Profit & Loss A/c)		
6	31-Mar-22	Charu Capital A/c Dr..	3000	
		To Interest on Loan to Charu		3000
7	31-Mar-22	Interest on Loan to Charu A/c Dr..	3000	
		To Profit & Loss A/c		3000

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### Calulation of Interest on Loan

Partner	Amount	Date	Period (Months)	Interest Rate	Interest
Loan by Firm to Jetha	600000	1-Jul-22	9	<b>No Interest in the absence of agreement</b>	
Loan by Firm to Jetha	600000	1-Jul-22	9	10%	45000

#### Case 1

**No Interest will b charged in the absence of agreement**

#### Case 2

<b>31-Mar-23</b>	Jetha Capital A/c	Dr..	45000	
	To Interest on Loan to Jetha			45000
<b>31-Mar-23</b>	Interest on Loan to Jetha A/c	Dr..	45000	
	To Profit & Loss A/c			45000

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**Note :** There is misprint in the date in question  
The date of loan should be 01-Feb-2023 and not 01-Feb-2022

#### Calulation of Interest on Loan

Partner	Amount	Date	Period (Months)	Interest Rate	Interest
Loan by Firm to Rahul	600000	1-Feb-23	1	6%	3000
Loan by Firm to Rahul	600000	1-Mar-23	1	6%	3000

#### Journal Entries for Interest on Loan

**No entry to be made for giving loan as question has entries only for interest on loan**

5-Mar-23	Rahul Capital A/c	Dr..	3000	
	To Interest on Loan to Rahul A/c			3000
5-Mar-23	Bank A/c	Dr..	3000	
	To Rahul Capital A/c			3000
31-Mar-23	Rahul Capital A/c	Dr..	3000	
	To Interest on Loan to Rahul A/c			3000
31-Mar-23	Interest on Loan to Rahul A/c	Dr..	6000	
	To Profit and Loss A/c			6000

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Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
To Interests on Capital		By Net profit	80000
Vinod @ 6%	6000		
Mohan @ 6%	3600		9600
To Vinod Salary	36000		
To Profit Transferred :			
Vinod Capital A/c	17200		
Mohan Capital A/c	17200		34400
Total	<u>80000</u>	Total	<u>80000</u>

**Working Note :**

Since profit sharing ratio is not given so we have assumed it to be equal

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Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
To Interest on Capital		By Net profit	424000
X @ 10%	50000	(Before Z Salary)	
Y @ 10%	50000		
Z @ 10%	25000		125000
To Z Salary	24000		
To Profit Transferred :			

X Current A/c	110000			
Y Current A/c	110000			
Z Current A/c	55000	275000		
Total		<u>424000</u>	Total	<u>424000</u>
				275000

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Profit & Loss Appropriation A/c				
Particulars	Amount	Particulars	Amount	
To Interest on Capital		By Net profit	285000	
X @ 5%	40000	(See note below)		
Y @ 5%	30000			
	70000			
To Y Salary	60000			
To Profit Transferred :				
X Capital A/c	93000			
Y Capital A/c	62000			
	155000			
Total	<u>285000</u>	Total	<u>285000</u>	155000

**Working Note :**

Net profit (Given in question)	240000
Add - Y's Salary	60000
Net profit before Y's Salary	300000
Less - Prov for Manager's Commission (5%)	15000
<b>Net Profit transferred to P&amp;L Appr A/c</b>	<b>285000</b>

18	Profits before any adjustment	228000	
	Less - Interest on Loan from Atul @ 8%	24000	firm will pay
	Add - Interest on Loan to Mithun @ 8%	16000	firm will receive
	Profit transferred to P & L Appr A/c	220000	

*Alternatively, one can prepare profit and loss A/c for the above adjustment for more clarity*

Profit & Loss Appropriation A/c					
Particulars	Amount	Particulars	Amount		
To Interest on Capital		By Net profit	220000		
Atul @ 10%	50000				
Mithun @ 10%	60000	110000	By Interest on Drawings		
		Atul	5000		
		Mithun	5000	10000	
To Profit Transferred :					
Atul Current A/c	72000				
Mithun Current A/c	48000	120000			
Total	<u>230000</u>	Total	<u>230000</u>	120000	

**Note :**

Share of profit transferred to current A/c as capital A/cs are maintained on fixed basis

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Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
To Net Loss	100000		
		By Interest on Drawings	
		Reema @ 10% pa	3000 (for 6 months)
		Seema @ 10% pa	3000 (for 6 months)
			6000
		To Net Loss Transferred :	
		Reema	47000
		Seema	47000
			94000
Total	100000	Total	94000

**Note :**

No Interest on Capital and salary provided as firm has incurred a loss

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Profits before any adjustment	120000
Less - Interest on Capital to Bhanu @ 10%	80000
Less - Interest on Capital to Pratap @ 10%	100000
Profit transferred to P & L Appr A/c	-60000 (Loss)

Profit & Loss Appropriation A/c			
Particulars	Amount	Particulars	Amount
To Net Loss	60000		
		By Interest on Drawings	
		Bhanu (6 months)	3750
		Pratap (6 Months)	7500
			11250



































Dr/Cr

Inc

Dr



Dec

Cr