Worksheet – 7

Profit/ Loss Appropriation Account

1. Sajal and Kajal are partners sharing profits and losses in the ratio of 2: 1. On 1st April, 2018 their Capitals were: Sajal – ₹ 50,000 and Kajal – ₹ 40,000.

Prepare Profit and Loss Appropriation Account and the Partners' Capital Accounts at the end of the year after considering the following items:

(a) Interest on Capital is to be allowed @ 5% p.a.

(b) Interest on the loan advanced by Kajal for the whole year, the amount of loan being ₹ 30,000.

(c) Interest on partners' drawings @ 6% p.a. Drawings: Sajal ₹ 10,000 and Kajal ₹ 8,000.

(d) 10% of the divisible profit is to be transferred to Reserve.

Net profit for the year ended 31st March, 2019 is ₹ 68,460.

Note: Net profit means net profit after debit of interest on loan by the partner.

2. A and B are partners sharing profits and losses in the ratio of 3: 1. On 1st April, 2018, their capitals were: A ₹ 50,000 and B ₹ 30,000. During the year ended 31st March, 2019 they earned a net profit of ₹ 50,000. The terms of partnership are:

   (a) Interest on capital is to allowed @ 6% p.a.

   (b) A will get a commission @ 2% on turnover.

   (c) B will get a salary of ₹ 500 per month.

(d) B will get commission of 5% on profits after deduction of all expenses including such commission.

Partners' drawings for the year were: A ₹ 8,000 and B ₹ 6,000. Turnover for the year was ₹ 3,00,000.

After considering the above facts, you are required to prepare Profit and Loss Appropriation Account and Partners' Capital Accounts.

3. A, B and C were partners in a firm having capital of ₹ 50,000; ₹ 50,000 and ₹ 1,00,000 respectively. Their Current Account balances were A: ₹ 10,000; B: ₹ 5,000 and C: ₹ 2,000 (Dr.). According to the Partnership Deed the partners were entitled to an interest on Capital @ 10% p.a. C being the working partner was also entitled to a salary of ₹ 12,000 p.a. The profits were to be divided as:

   (a) The first ₹ 20,000 in proportion to their capitals.

   (b) Next ₹ 30,000 in the ratio of 5: 3: 2.

   (c) Remaining profits to be shared equally.

   The firm earned net profit of ₹ 1,72,000 before charging any of the above items.

   Prepare Profit and Loss Appropriation Account and pass necessary Journal entry for the appropriation of profits.

4. P, Q and Rare in a partnership and as of 1st April, 2018 their respective capitals were: ₹ 40,000, ₹ 30,000 and ₹ 30,000. Q is entitled to a salary of ₹ 6,000 and R ₹ 4,000 p.a. payable before division of profits. Interest is allowed on capital @ 5% p.a. and is not charged on

drawings. Of the divisible profits, P is entitled to 50% of the first ₹ 10,000, Q to 30% and R to 20%, rest of the profit are shared equally. Profits for the year ended 31st March, 2019, after debiting partners' salaries but before charging interest on capital was ₹ 21,000 and the partners had drawn ₹ 10,000 each on account of salaries, interest and profit.

Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2019 showing the distribution of profit and the Capital Accounts of the partners.

5. Amal, Bimal and Kamal are three partners. On 1st April, 2018, their Capitals stood as: Amal ₹ 40,000, Bimal ₹ 30,000 and Kamal ₹ 25,000. It was decided that:

   (a) they would receive interest on Capital @ 5% p.a.,

   (b) Amal would get a salary of ₹ 250 per month,

   (c) Bimal would receive commission @ 4% on net profit after deducting commission, interest on capital and salary, and

   (d) After deducting all of these 10% of the profit should be transferred to the General Reserve.

   Before the above items were taken into account, net profit for the year ended 31st March, 2019 was ₹ 33,360. Prepare Profit and Loss Appropriation Account and the Capital Accounts of the Partners.