

CLASSES BY

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P&L Appropriation A/c

P & L APPROPRIATION A/C
5 Questions

Ques. 1

X, Y & Z are partners in the firm sharing profits in the ratio **5:3:2**. As per the partnership deed, partners can withdraw up to 700 per month. On the last day of every month, X, Y & Z had withdrawn 500, 400 & 600 respectively.

Interest on capital and **interest on drawings** are fixed at **10%**.

Profits for the year ended amounted to 173,700 out of which 20,000 are to be transferred to **reserve**.

Y & Z are entitled to a **salary** of 2000 per month & 4,000 p.a. respectively. **X is entitled to a commission @ 5% of the net divisible profits after charging such commission.**

At the beginning of the year their **capital** stood at 100,000, 75,000 & 50,000 for X, Y & Z. respectively.

You are required to show the P & L appropriation A/c for the year ended & the capital account of the partners.

P & L APPROPRIATION A/C

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Interest on capital:		NET PROFIT	173,700
X	10,000	Interest on drawings:	
Y	7,500	X	600
Z	5,000	Y	480
Salary		Z	720
Y	24,000		1,800
Z	4,000		
Commission:- X	5,000		
Reserve fund	20,000		
Net profit distributed:-			
X	50,000		
Y	30,000		
Z	20,000		
	175,500		
		4	175,500

$$\begin{aligned}
 & (173700 + 1800) - \\
 & (22,500 + 28,000 + 20,000) \\
 & \times 5/105
 \end{aligned}$$

Ques. 2

On 1ST Jan, 2019, A, B & C entered into partnership with **capital** of 60,000, 50,000 & 30,000. **A had advanced a loan of 20,000 to the firm on 1ST July, 2019.**

As per the partnership deed, **interest on capital** is to be credited @10% p.a. and **Interest on drawings** @ 6% p.a. A had withdrawn 2,000 at the beginning of each quarter while B had withdrawn 3,000 at the middle of each quarter and C had withdrawn 4,000 at the end of each quarter.

B & C are entitled to **salary** of 2,000 & 3,000 per month respectively.

Profit and losses are to be shared in the ratio of 3:2:1 up to 60,000 and equally thereafter. **Net profit before providing interest on loan amounted to Rs. 193,580**

Prepare P & L appropriation A/c and the personal accounts of partners assuming that the capital of partners is fixed.

P & L APPROPRIATION A/C

P & L APPROPRIATION A/C					
PARTICULARS		AMOUNT	PARTICULARS		AMOUNT
Interest on capital:			NET PROFIT	193,580	
A	6,000		Less: Interest on loan	600	192,980
B	5,000				
C	3,000	14,000	Interest on drawings:		
Salary			X	300	
B	24,000		Y	360	
C	36,000	60,000	Z	360	1,020
Net Profit distributed					
A	50,000				
B	40,000				
C	30,000	120,000			
		194,000			194,000

CURRENT A/C

Particulars	A	B	C	Particulars	A	B	C
Drawings	8,000	12,000	16,000	Int. on capital	6,000	5,000	3,000
Int. on drawings	300	360	360	Salary		24,000	36,000
Bal c/d	47,700	56,640	52,640	Net profit	50,000	40,000	30,000
	56,000	69,000	69,000		56,000	69,000	69,000

CAPITAL A/C

Particulars	A	B	C	Particulars	A	B	C
Bal c/d	60,000	50,000	30,000	CASH A/C	60,000	50,000	30,000
	60,000	50,000	30,000		60,000	50,000	30,000

Ques. 3

A and B were partners in a firm sharing profits in the ratio of 3:2.
On 1.1.2008 their fixed capitals were Rs.1, 00,000 and Rs.1, 50,000 respectively.
On 31.3.2008, they decided that their total capital (fixed) should be Rs.3, 00,000 in their profit sharing ratio. **Accordingly they introduced or withdrew the necessary capital.**

The partnership deed provided the following:

- (a) Interest on capital @12% and interest on drawings @18% p.a.
 - (b) Monthly salary to A @Rs.2, 000 per month and to B @ Rs.3, 000 per month.
- The drawings of A and B during the year were as follows:

DATE	A	B
1 ST JULY	10,000	12,000
30 TH SEP	15,000	12,000

The profit earned by the firm for the year ended 31.12.2012 was Rs.2, 00,000. **10% of this profit was to be kept in a reserve.**

You are required to prepare P/L Appropriation A/c and Capital and Current Accounts of partners.

P & L APPROPRIATION A/C

Interest on capital:			Net profit		200,000
A	19,200				
B	15,300	34,500	Interest on drawings:		
Salary:-			A	1,575	
Y	24,000		B	1,620	3,195
Z	36,000	60,000			
Reserve fund		20,000			
Net profit distributed:-					
A	53,217				
B	35,478	88,695			
		203,195			203,195

INT. ON CAPITAL

A

$$\text{on } 100,000 = 100,000 * 12\% * 3/12 = 3,000$$

$$\text{on } \mathbf{180,000} = \mathbf{180,000 * 12\% * 9/12} = \mathbf{16,200}$$

B

$$\text{on } 150,000 = 150,000 * 12\% * 3/12 = 4,500$$

$$\text{on } \mathbf{120,000} = \mathbf{120,000 * 12\% * 9/12} = \mathbf{10,800}$$

INT. ON DRAWINGS

A

$$\text{on } 10,000 = 10,000 * 18\% * 6/12 = 900$$

$$\text{on } \mathbf{15,000} = \mathbf{15,000 * 18\% * 3/12} = \mathbf{675}$$

B

$$\text{on } 12,000 = 12,000 * 18\% * 6/12 = 1,080$$

$$\text{on } \mathbf{12,000} = \mathbf{12,000 * 18\% * 3/12} = \mathbf{540}$$

A, B & C are in partnership sharing profits in the ratio 3:2:4. Their Capital balances as on March 31, 2019 are as follows: A: 170,000. B: 110,000, C: 122,000

Following further info. is provided:

- 22,240 are to be transferred to **General Reserve**.
- A, B & C are paid a monthly **salary** of Rs.2400, 1600 & 1800 respectively.
- Partners are allowed **Interest on Capital** @6% p.a on the capital and are charged **Interest on Drawings** @8% p.a
- A & C are allowed **commission** @8% & 10% resp. **before making any appropriations**.
- B is entitled to commission @15% of the net profit (**before charging interest on drawings but after making all other appropriations including his commission**).
- During the year A withdrawn 2,000 at the beginning of the month, B-1750 at the end of the month end & C-1250 during the month.
- **Firm's Accountant is entitled to a Salary of Rs.2, 000 p.m. and a commission of 12% of Net profit after charging such commission.** Net profit for the firm before providing the above adjustments is **Rs.2,76,000**.

You are required to Prepare P & L appropriation Account for the year ended on March 31, 2012

Q4

P & L APPROPRIATION A/C

Interest on capital:			Net profit	276,000	
A	10,200		Less: Salary to accountant	24,000	
B	6,600		Less: Comm. to accountant	27,000	225,000
C	7,320	24,120	Interest on drawings:-		
Salary:-			A	1,040	
A	28,800		B	770	
B	19,200		C	600	2,410
C	21,600	69,600			
Reserve fund		22,240			
Commission:-					
A	18,000				
C	22,500				
B (225,000-156,460)*15/115	8,940	49,440			
		227,410			227,410

Net profit distributed:-					
A	20,670				
B	13,780				
C	27,560	62,010			
		227,410			227,410

Ques-5

Himanshu and Jayant were partners in a firm sharing profits in the ratio of 3:2.

Their fixed capitals on 1-4-2019 were:

Himanshu Rs.6, 00,000 and Jayant Rs.12, 00,000.

- They agreed to allow interest on capitals @12% per annum and to charge on drawings @15% per annum.
- Himanshu will get a commission of Rs.10, 000 after charging interest on capital (if any profit available).

The firm earned a profit, before all above adjustments, Rs.1, 80,000 for the year ended 31.3.2020.

The drawings of Himanshu and Jayant were Rs.18, 000 and Rs.30, 000 respectively.

Prepare P/L Appropriation Account **if interest on capital is treated as a charge and will be allowed even if the firm incurs a loss.**

P & L APPROPRIATION A/C

Interest on capital:			Net profit		180,000
A	72,000		Interest on drawings:		
B	144,000	216,000	A	1,350	
			B	2,250	3,600
			Net LOSS distributed:-		
			A	19,440	
			B	12,960	32,400
		216,000			216,000