

DISTRIBUTION OF PROFIT
& LOSS
B.COM. PART 1

Q#1:

Ather and Azhar form a partnership with investment of Rs. 60,000 and 40,000 respectively. The firm's profit and loss summary showed a profit of Rs. 45,000 for the year ending December 31, 2004.

Requirement:

Determine the partner's participation in net profit under each of the following assumption separately, Give Journal entries also

- (a) If profit divided in the ratio of original investment.
- (b) If profit divided into Ather 70% and Azhar 30%.
- (c) If there is no agreement between them regarding profit and loss distribution.

Q#2:

Umair, Saad and Farrukh are partner's of Sports goods shop with capital balances of Rs. 100,000, Rs. 70,000 and Rs. 30,000 respectively. They had a written agreement.

- (a) 11% interest on capital.
- (b) Salaries for the year Rs. 18,000 to umair and Rs. 12,000 to saad.
- (c) Bonus to Umair Rs. 4000 p.a.
- (d) Remaining profit or loss divided by 30%, 20% and 50%.

Requirement:

Give the necessary Journal entries to record the distribution of net income or loss under each of the following cases.

- (i) If net income for the year ended December 31, 2002 is Rs. 70,000.
- (ii) If net income for the year ended December 31, 2002 is Rs. 36,000.
- (iii) If net Loss for the year ended December 31, 2002 is Rs. 20,000.

Q#3:

Khalid and Mansoor formed a partnership On April 4, 1980 with capital balances of Rs. 120,000, Rs. 80,000 respectively. The firm's profit and loss summary showed a profit of Rs. 90,000 for the year ending June 30, 1979.

Requirement:

- (a) If income divided in the ratio of original investment.
- (b) If interest @10% is allowed on capitals and the balance divided by 3:2.
- (c) If interest @12% is allowed on capitals. Salaries of Rs. 32,000 and 19,000 is allowed and the balance divided equally.
- (d) Salaries allowance Rs. 2,500 per annum. Khalid who manages the business is to receive a commission of Rs. 6,000 and the balance divided by capital ratio.

Q#4:

Mansoor and Khalid are partners with capital balance Rs. 160,000 and 140,000 respectively.

- (a) Interest on capital to be charged @15% per annum.
- (b) Annual salary of Rs. 40,000 to Mansoor and 30,000 to Khalid to be allowed.
- (c) Remaining profit or loss to be distributed in the ratio of 3:2 total profit for the year is Rs. 130,000.

Requirement:

- (i) Show the distribution of profit.
- (ii) Give entries the general journal to record the distribution of profit.
- (iii) Prepare current account and capital account of the partners.

Q#5:

Mansoor and Khalid have agreed to share profit and loss as follows.

- (a) Mansoor to receive salary of Rs. 25,000 per annum.
- (b) 10% interest is to be allowed on the beginning capital of the partners.
- (c) The remainder the profit or loss to be distributed equally.
- (d) Their beginning capitals are Mansoor Rs. 90,000 and khalid Rs. 110,000.

Requirement:

- (i) Show the distribution of Net Loss of Rs. 10,000.
- (ii) Give the necessary entries in General Journal to record the distribution of loss in according of the mentioned terms of agreement.

Q#6:

X, Y and Z formed a partnership on January1, 2001 with capital of Rs. 210,000 Rs. 150,000 and Rs. 90,000 respectively. The firm's profit and loss summery showed a credit balance of Rs. 162,000 for the year ending December 31, 2001.

Requirement:

Determine the partner's participation in net profit under each of the following assumption separately, Give Journal entries also

- (a) If interest @ 13% was allowed on capitals. Salaries of Rs. 38,000 to X 22,500 to Y and Rs. 16,000 to Z and the balance divided equally.
- (b) Salary allowance to X Rs. 8,000 per month and to Y Rs. 5,000 per month 10% interest on their capitals and the balance divided by 30%, 20% and 50%.

Q#7:

The Partnership agreement among Umair, Farrukh and Fahad provided for.

- (a) The managing partner Umair will be entitled to a monthly salary of Rs. 2,000.
- (b) Partners will be allowed interest @ 10% per annum on the balance of capital.
- (c) Profits as well as losses will be shared equally.
- (d) Their capitals were Umair Rs. 20,000, Farrukh Rs. 60,000 and Fahad Rs. 120,000.

Requirement:

- (i) If Net Income for the period is Rs. 83,000.
- (ii) If Net Loss for the period is Rs. 12,000.

Q#8:

A, B and C are partners with capital balance of Rs. 400,000 Rs. 250,000 and Rs. 150,000 respectively. They had a written agreement.

- (a) 12% interest on capital.
- (b) Salaries for the year Rs. 48,000 to A and Rs. 36,000 to B.
- (c) Remaining profit and loss divided by 20%, 30% and 50%.

Requirement:

Give the necessary Journal entries to record the distribution of net Income or loss under the following cases separately.

- (i) It Net Income for the year ended April 30, 1981 is Rs. 250,000.
- (ii) It Net Income for the year ended April 30, 1981 is Rs. 210,000.
- (iii) It Net Income for the year ended April 30, 1981 is Rs. 190,000.
- (iv) It Net Income for the year ended April 30, 1981 is Rs. 120,000.
- (v) It Net Loss for the year ended April 30, 1981 is Rs. 5,000.
- (vi) It Net Loss for the year ended April 30, 1981 is Rs. 125,000.

Q#9:

The Capital accounts of Raja and Malik partners for the year ended December 31, 1992 were as follows:-

Raja's Capital

Apr. 4 Withdrawn	6,000	Jan. 1 Balance	75,000
Dec. 1 Withdrawn	9,000	June. 1 Investment	40,000

Malik's Capital

March, 2 Withdrawn	25,000	Jan. 1 Balance	100,000
		July. 1 Investment	20,000
		Aug. 2 Investment	30,000

On December 31, 1992 the profit and loss summary showed a credit balance of Rs. 63,000.

Requirement:

Determine the each partner share in the Net Income and give the Journal entries under each of the following cases separately.

- Income divided by beginning Capital ratio.
- Income divided by ending Capital ratio.
- Income divided by average Capital ratio.
- 13% interest on capital at end, salaries allowances Rs. 20,000 to Raja and Rs. 22,000 to Malik and the balance divided by 40% and 60%.

Q#10:

The Capital accounts of Raja and Rani partners for the year ended December 31, 1995 were as follows:-

Raja's Capital

Apr. 4 Withdrawn	12,000	Jan. 1 Balance	150,000
Dec. 1 Withdrawn	18,000	June. 1 Investment	160,000

Rani's Capital

March, 2 Withdrawn	50,000	Jan. 1 Balance	200,000
		July. 1 Investment	40,000
		Aug. 2 Investment	60,000

On December 31, 1995 the profit and loss summary showed a credit balance of Rs. 120,000.

Requirement:

Determine the each partner share in the Net Income and give the Journal entries under each of the following cases separately.

- Income divided by beginning Capital ratio.
- Income divided by ending Capital ratio.
- Income divided by average Capital ratio.
- 18% interest on capital at end, salaries allowances Rs. 40,000 to Raja and Rs. 32,000 to Rani and the balance divided by 35% and 50%.