

Chapter 4

Profit and Loss Appropriation Account

\$

Profit for the Year 1,140,000

Add interest on drawing

Faiz withdrew $(30,000 \times 10\% \times \frac{1}{2})$ 1500

Faraz $(10,000 \times 12 \times 10\%)$ 12000

Less: interest paid on Capital

Faiz $(100,000 + 50,000 \times 5\% \times \frac{1}{2}) + (120,000 \times 5\% \times \frac{1}{2})$ 6750

Faraz $(80,000 \times 5\%)$ 4000

Shakir $(300,000 \times 5\% \times \frac{8}{12}) + (365,000 \times 5\% \times \frac{1}{12})$ 12027

less Shakir salary (5000×12) 60,000

less Faiz commission $(1140,000 \times 10\%)$ 114000

Profit to be distributed 956723

Faiz share = 159953

Faraz share = 318907

Shakir share = 478361

956723

Practice Questions- Appropriation of profit

Q.1. Faiz , Faraz and Shakir are partners in FFS Supermarket. They are running this business since last 15 years. Their profit-sharing ratio is 1:2:3 and capital in their account on 1-1-2015 was 100,000; 200,000 and 300,000 respectively.

During the year 2015 following changes in capital have occurred:

1. On 1-1-2015, Faiz introduced further capital of Rs. 50,000.
2. On 30-6-2015, Faiz withdrew Rs. 30,000.
3. Faraz withdrew Rs. 10,000 at the beginning of each month.
4. On 1-9-2015, ~~Waqas~~^{Shakir} introduced Rs. 65,000 and from that date his interest on capital has increased from 10% to 15%.