

Kalyani and Ranu commenced business on July 1, 2015 as partners with Capitals of ₹1,80,000 and ₹1,20,000 respectively. The Capitals remain fixed and carry interest @ 10% p.a. Profits & Losses are to be shared in proportion to their Capitals.

They appointed Anita as their manager on July 1, 2015 at a salary of ₹9,600 p.a. plus a bonus of 5% of the profits after charging such bonus and interest on capital. Anita had to deposit on July 1, 2015 ₹80,000 as security carrying interest at 12% p.a.

In June 2017 it was settled that Anita should be treated as partner from the commencement of the business. It was agreed that she would be entitled to one-fifth of the profits and her security deposit would be treated as her Capital carrying interest @ 10% p.a. instead of the 12% she had received. It was further agreed that this new arrangement should not result in Anita's share for any of these years being less than she had already received under the original agreement and terms of her appointment.

The profits before charging Anita's bonus and interest on Capital of partners on giving effect to the new arrangements were:

(a) For the year 2015-16: ₹60,000, (b) For the year 2016-17: ₹1,20,000 (c) For the year 2017-18: ₹1,60,000

Show by a single journal entry to give effect to the new arrangements with explanatory computation.
[C.U. B.Com. (Hons). 1996]

**Books of ... (the firm)
Journal**

Date	Particulars	Dr.	Cr.
		₹	₹
Jun. 2017	Kalyani's Current A/c	Dr.	9,362
	Ranu's Current A/c	Dr.	6,242
	To Anita's Current A/c		
	(Being excess amount payable to Anita is borne by Kalyani and Ranu – WN: 5)		15,604

WORKING NOTES

1. Interest on Capital of partners

▪ **Before considering Anita as a partner**

Capital of Kalyani and Ranu = ₹1,80,000 + ₹1,20,000 = ₹3,00,000

∴ Interest on Capital of Kalyani and Ranu = 10% on ₹3,00,000 = ₹30,000

▪ **After considering Anita as a partner**

Capital of Kalyani, Ranu and Anita = ₹1,80,000 + ₹1,20,000 + ₹80,000 = ₹3,80,000

∴ Interest on Capital of Kalyani and Anita = 10% on ₹3,80,000 = ₹38,000

2. Amount due to Anita as a Manager

	2015-16	2016-17	2017-18
Salary [Given]	9,600	9,600	9,600
Interest on Security Deposit [₹80,000 × 12%]	9,600	9,600	9,600
Bonus: [5% of Net Profit after charging Bonus and Interest on Capital]			
2015-16 [₹60,000 – ₹30,000 (WN:1)] × 5/105	1,429		
2016-17 [₹1,20,000 – ₹30,000 (WN:1)] × 5/105		4,286	
2017-18 [₹1,60,000 – ₹30,000 (WN:1)] × 5/105			6190
∴ Amount due to Anita as Manager	20,629	23,486	25,390

3. Revised Divisible Profit if Anita is considered as Capital and her share of profit

	2015-16	2016-17	2017-18
Net Profit as given in the problem	60,000	1,20,000	1,60,000
Add: Anita's salary [not payable if she is considered as partner]	9,600	9,600	9,600
Int. on Anita's security dep. [not payable if she is considered as partner]	9,600	9,600	9,600
Profit before interest on Capital to the partners	79,200	1,39,200	1,79,200
Less: Interest on Capital [WN:1]	38,000	38,000	38,000
∴ Divisible Profit for the year	41,200	1,01,200	1,41,200
∴ Anita's share of profits [Divisible Profit × 1/5]	8,240	20,240	28,240

4. Amount due to Anita as a Partner

	2015-16	2016-17	2017-18
Interest on Capital [₹80,000 × 10%]	8,000	8,000	8,000
Share of profit [WN: 3]	8,240	20,240	28,240
∴ Amount due to Anita as partner	16,240	28,240	36,240

5. Extra amount due to Anita as Partner as compared to Manager

	2015-16	2016-17	2017-18
Amount due to Anita as partner [WN: 4]	16,240	28,240	36,240
Less: Amt. due to Anita as manager [WN: 2]	20,629	23,486	25,390
∴ Extra Amt. due to Anita	—	4,754	10,850

N.B.: In the year 2015-16, the amount due to Anita as manager is more than the amount due to her as a partner. So, according to the agreement no adjustment is needed for such extra amount which was allowed to her.

∴ Total extra amount due to Anita as a partner = ₹4,754 + ₹10,850 = ₹15,604

It is to be borne by Kalyani and Ranu in their profit sharing ratio [their Capital ratio] because it was excess credited to their account in such ratio.

∴ Amt. borne by Kalyani = ₹15,604 × 3/5 = ₹9,362; ∴ Amt. borne by Ranu = ₹15,604 × 2/5 = ₹6,242

Roy Transport Co. purchased five trucks from French Motor Car Ltd. on Apr. 1, 2014 on hire-purchase system. The cash price of the each Truck was ₹9,60,000. 15% of the cash price was payable on the date of delivery and 25% of the cash price was payable at the end of each year for four years.

Roy Transport Co. writes off 10% depreciation annually. The hire-purchaser failed to make the payment due on Mar. 31, 2016. French Motor Car Ltd. agreed to leave two trucks with the buyer on the conditions that the value of the other three trucks would be adjusted against the amount due, the trucks being valued at cost less 20% depreciation p.a.

Show the necessary accounts in the books of Roy Transport Co.

[C.U. B.Com. (Hons) 2017 – Dates Changed]

Books of Roy Transport Co.

Dr.

Truck A/c

Date	Particulars	₹	Date	Particulars	Cr. ₹
1.4.14	To French Motor Car Ltd. A/c [Purchase of trucks: 9,60,000 × 5]	48,00,000	31.3.15	By Depreciation A/c [48,00,000 × 10%]	4,80,000
			31.3.15	By Balance c/d	43,20,000
		48,00,000			48,00,000
1.4.15	To Balance b/d	43,20,000	31.3.16	By Depreciation A/c [43,20,000 × 10%]	4,32,000
			31.3.16	By French Motor Car Ltd. A/c [Truck surrendered: (WN:4)]	17,28,000
			31.3.16	By Loss on Surrender of Truck A/c [WN:4]	6,04,800
			31.3.16	By Balance c/f	15,55,200
		43,20,000			43,20,000

Dr.

French Motor Car Ltd. A/c

Date	Particulars	₹	Date	Particulars	Cr. ₹
1.4.14	To Bank A/c [Down payment: 48,00,000 × 15%]	7,20,000	1.4.14	By Truck A/c [Purchase of trucks]	48,00,000
31.3.15	To Bank A/c [1 st instalment: 48,00,000 × 25%]	12,00,000	31.3.15	By Interest A/c [WN:3]	2,88,000
31.3.15	To Balance c/d	31,68,000			
		50,88,000			50,88,000
31.3.16	To Truck A/c [Truck surrendered: (WN:4)]	17,28,000	1.4.15	By Balance c/d	31,68,000
31.3.16	To Balance c/f	16,56,000	31.3.16	By Interest A/c [WN:3]	2,16,000
		33,84,000			33,84,000

WORKING NOTES

1. Hire Purchase Price of Truck [Fig. in ₹]:

Down payment for each truck [9,60,000 × 15%]	1,44,000
Add: Total instalments [9,60,000 × 25% × 4]	9,60,000
∴ Hire Purchase Price for each truck	11,04,000
∴ Hire Purchase Price of 5 trucks [11,04,000 × 5]	55,20,000

2. Total interest payable [Fig. in ₹]:

∴ Hire purchase price of 5 trucks [11,04,000 × 5]	55,20,000
Less: Cash Price of 5 trucks [9,60,000 × 5]	48,00,000
∴ Total Interest payable	7,20,000

3. Computation of annual interest:

Year	Amount Outstanding	Ratio	Interest (₹)
14-15	₹55,20,000 × 100%	4/10	7,20,000 × 4/10 = 2,88,000
15-16	₹55,20,000 × 75%	3/10	7,20,000 × 3/10 = 2,16,000
16-17	₹55,20,000 × 50%	2/10	7,20,000 × 2/10 = 1,44,000
17-18	₹55,20,000 × 25%	1/10	7,20,000 × 1/10 = 72,000

4. Loss on Trucks surrendered [Fig. in ₹]:

[A] WDV of Trucks surrendered:	
WDV of 5 Trucks on 1.4.15 [From Truck A/c]	43,20,000
Less: Depreciation for 2015-16 @ 10%	4,32,000
∴ WDV of 5 Trucks on 31.3.16	38,88,000
∴ WDV of 3 trucks surrendered [38,88,000 × 3/5]	23,32,800
[B] Agreed Value of Trucks surrendered:	
Cost of 3 trucks [9,60,000 × 3]	28,80,000
Less: Depreciation under SLM for 2 years i.e. 2014-15 and 2015-16 [28,80,000 × 20% × 2]	11,52,000
∴ Agreed Value of Trucks surrendered	17,28,000
∴ Loss on surrender of Trucks [A-B]	6,04,800