# CHAPTER-1 ACCOUNTING FOR PARTNERSHIP FIRMS— FUNDAMENTALS

concept no.




## Salary or Commission to Partners

# concept no.7

## Salary or Commission to Partners

**Entry for Salary' or Commission Payable to a Partner :–**

(i) On allowing salary or Commission to a partner :

| | |
|---|---|
| Partner's Salary/Commission A/c | Dr. |
| To Partner's Capital A/c | |

(ii) On closure of salary or commission account:

Salary or Commission payable to a partner is closed by transferring it to the debit side of Profit and Loss Appropriation Account, as these are expenses for the firm. The entry will be :

| | |
|---|---|
| Profit & Loss Appropriation A/c | Dr. |
| To Partner's Salary/Commission A/ | |

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## Questions

**Q.1)**. A, B, C and D are partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. The firm earned net profit of ₹ 1,80,000 for the year ended 31st March, 2024. As per the Partnership Deed, partners will get commission @ 20% of the profit after charging such commission which they will share as 2 : 3 : 2 : 3.
You are required to show appropriation of profits among the partners.
**[Ans.: Commission payable to the partners = 20/120 x ₹ 1,80,000 = ₹ 30,000 which will be shared as: A–₹ 6,000: B–₹ 9,000; C–₹ 6,000 and D–₹ 9,000. Share of Profits: A–₹ 60,000; 8–₹ 45,000; C–₹ 30,000 and D–₹ 15,000.]**

**Q.2)** X and Y are partners in a firm. X is entitled to a salary of ₹ 10,000 per month and commission of 10% of the net profit after partners' salaries but before charging commission. Y is entitled to a salary of ₹ 25,000 p.a. and commission of 10% of the net profit after charging all commission and partners' salaries. Net profit before providing for partners' salaries and commission for the year ended 31st March, 2024 was ₹ 4,20,000. Show distribution of profit
**.[Ans.: X's Commission–₹ 27,500; Y's Commission–₹ 22,500; Net Profit–₹ 2,25,000; X and Y's Share–₹ 1,12,500 each.]**
**[Hint: Y's Commission = 10/110 of ₹ 2,47,500 (i.e., ₹ 4,20,000 - ₹ 1,20,000 (X's Salary) - ₹ 25,000 (Y's Salary) - ₹ 27,500 (X's Commission)).]**