CHAPTER-1 ACCOUNTING FOR PARTNERSHIP FIRMS— FUNDAMENTALS

concept no.



Manager's Commission

concept no.8

Manager's Commission

Profit and Loss Appropriation Account

Description	*Amount*	*Description*	*Amount*
Net Loss (If any)	*****	**Balance b/d**	*****
		(Balance profit from previous year)	
Interest on Capital:			
Partner A	*****	**Net Profit b/d**	*****
Partner B	*****	(Net profit of current year)	
Partners' Salaries / Commission:		**Interest on Drawings:**	
Partner A	*****	Partner A	*****
Partner B	*****	Partner B	*****
Reserve (Transfer)	*****		
Interest on Partners' Loan:			
Partner A	*****		
Partner B	*****		
Net Profit Transferred to:			
Partner A	*****		
Partner B	*****		
Total	****	**Total**	****

Manager is an employee of the firm. Therefore, the amount due to him as commission is payable whether the firm **earns profit or incurs loss**. **Manager's Commission is a charge against profit** and is transferred to the debit of Profit & Loss Account

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Questions

Q. 1). Tulsi and Kabir are partners sharing profits in proportion of 3 : 2 with capitals of ₹8,00,000 and ₹6,00,000 respectively. Interest on capitals is agreed at 6% p.a. Tulsi is to be allowed a salary of ₹6,000 per month. For the year ended 31st March, 2024, the profits prior to calculation of interest on capital but after charging Tulsi's salary amounted to ₹2,28,000. Manager is to be allowed a commission of 10% of the profits.Prepare an account showing the allocation of profits.**[Ans. Divisible profit ₹ 1,14,000; Manager's Commission will be 10% of ₹3,00,000, i.e. ₹30,000.]**

Q.2). X and Tare partners sharing profits in the ratio of 3:2 with capitals of₹ 8,00,000 and₹ 6,00,000 respectively. Interest on capital is agreed @ 5% p.a. Y is to be allowed an annual salary of ₹ 60,000 which has not been withdrawn. Profit for the year ended 31st March, 2024 before interest on capital but after charging Y's salary was ₹ 2,40,000.A provision of 5% of the net profit is to be made in respect of commission to the Manager.
Prepare Profit & Loss Appropriation Account showing the allocation of profits.
[Ans.: Provision for Manager's Commission—₹ 15,000 (i.e., 5% of ₹ 3,00,000), Share of Profit: X—₹ 93,000; Y—₹ 62,000.]

Q. 3). A and B are partners in a firm. A is to get a commission of 10% of net profit before charging any commission. B is to get a commission of 10% on net profit after charging all commissions. Net profit before charging any commission was ₹55,000. Find out the commission of A and B.**[Ans. A's commission ₹5,500; B's commission ₹4,500.]**