Chapter 2

Accounting For Partnership – Basic Concepts

Question 1:

In the absence of Partnership Deed, what are the rules related to :
(a) Salaries of partners,
(b) Interest on partners' capitals
(c) Interest on partners' loan
(d) Division of profit, and
(e) Interest on partners' drawings

Question 2:

Following differences have arisen among P, Q, and R. State who is correct in each case:
(a) P used Rs. 20,000 belonging to the firm and made a profit of Rs. 5,000. Q and R want the amount to be given to the firm?
(b) Q used Rs. 5,000 belonging to the firm and suffered a loss of Rs. 1000. He wants the firm to bear the loss?
(c) P and Q want to purchase goods from A Ltd., R does not agree?
(d) Q and R want to admit C as a partner, P does not agree?

Question 3: Harshad and Dhiman are in partnership since 1st April 2018. No partnership agreement was made. They contributed Rs. 4,00,000 and Rs. 1,00,000 respectively as capital. Besides, Harshad advanced an amount of Rs. 1,00,000 to the firm on 1st October 2018. Due to long illness, Harshad could not participate in business activities from 1st August 2018 to 30th September 2018. Profit for the year ended 31st March 2019 was Rs. 1,80,000. The dispute has arisen between Harshad and Dhiman.
Harshad Claims :
(i) He should be given interest @ 10% per annum on capital and loan;
(ii) Profit should be distributed in the ratio of capital;
Dhiman Claims :
(i) Profit should be distributed equally;
(ii) He should be allowed Rs. 2,000 p.m. as remuneration for the period he managed the business in the absence of Harshad;
(iii) Interest in Capital and loan should be allowed @ 6% p.a.
You are required to settle the dispute between Harshad and Dhiman. Also, prepare Profit and Loss Appropriation Account.

Question 4:

A and B are partners from 1st April 2018, without a Partnership Deed and they introduced capitals of Rs. 35,000 and Rs. 20,000 respectively. On 1st October 2018, A advanced loan of Rs. 8,000 to the firm without any agreement as to interest. The profit and Loss Account for the year ended 31st March 2019 shows a profit of Rs. 15,000 but the partners cannot agree on payment of interest and the basis of division of profits.
You are required to divide the profits between them giving reasons for your method.

Question 5:

X and Y are partners sharing profits and losses in the ratio of 2 : 3 with capitals Rs. 2,00,000 and Rs. 3,00,000 respectively. On 1st October 2018, X and Y gave loans of Rs. 80,000 and Rs. 40,000 respectively to the firm. Show distribution of profits/losses for the year ended 31st March 2019 in each of the following alternative cases:
Case 1: If the profits before interest for the year amounted to Rs. 21,000.
Case 2: If the profits before interest for the year amounted to Rs. 3,000.
Case 3: If the profits before interest for the year amounted to Rs. 5,000.
Case 4: If the loss before interest for the year amounted to Rs. 1,400.

Question 6:

X, Y, and Z are partners in a firm sharing profits in a 2 : 2: 1 ratio. The fixed capitals of the partners were: X Rs.5,00,000; YRs. 5,00,000 and Z Rs. 2,50,000 respectively. The Partnership Deed provides that interest on capital is to be allowed @ 10% p.a. Z is to be allowed a salary of Rs. 2,000 per month. The profit of the firm for the year ended 31st March 2018 after debiting Z's salary was Rs. 4,00,000.
Prepare Profit and Loss Appropriation Account.

Question 7:

X and Y are partners sharing profits in the ratio of 3: 2 with capitals of Rs. 8,00,000 and Rs. 6,00,000 respectively. Interest on capital is agreed @ 5% p.a. Y is to be allowed an annual salary of Rs. 60,000 which has not been withdrawn. Profit for the year ended 31st March 2019 before interest on capital but after charging Y's salary amounted to Rs. 2,40,000.
A provision of 5% of the profit is to be made in respect commission to the manager. Prepare an account showing the allocation profits.

Question 8:

Reema and Seema are partners sharing profits equally. The Partnership Deed provides that both Reema and Seema will get the monthly salary of Rs 15,000 each, Interest on Capital will be allowed @ 5% p.a. and Interest on Drawings will be charged @ 10% p.a. Their capitals were Rs 5,00,000 each and drawings during the year were Rs 60,000 each.

The firm incurred a loss of Rs 1,00,000 during the year ended 31st March 2018.
Prepare Profit and Loss Appropriation Account for the year ended 31st March 2018.

Question 9:

Bhanu and Partab are partners sharing profits equally. Their fixed capitals as of 1st April 2018 are Rs. 8,00,000 and Rs. 10,00,000 respectively. Their drawings during the year were Rs. 50,000 and Rs. 1,00,000 respectively. Interest on Capital is a charge and is to be allowed @ 10% p.a. and interest on drawings is to be charged @ 15% p.a. Net Profit for the year ended 31st March 2019 was Rs. 1,20,000.
Prepare Profit and Loss Appropriation Account.

Question 10:

Amar and Bimal entered into a partnership on 1st April 2018 contributing Rs. 1,50,000 and Rs. 2,50,000 respectively towards the capital. The Partnership Deed provided for interest on capital @ 10% p.a. It also provided that Capital Accounts shall be maintained following the Fixed Capital Accounts method. The firm earned a net profit of Rs. 1,00,000 for the year ended 31st March 2019.
Pass the Journal entry for interest on capital.

Question 11:

Kamal and Kapil are partners having fixed capitals of Rs. 5,00,000 each as of 31st March 2018. Kamal introduced further capital of Rs. 1,00,000 on 1st October 2018 whereas Kapil withdrew Rs. 1,00,000 on 1st October 2018 out of capital.
Interest in the capital is to be allowed @ 10% p.a.
The firm earned a net profit of Rs. 6,00,000 for the year ended 31st March 2019.
Pass the Journal entry for interest on capital and prepare Profit and Loss Appropriation Account.

Question 12:

Ashish and Aakash are partners sharing profit in the ratio of 3: 2. Their Capital Accounts showed a credit balance of Rs. 5,00,000 and Rs. 6,00,000 respectively as on 31st March 2019 after the debit of drawings during the year of Rs. 1,50,000 and Rs. 1,00,000 respectively. Net profit for the year ended 31st March 2019 was Rs. 5,00,000. Interest in the capital is to be allowed @ 10% p.a.
Pass the Journal entry for interest on capital and prepare Profit and Loss Appropriation Account.

Question 13:

Naresh and Sukesh are partners with capitals of Rs. 3,00,000 each as of 31st March 2019. Naresh had withdrawn Rs. 50,000 against capital on 1st October 2018 and also Rs. 1,00,000 besides the drawings against capital. Sukesh also had drawings of Rs. 1,00,000.

Interest in the capital is to be allowed @ 10% p.a.
The net profit for the year was Rs. 2,00,000, which is yet to be distributed.
Pass the Journal entries for interest on capital and distribution of profit.

Question 14:

On 1st April 2013, Jay and Vijay entered into a partnership for supplying laboratory equipment to government schools situated in remote and backward areas. They contributed capitals of Rs. 80,000 and Rs. 50,000 respectively and agreed to share the profits in the ratio of 3: 2. The partnership Deed provided that interest on capital shall be allowed at 9% per annum. During the year the firm earned a profit of Rs. 7,800. Showing your calculations clearly, prepare the 'Profit and Loss Appropriation Account' of Jay and Vijay for the year ended 31st March 2014.

Question 15:

A, B, C, and D are partners in a firm sharing profits as 4 : 3: 2: 1 respectively. It earned a profit of Rs. 1,80,000 for the year ended 31st March 2018. As per the Partnership Deed, they are to charge a commission @ 20% of the profit after charging such commission which they will share as 2 : 3: 2 : 3. You are required to show the appropriation of profits among the partners.

Question 16:

X and *Y* are partners in a firm. *X* is entitled to a salary of Rs. 10,000 per month and commission of 10% of the net profit after partners' salaries but before charging a commission. *Y* is entitled to a salary of Rs. 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 2019 was Rs. 4,20,000. Show the distribution of profit.

Question 17:

Ram and Mohan, two partners, drew for their personal use Rs. 1,20,000 and Rs. 80,000. Interest is chargeable @ 6% p.a. on the drawings. What is the amount of interest chargeable from each partner?

Question 18:

One of the partners in a partnership firm has withdrawn Rs. 9,000 at the end of each quarter, throughout the year. Calculate interest on drawings at the rate of 6% per annum.

Question 19:

A and *B* are partners sharing profits equally. A drew regularly Rs. 4,000 at the end of every month for six months ended 30th September 2019. Calculate interest on drawings @ 5% p.a. for six months.

Question 20:

Calculate interest on drawings of Ashok @ 10% p.a. for the year ended 31st March 2019, in each of the following alternative cases:
Case 1. If he withdrew Rs. 7,500 at the beginning of each quarter.
Case 2. If he withdrew Rs. 7,500 at the end of each quarter.
Case 3. If he withdrew Rs. 7,500 during the middle of each quarter.

Question 21:

Following is the extract of the Balance Sheet of Neelkant and Mahadev as of 31st March 2019.

BALANCE SHEET
as at 31st March 2019

Liabilities	Rs.	Assets	Rs.
Neelkant's Capital	10,00,000	Sundry Assets	30,00,000
Mahadev's Capital	10,00,000		
Neelkant's Current A/c	1,00,000		
Mahadev' Current A/c	1,00,000		
Profit and Loss Appropriation A/c (2018-19)	8,00,000		
	30,00,000		**30,00,000**

During the year, Mahadev's drawings were Rs. 30,000. Profits during the year ended 31st March 2019 is Rs. 10,00,000. Calculate interest on capital @ 5% p.a. for the year ending 31st March 2019.

Question 22:

From the following Balance Sheet of Long and Short, calculate interest on capital @ 8% p.a. for the year ended 31st March 2019.

BALANCE SHEET
as at 31st March 2019

Liabilities	Rs.	Assets	Rs.
Long's Capital A/c	1,20,000	Fixed Assets	3,00,000
Short's Capital A/c	1,40,000	Other Assets	60,000
General Reserve	1,00,000		
	3,60,000		**3,60,000**

During the year, Long withdrew Rs. 40,000 and Short withdrew Rs. 50,000. Profit for the year was Rs. 1,50,000 out of which Rs. 1,00,000 was transferred to the General Reserve.

Question 23:

Moli and Bholi contribute Rs. 20,000 and Rs. 10,000 respectively towards the capital. They decide to allow interest on capital @ 6% p.a. Their respective share of profits is 2 : 3 and the net profit for the year is Rs. 1,500. Show the distribution of profits:
(i) where there is no agreement except for interest on capitals; and
(ii) where there is an agreement that the interest on capital as a charge.

Question 24:

A and *B* are partners sharing profits and losses in the ratio of 3: 1. On 1st April 2018, their capitals were: *A* Rs. 50,000 and *B* Rs. 30,000. During the year ended 31st March 2019, they earned a net profit of Rs. 50,000. The terms of a partnership are:

(a) Interest on capital is to allowed @ 6% p.a.
(b) *A* will get a commission @ 2% on turnover.
(c) *B* will get a salary of Rs. 500 per month.
(d) *B* will get a commission of 5% on profits after deduction of all expenses including such commission.
Partners' drawings for the year were: *A* Rs. 8,000 and *B* Rs. 6,000. Turnover for the year was Rs. 3,00,000.
After considering the above facts, you are required to prepare Profit and Loss Appropriation Account and Partners' Capital Accounts.

Question 25:

A B and *C* were partners in a firm having capitals of Rs. 50,000 ; Rs. 50,000 and Rs. 1,00,000 respectively. Their Current Account balances were *A*: Rs. 10,000; *B*: Rs. 5,000 and *C*: Rs. 2,000 (Dr.). According to the Partnership Deed, the partners were entitled to interest on capital @ 10% p.a. *C* being the working partner was also entitled to a salary of Rs. 12,000 p.a. The profits were to be divided as:
(a) The first Rs. 20,000 in proportion to their capitals.
(b) Next Rs. 30,000 in the ratio of 5 : 3 : 2.
(c) Remaining profits to be shared equally.
The firm earned a net profit of Rs. 1,72,000 before charging any of the above items.
Prepare Profit and Loss Appropriation Account and pass necessary Journal entry for the appropriation of profits.

Question 26:

A and *B* are partners sharing profits in the ratio of 3: 2 with capitals of Rs. 50,000 and Rs. 30,000 respectively. Interest on capital is agreed @ 6% p.a. *B*is to be allowed an annual salary of Rs. 2,500. During the year profit before interest on capital but after charging *B*'s salary amounted to Rs. 12,500. *A* provision of 5% of the profits is to be made in respect of the Manager's Commission.

Question 27:

P, Q, and *R* are in a partnership and as of 1st April 2018, their respective capitals were: Rs. 40,000, Rs. 30,000 and Rs. 30,000. *Q* is entitled to a salary of Rs. 6,000 and *R* Rs. 4,000 p.a. payable before the division of profits. Interest is allowed on capital @ 5% p.a. and is not charged on drawings. Of the divisible profits, *P* is entitled to 50% of the first Rs. 10,000, *Q* to 30%, and *R* to 20%, the rest of the profit is shared equally. Profits for the year ended 31st March 2019, after debiting partners' salaries but before charging interest on capital was Rs. 21,000 and the partners had drawn Rs. 10,000 each on account of salaries, interest, and profit. Prepare Profit and Loss Appropriation Account for the year ended 31st March 2019 showing the distribution of profit and the Capital Accounts of the partners.

Question 28:

A, B and *C* are partners sharing profits and losses in the ratio of *A* 1/2, *B* 3/10, *C* 1/5 after providing for interest @ 5% on their respective capitals, *viz*., *A* Rs. 50,000; *B* Rs. 30,000 and *C* Rs. 20,000 and allowing *B* and *C* a salary of Rs. 5,000 each per annum. During the year ended 31st March 2019, A has drawn Rs. 10,000 and *B* and *C* in addition to their salaries have drawn Rs. 2,500 and Rs. 1,000 respectively. Profit and Loss Account for the year ended 31st March 2019 showed a net profit of Rs. 45,000. On 1st April 2018, the balances in the Current Accounts of the partners were *A* (Cr.) Rs. 4,500; *B* (Cr.) Rs. 1,500 and *C* (Cr.) Rs. 1,000. Interest is not charged on Drawings or Current Account balances. Show Partners' Capital and Current Accounts as at 31st March 2019 after the division of profits following the partnership agreement.

Question 29:

Ram, Mohan, and Sohan sharing profits and losses equally have capitals of Rs. 1,20,000, Rs. 90,000 and Rs. 60,000 respectively. For the year ended 31st March 2019, interest was credited to them @ 6% instead of 5%.
Give adjustment Journal entry.

Question 30:

Ram, Shyam, and Mohan were partners in a firm sharing profits and losses in the ratio of 2 : 1: 2. Their capitals were fixed at Rs. 3,00,000, Rs. 1,00,000, Rs. 2,00,000. For the year ended 31st March 2019, interest on capital was credited to them @ 9% instead of 10% p.a. The profit for

the year before charging interest was Rs. 2,50,000.
Show your working notes clearly and pass necessary adjustment entries.

Question 31:

Mita and Usha are partners in firm sharing profits in the ratio of 2 : 3. Their Capital Accounts as on 1st April 2015 showed balances of Rs. 1,40,000 and Rs. 1,20,000 respectively. The drawings of Mita and Usha during the year 2015-16 were Rs. 32,000 and Rs. 24,000 respectively. Both the amounts were withdrawn on 1st January 2016. It was subsequently found that the following items had been omitted while preparing the final accounts for the year ended 31st March 2016:
(a) Interest on Capital @ 6% p.a.
(b) Interest on Drawings @ 6% p.a.
(c) Mita was entitled to a commission of Rs. 8,000 for the whole year.
Showing your working clearly, pass a rectifying entry in the books of the firm.

Question 32:

Mohan, Vijay, and Anil are partners, the balances of their Capital Account being Rs. 30,000, Rs. 25,000 and Rs. 20,000 respectively. In arriving at these amounts profit for the year ended 31st March 2019, Rs. 24,000 had already been credited to partners in the proportion in which they shared profits. Their drawings were Rs. 5,000 (Mohan), Rs. 4,000 (Vijay) and Rs. 3,000 (Anil) during the year. Subsequently, the following omissions were noticed and it was decided to rectify the errors:
(a) Interest on capital @ 10% p.a.
(b) Interest on drawings: Mohan Rs. 250, Vijay Rs. 200 and Anil Rs. 150.
Make necessary corrections through a Journal entry and show your workings clearly.

Question 33:

Piya and Bina are partners in a firm sharing profits and losses in the ratio of 3: 2. Following was the Balance Sheet of the firm as on 31st March 2016:

Liabilities		Rs.	Assets	Rs.
Capitals:			Sundry Assets	1,20,000
Piya	80,000			
Bina	40,000	1,20,000		
		1,20,000		1,20,000

The profits Rs. 30,000 for the year ended 31st March 2016 were divided between the partners without allowing interest on capital @ 12% p.a. salary to Piya @ Rs. 1,000 per month. During the year Piya withdrew Rs. 8,000 and Bina withdrew Rs. 4,000. Showing your working notes clearly, pass the necessary rectifying entry.

Question 34:

The firm of Harry, Porter, and Ali, who have been sharing profits in the ratio of 2: 2: 1, have existed for some years. Ali wants that he should get equal share in the profits with Harry and Porter and he further wishes that the change in the profit-sharing ratio should come into effect retrospectively were for the three years. Harry and Porter have an agreement on this account. The profits for the last three years were:

Year	2015-16	2016-17	2017-18
Profit (Rs.)	2,20,000	2,40,000	2,90,000

Show adjustment of profits using a single adjustment Journal entry.

Question 35:

On 31st March 2019, after the closing of the accounts, the Capital Accounts of *P, Q*, and *R* stood in the books of the firm at Rs. 40,000; Rs. 30,000 and Rs. 20,000 respectively. Subsequently, it was noticed that interest on capital @ 5% had been omitted. Profit for the year ended 31st March 2019 was Rs. 60,000 and the partners' drawings had been *P* – Rs. 10,000, *Q* – Rs. 7,500 and *R* – Rs. 4,500. The profit-sharing ratio of *P, Q*, and *R* are 3: 2: 1. Give the necessary adjustment entry.

Question 36:

Mudit, Sudhir, and Uday are partners in a firm sharing profits in the ratio of 3: 1: 1. Their fixed capital balances are Rs. 4,00,000, Rs. 1,60,000 and Rs. 1,20,000 respectively. Net profit for the year ended 31st March 2018 distributed amongst the partners was Rs. 1,00,000, without taking into account the following adjustments:

(a) Interest on capitals @ 2.5% p.a.;

(b) Salary to Mudit Rs. 18,000 p.a. and commission to Uday Rs. 12,000.

(c) Mudit was allowed a commission of 6% of divisible profit after charging such commission.

Pass a rectifying Journal entry in the books of the firm. Show workings.

Question 37:

A B and *C* are partners in a firm. The net profit of the firm for the year ended 31st March 2019 is Rs. 30,000, which has been duly distributed among the partners, in their agreed ratio of 3: 1: 1. It is noticed on 10th April 2019 that the undermentioned transactions were not passed through the books of account of the firm for the year ended 31st March 2019.

(a) Interest on Capital @ 6% per annum, the capital of *A, B* and *C* being Rs. 50,000; Rs. 40,000

and Rs. 30,000 respectively.
(b) Interest on drawings: *A* Rs. 350; *B* Rs. 250; *C* Rs. 150.
(c) Partners' Salaries: *A* Rs. 5,000; *B* Rs. 7,500.
(d) Commission due to *A* (for some special transaction) Rs. 3,000.
You are required to pass a Journal entry, which will not affect the Profit and Loss Account of the firm and rectify the position of partners inter se.

Question 38:

On 31st March 2014, the balances in the Capital Accounts of Saroj, Mahinder, and Umar after making adjustments for profits and drawings, etc., were Rs. 80,000, Rs. 60,000, Rs. 40,000 respectively. Subsequently, it was discovered that the interest on capital and drawings has been omitted.
(a) The profit for the year ended 31st March 2014 was Rs. 80,000.
(b) During the year Saroj and Mahinder each withdrew a sum of Rs. 24,000 in equal installments at the end of each month and Umar withdrew Rs. 36,000.
(c) The interest on drawings was to be charged @ 5% p.a. and interest on capital was to be allowed @ 10% p.a.
(d) The profit-sharing ratio among partners was 4 : 3: 1.
Showing your workings clearly, pass the necessary rectifying entry.

Question 38:

Capitals of *A, B*, and *C* as of 31st March 2019 amounted to Rs. 90,000, Rs. 3,30,000 and Rs. 6,60,000 respectively. Profit of Rs. 1,80,000 for the year ended 31st March 2019 was distributed in the ratio of 4: 1: 1 after allowing interest on Capital @ 10% p.a. During the year, each partner withdrew Rs. 3,60,000. The Partnership Deed was silent as to profit-sharing ratio but provided for interest on capital @ 12%.
Pass the necessary adjustment entry showing the working clearly.

Question 39:

Capital Accounts of *A* and *B* stood at Rs. 4,00,000 and Rs. 3,00,000 respectively after necessary adjustments in respect of the drawings and the net profit for the year ended 31st March 2019. It was subsequently noticed that 5% p.a. interest on capital and also drawings were not taken into account in arriving at the distributable profit. The drawings of the partners had been: *A* – Rs. 12,000 drawn at the end of each quarter and *B* – Rs. 18,000 drawn at the end of each half-year.

The profit for the year as adjusted amounted to Rs. 2,00,000. The partners share profits in the ratio of 3: 2. You are required to pass Journal entries and show adjusted Capital Accounts of the partners.

Question 40:

X and Y are partners sharing profits and losses in the ratio of 3: 2. They employed Z as their Manager to whom they paid a salary of Rs. 7,500 per month. Z had deposited Rs. 2,00,000 on which interest was payable Rs. 9% p.a. At the end of the accounting year (i.e., 31st March 2018) 2017-18 (after the division of the year's profits), it was decided that Z should be treated as a partner with effect from 1st April 2014 with 1/6th share of profits, his deposit being considered as capital carrying interest @ 6% p.a. like capitals of other partners. The firm's profits and losses after allowing interest on capitals were – 2014-15:
Profit Rs. 5,90,000; 2015-16: Profit Rs. 6,26,000; 2016-17: Loss Rs. 40,000 and 2017-18: Profit Rs. 7,80,000.
Record necessary journal entries to give effect to the above.

Question 41:

Ankur and Bobby were into the business of providing software solutions in India. They were sharing profits and losses in the ratio 3: 2. They admitted Rohit for a 1/5 share in the firm. Rohit, alumni, or IIT, Chennai would help them to expand their business to various South African countries where he had been working earlier. Rohit is guaranteed a minimum profit of Rs. 2,00,000 for the year. Any deficiency in Rohit's share is to be borne by Ankur and Bobby in the ratio 4: 1. The loss for the year was Rs. 10,00,000. Pass the necessary journal entries.

Question 42:

Ajay, Binay, and Chetan were partners sharing profits in the ratio of 3 : 3: 2. The Partnership Deed provided for the following:
(i) Salary of Rs. 2,000 per quarter to Ajay and Binay.
(ii) Chetan was entitled to a commission of Rs. 8,000
(iii) Binay was guaranteed a profit of Rs. 50,000 p.a.
The profit of the firm for the year ended 31st March 2015 was Rs. 1,50,000 which was distributed among Ajay, Binay, and Chetan in the ratio of 2: 2: 1, without taking into consideration the provisions of Partnership Deed. Pass necessary rectifying entries for the above adjustments in the books of the firm. Show your workings clearly.

Question 43:

The partners of a firm, Alia, Bhanu, and Chand distributed the profits for the year ended 31st March 2017, Rs. 80,000 in the ratio of 3 : 3: 2 without providing for the following adjustments:
(a) Alia and Chand were entitled to a salary of Rs. 1,500 each p.a.
(b) Bhanu was entitled to a commission of Rs. 4,000.
(c) Bhanu and Chand had guaranteed a minimum profit of Rs. 35,000 p.a. to Alia any deficiency to borne equally by Bhanu and Chand.

Pass the necessary journal entry for the above adjustments in the books of the firm. Show workings.

Question 44:

Three Chartered Accountants A, B, and C form a partnership, profits being shared in the ratio of 3: 2: 1 subject to the following:
(a) C's share of profit guaranteed to be not less than Rs. 15,000 p.a.
(b) B gives a guarantee to the effect that gross fee earned by him for the firm shall be equal to his average gross fee of the preceding five years when he was carrying on profession alone, which on an average works out at Rs. 25,000.
The profit for the first year of the partnership is Rs. 75,000. The gross fee earned by B for the firm is Rs. 16,000. You are required to show Profit and Loss Appropriation Account after giving effect to the above.