CONCEPT SHEET / 04 / XII · CA Foundation

Profit & Loss Appropriation

Profit earned. Then shared.

The idea

First determine profit after charges. Then account for agreed appropriations and share the residual profit.

A compact partnership example

Appropriation	Amount
Profit available for appropriation	₹1,20,000
Partner salary to A	₹20,000
Interest on capital: A ₹10,000 + B ₹10,000	₹20,000
Residual profit shared equally	₹80,000: A ₹40,000; B ₹40,000

Assumptions: the partnership deed permits the salary and interest on capital; the profit-sharing ratio is equal; there is no interest on drawings or other adjustment.

A receives total appropriations of ₹70,000; B receives ₹50,000. Total: ₹1,20,000. Do not deduct the partner salary again if it has already been treated as an appropriation.

Think it through

Is interest on a loan from a partner a charge or an appropriation?

Answer: It is a charge against profit, so it is accounted for before arriving at profit available for appropriation.

Use this short learning aid alongside your prescribed textbook, complete class notes and question practice.