

GUARANTEE OF PROFIT.

A new partner/partners may be admitted in the firm with minimum guaranteed profit from the business. The profit may be guaranteed to an existing or incoming partner by:

- (a) all the remaining partners in an agreed ratio or.
- (b) one or more of the existing or old partners.

(a) Guarantee of profit by all the remaining partners.

1. Calculate share of profit as per profit-sharing ratio.
2. Minimum guaranteed profit is determined
3. If share of profit is less than guaranteed amount, deficit is calculated

$$\text{Share of Profit} < \text{guaranteed amount of profit.}$$
4. The deficit is borne by the remaining partners in the agreed ratio & if agreed ratio is not given the deficit is borne by them in their profit-sharing ratio.

Guarantering Partness' Capital A/c Dr
 To Guarantered Partness' Capital A/c

(b) Guaranterie of Profit by one or more of the existing or old partness.

When one of the existing or old partness guaranterie a minimum profit, the adjustment is made through the Partness' Capital Accounts.

1. Distribute the profit among the partness according to their profit sharing ratio.

2. * If share of profit of the guarantered partness is less than the minimum guarantered profit

* the difference is deducted from the share of profit of the partness who has guarantered

* and it is added to the share of the profit of the guarantered partness.

Note — When two or more partness guaranterie, the deficiency is shared by them in the agreed ratio as in their profit sharing ratio.

* In case of loss — Guarantee of minimum profit to a partner.

- If a firm has incurred loss but minimum guarantee of profit is to be given to the partner who has been guaranteed minimum profit. Adjustment is made through partner's capital accounts.

1. Distribute loss among the partners in profit sharing ratio.

2. Capital account of the guaranteed partner is credited with
 ● guaranteed minimum profit +
 amount of loss.

- This amount is debited to remaining partners in their profit sharing ratio or to the debit of the partner who has guaranteed minimum profit.

Minimum earnings guaranteed by a Partner

* A partner / partners may guarantee minimum earnings to the firm and/or guarantees a profit to the firm.

* Shortfall in earnings is debited to the concerned Partner's / Partners' Capital or current accounts.