



Q39. On March 31, 2015 the balance in the capital accounts of Eluin, Monu and Ahmed, after making adjustments for profits, drawing, etc; were Rs.80,000, Rs.60,000 and Rs.40,000 respectively. Subsequently, it was discovered that interest on capital and interest on drawings had been omitted.

The partners were entitled to interest on capital @ 5% p.a. The drawings during the year were Eluin Rs.20,000; Monu, Rs.15,000 and Ahmed, Rs.9,000. Interest on drawings chargeable to partners were Eluin Rs.500, Monu Rs.360 and Ahmed Rs.200. The net profit during the year amounted to Rs 1,20,000. The profit sharing ratio was 3: 2: 1.

Pass necessary adjustment entries.

Sol: Calculation of opening capital:

| | Eluin | Monu | Ahmed |
|--|----------|----------|----------|
| Closing Capital (as on 31 Mar 2015) | 80,000 | 60,000 | 40,000 |
| Add : Drawings | 20,000 | 15,000 | 9,000 |
| Less : Profit 1,20,000 (3:2:1) | (60,000) | (40,000) | (20,000) |
| Opening Capital (as on April 01, 2014) | 40,000 | 35,000 | 29,000 |

| | | | | | |
|--|---------|---------|-------|--|---------|
| Adjustment of Profit | | | | | |
| | Eluin | Monu | Ahmed | | Total |
| Interest on Capital (on Opening Capital) | 2,000 | 1,750 | 1,450 | | 5,200 |
| Less : Interest on Drawings | (500) | (360) | (200) | | (1,060) |
| Right distribution of 4,140 | 1,500 | 1,390 | 1,250 | | 4,140 |
| Less : Wrong distribution of 4,140 (in the ratio 3:2:1) | (2,070) | (1,380) | (690) | | (4,140) |
| | (570) | 10 | 560 | | NIL |
| | | | | | |

| Adjusting Entry | | | | | |
|-----------------|-----------------------------------|----|------|------------|------------|
| Date | Particulars | | L.F. | Dr. Rs. | Cr. Rs. |
| | | | | | |
| | Eluin's Capital A/c | Dr | | 570 | |
| | To Monu's Capital A/c | | | | 10 |
| | To Ahmed's Capital A/c | | | | 560 |
| | (Being adjustment of Profit made) | | | | |

***** END *****