



Q42. Mohan, Vijay and Anil are partners, the balance on their capital accounts being Rs.30,000, Rs.25,000 and Rs.20,000 respectively. In arriving at these figures, the profits for the year ended March 31, 2015 amounting to Rupees Rs.24,000 had been credited to partners in the proportion in which they shared profits. During the year their drawings for Mohan, Vijay and Anil were Rs.5,000, Rs.4,000 and Rs.3,000, respectively. Subsequently, the following omissions were noticed:

- Interest on Capital, at the rate of 10% p.a., was not charged.
- Interest on Drawings: Mohan Rs.250, Vijay Rs.200, Anil Rs.150 was not recorded in the books.

Record necessary corrections through journal entries.
Solution:

Calculation of opening capital:				
	Mohan	Vijay	Anil	
Closing Capital	30,000	25,000	20,000	
Add : Drawings	5,000	4,000	3,000	
Less : Profit (1:1:1)	(8,000)	(8,000)	(8,000)	
Opening Capital	27,000	21,000	15,000	

Interest on Capital
Mohan = $27000 \times 10/100 = 2700$
Vijay = $21000 \times 10/100 = 2100$
Anil = $15000 \times 10/100 = 1500$

Adjustment of Profit					
	Mohan	Vijay	Anil		Total
Interest on Capital (on Opening Capital)	2,700	2,100	1,500	=	6,300
Interest on Drawings	(250)	(200)	(150)	=	(600)
	2,450	1,900	1,350	=	5,700
Less: Wrong distribution	(1,900)	(1,900)	(1,900)	=	(5,700)

	550	NIL	(550)		NIL
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Adjusting Entry

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Anil's Capital A/c	Dr.	550	
	To Vijay's Capital A/c			550
	(Being adjustment of Profit made)			

Note: Book shows 450 but as per solution adjustment has been done for 550.

***** END *****