



Q43. Anju, Manju and Mamta are partners whose fixed capitals were Rs.10,000, Rs.8,000 and Rs.6,000, respectively. As per the partnership agreement, there is a provision for allowing interest on capitals @ 5% p.a. but entries for the same have not been made for the last three years. The profit sharing ratio during these years remained as follows:

Year	Anju	Manju	Mamta
2013	4	3	5
2014	3	2	1
2015	1	1	1

Make necessary and adjustment entry at the beginning of the fourth year i.e. Jan 2015

Solution:

Interest on Capital

Anju = $10000 \times 5/100 = 500$

Manju = $8000 \times 5/100 = 400$

Mamta = $6000 \times 5/100 = 300$

Adjustment of Profit Year 2013					
	Anju	Manju	Mamta		Total
Interest on Capital	500	400	300		1,200
Less: Wrong distribution of 1,200 (4:3:5)	(400)	(300)	(500)		(1,200)
	100	100	(200)		NIL

Adjustment of Profit

Year 2014

Anju Manju Mamta Total

Interest on Capital	500	400	300	1,200
Less: Wrong distribution of 1,200 (3:2:1)	(600)	(400)	(200)	(1,200)
	(100)	NIL	100	NIL

Adjustment of Profit

Year 2015

	Anju	Manju	Mamta	Total
Interest on Capital	500	400	300	1,200
Less: Wrong distribution of 1,200 (1:1:1)	(400)	(400)	(400)	(1,200)
	100	NIL	(100)	NIL

Final Adjustment

	Anju	Manju	Mamta
2013	100	100	(200)
2014	(100)	NIL	100
2015	100	NIL	(100)
	100	100	(200)

Adjusting Entry					
Date	Particulars		L.F.	Dr. Rs.	Cr. Rs.

	Mamta's Capital A/c	Dr.		200	
	To Anju's Capital A/c				100
	To Manju's Capital A/c				100
	(Being adjustment of profit made)				

***** END *****