



Q15. On March 31, 2014 after the close of accounts, the capitals of Mountain, Hill and Rock stood in the books of the firm at Rs.4,00,000, Rs.3,00,000 and Rs.2,00,000, respectively. Subsequently, it was discovered that the interest on capital @ 10% p.a. had been omitted. The profit for the year amounted to Rs.1,50,000 and the partner's drawings had been Mountain: Rs.20,000, Hill Rs.15,000 and Rock Rs.10,000. Calculate interest on capital.

**Solution:**

Generally, interest on Capital is calculated on opening balance of Capital. If additional capital is not given then opening balance will be calculated as follow:

|                      | Mountain | Hill     | Rock     |
|----------------------|----------|----------|----------|
| Closing Capital      | 4,00,000 | 3,00,000 | 2,00,000 |
| Add : Drawings       | 20,000   | 15,000   | 10,000   |
| Less : Profit(1:1:1) | (50,000) | (50,000) | (50,000) |
| Opening Capital      | 3,70,000 | 2,65,000 | 1,60,000 |

### **Interest on Capital**

$$\text{Mountain} = 3,70,000 \times \frac{10}{100} = 37,000$$

$$\text{Hill} = 2,65,000 \times \frac{10}{100} = 26,500$$

$$\text{Rock} = 1,60,000 \times \frac{10}{100} = 16,000$$

\*\*\*\*\* END \*\*\*\*\*