



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 *****