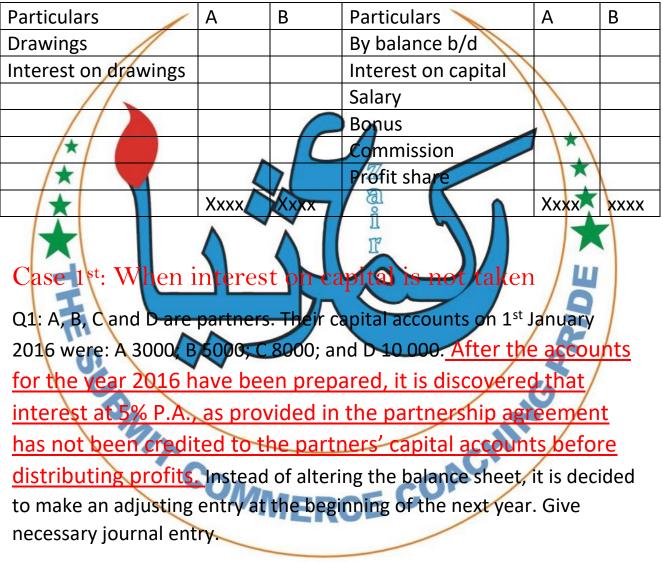
## PAST ADJUSTMENTS

Before understanding the past adjustment, we must know the approach of items

I.e. on which side they are shown in the partners' capital account



Solution:

Since interest on capital is not taken, we will show it

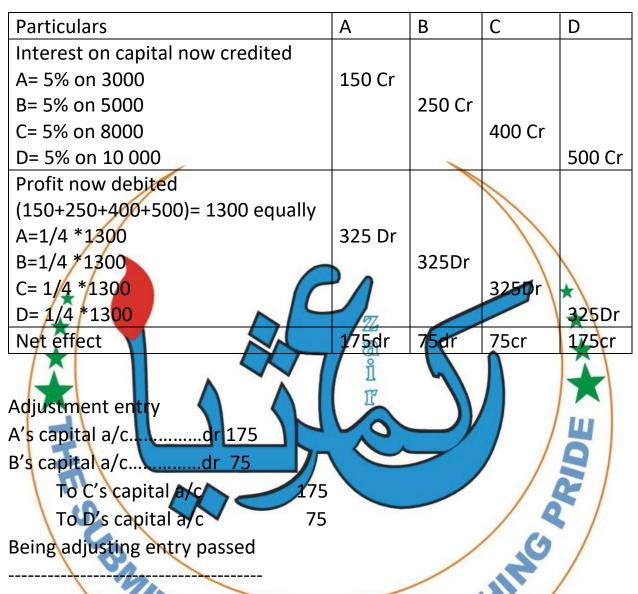
on credit side



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9622 70 10 70/ 9419 44 7130

Past adjustments



## Case 2nd: when interest on drawing is not taken:

Q2A, B and C are partners in3:2:1. After the final accounts have been prepared, it was discovered that interest on drawing had not been taken into consideration. The interest on drawing of the partners amounted to X 250: Y 180: Z 100. Give adjusting entry

SOLUTION: Since interest on drawings are not taken, it will be shown on **debit side** 



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Past adjustments

Particulars	А	В	С	D
Interest on drawing now debited				
A=	250DR			
B=		180DR		
C=			100DR	
Profit now CREDITED		1		
(250+180+100)= 530 IN 3:2:1				
A=3/6 *530	265CR		//	
B=2/6 *530		177CR	//	
C= 1/6 * 530			88CR	
Net effect	1 <b>50</b> R	3DR	12DR	*
Net effect	ISUR	3DR	TOK	*

Q3: Q54; A,B and C were partners in a firm. On 1<sup>st</sup> January 2015, their capitals stood at 50 000, 25 000 and 25 000 respectively. As per the provision of the partnership deed

- a) C is entitled a salary of 1500 per month
- b) Partners were entitled to interest on capital at 5% P.F.
- c) Profits were to be shared in the ratio of capitals.

The net profit for the year 2015 of 45 000 was divided equally without providing for the above terms. Pass an adjustment entry to rectify the above error

#### SOLUTION:

In this question we have already distributed profit of 45000 equally without considering {A} & {B} points, so we will pass a reverse entry for profit 45000

Point 2: since interest on capital and salary is not taken, it will be credited.

Particulars	А	В	С	
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Past adjustments

	1	1	1
Profit already distributed now			
debited {equally} Reverse entry			
A=1/3*45000	15000DR		
B=1/3*45000		15000DR	
C=1/3*45000			15000DR
Salary to C credited now		/	18000CR
Interest on capital credited now			
A=5% on 50 000	2500CR		
B= 5% on 25 000		1250CR	
C= 5% on 25000			1250CR
New profit to be credited in capital			
ratio 45000-(18000+5000)	The		*
A=2/4*22000	11000CR	5 0	*
B=1/4*22000	Ĩ	5500CR	
C=1/4*22000	F		5500CR
NET EFFECT	1500DR	8250DR	97 <mark>50CR</mark>
			0

Q: X, Y and Z are partners in 3:2:1. Their fixed capital were 40 000, 30 000 and 20 000. As per deed they are to get interest on capital @ 10% P. A

The interest on capital could not be provided and the profits for the year 45 000 to them equally.

show by means of one adjustment entry, how the corrections will be made.

#### SOLUTION:

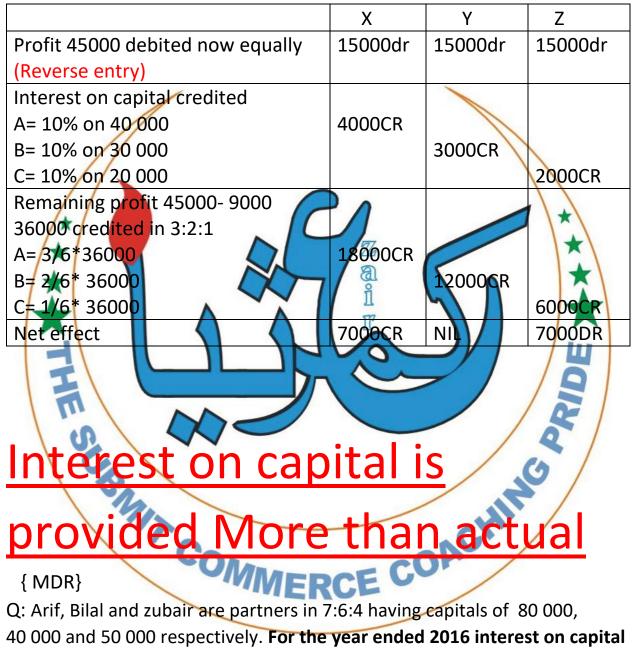
In this question we have already distributed a profit of 45 000 equally without considering interest on capital.

2) we will pass reverse entry to profit

3) since interest on capital is not taken, it will be credited



4) Remaining profit( 45000 – interest on capital) will be credited in 3:2:1

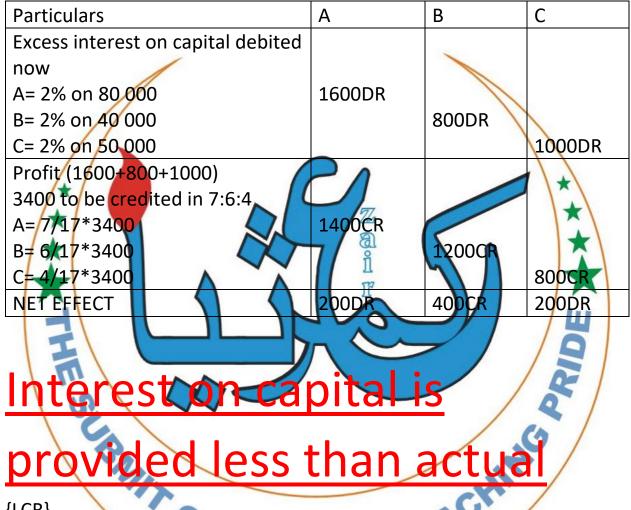


was credited to them@ 12% instead of 10%. The profit for the year were 50 000. Pass adjustment entry.



### SOLUTION: Since interest on capital is provided more than

## actual, it will be **Debited**.



#### $\{LCR\}$

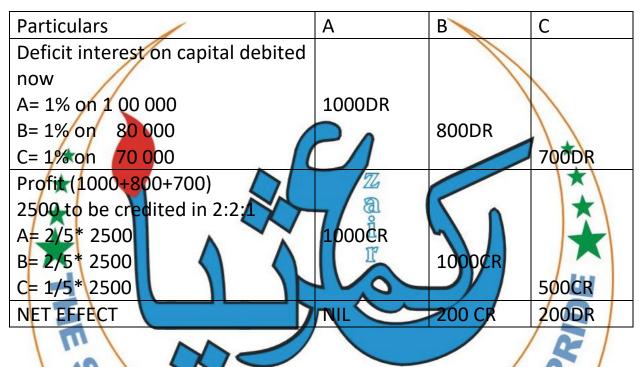
Q50: A, B and C are partners in 2:2:1 having capitals of 1 00 000, 80 000 and 70 000 respectively. For the year ended 2016 interest on capital was credited to them@ 9% instead of 10%. The profit for the year were 50 000. Pass adjustment entry.

ANS: B's a/c is debited with 200 and C's a/c is credited with 200.



#### SOLUTION:

# Since interest on capital is provided less than actual, it will be credited



#### Other questions:

Sachin, Kapil and Rashmi have been sharing profits in the ratio of 3: 2:1 respectively. Rashmi wants that she would share equally in profits with Sachin and Kapil. She further wants that change in profit sharing ratio would be applicable respectively for the last three years. Other partners have no objection to this. The profit of the last three years were 60 000; 47 000 and 55 000. record the adjustment by means of a journal entry

#### SOLUTION:

In this question we have distributed profit of last 3 years as per respective ratios i.e., 3:2:1.

Now partners have decided to distribute last 3 years profit equally



#### 1: we will pass reverse entry of profit already distributed

