

## 2.60 Double Entry Book Keeping—CBSE XII

Solution:

## ADJUSTMENT ENTRY

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 March 31	X's Capital A/c To Y's Capital A/c To Z's Capital A/c (Interest on capital allowed at lower rate and profits distributed in wrong ratio, now rectified)		1,10,000	50,000 60,000

Working Notes:

1. Calculation of Interest on Capital already provided and Opening Capital:

Particulars	X (₹)	Y (₹)	Z (₹)
A. Closing Capital	1,50,000	5,50,000	11,00,000
B. Add Drawings already debited (₹ 50,000 × 12)	6,00,000	6,00,000	6,00,000
	7,50,000	11,50,000	17,00,000
C. Less: Profit already credited (4 : 1 : 1)	2,00,000	50,000	50,000
D. Opening Capital Plus Interest on Capital	5,50,000	11,00,000	16,50,000
E. Less: Interest on Capital (D × 10/110)	50,000	1,00,000	1,50,000
F. Opening Capital (D - E)	5,00,000	10,00,000	15,00,000

2.

## ADJUSTMENT TABLE

Particulars	X's Capital A/c		Y's Capital A/c		Z's Capital A/c		Firm	
	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)	Dr. (₹)	Cr. (₹)
I. Amount already credited, now taken back:								
• Interest on Capital @ 10% p.a.	50,000	—	1,00,000	—	1,50,000	—	—	3,00,000
• Share of Profit (4 : 1 : 1)	2,00,000	—	50,000	—	50,000	—	—	3,00,000
II. Amount which should have been credited:								
• Interest on Capital @ 12% p.a.	—	60,000	—	1,20,000	—	1,80,000	3,60,000	—
• Share of Profit* Credited to Partners in the ratio of 1 : 1 : 1	—	80,000	—	80,000	—	80,000	2,40,000	—
	2,50,000	1,40,000	1,50,000	2,00,000	2,00,000	2,60,000	6,00,000	6,00,000
III. Net Effect (Dr. - Cr.)	1,10,000 (Dr.)		50,000 (Cr.)		60,000 (Cr.)			Nil

\*₹ 2,40,000 (i.e., ₹ 3,00,000 + ₹ 3,00,000 - ₹ 3,60,000).

(B) When Adjustment Journal Entries (in Place of one Adjustment Entry) are passed: In this situation, analytical table to determine the net effect of all the adjustments is not prepared instead journal entries are passed for each error or omission by debiting or crediting Profit and Loss Adjustment Account. After passing the entries for adjustment of errors and omissions, Profit and Loss Adjustment Account is closed by debiting or crediting (as the situation is) with the corresponding credit or debit to the Partners' Current Accounts, if Fixed Capital Accounts Method is followed or Partners' Capital Accounts, if Fluctuating Capital Accounts Method is followed.