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Answers Key:

3 Marks

1. Divsible loss Rs. 3,750 being Arun's share Rs. 2,344 and Arora's share Rs. 1,406.
   (i) As interest on capital is charged against profit, so loss will be the shared by partners.
   (ii) In the absence of information, interest on drawings will be calculated for 6 months.
2. Divisible Profit-NIL; interest on Capital after adjustment: jai Rs. 4,800 and Vijay Rs 3,000.
   [**Hint:** In the absence of information, interest on capital is payable only out of profits. Since interest on capital exceeds profits, such profits will be shared is capital ratio or interest ratio i.e. 8 : 5 adjusting interest.]
3. Interest on A's Loan Rs.5,000; Dr. Profit and Loss Appropriation A/c Rs.4,25,000; Cr. A's Capital A/c and B's Capital A/c by Rs, 2,12,500 each. Balance of Capital A/cs: A Rs. 7,12,500 and B Rs. 5,12,500; Balance of A's Loan Rs. 2,05,000.
4. **Table Showing Adjustment**

	Krishna	Sandeep	Karim	Total
	Rs.	Rs.	Rs.	Rs.
Partners Over credited with interest @ 1% (Dr.)	1,200	900	600	2,700
By recovering this interest from the partners, the profit of the firm will be increased by Rs. 2,700. This profit will be divided in the ratio of 3 : 2 : 1 (Cr.)	1,350	900	450	2,700
Net effect	Cr. 150	-	Dr. 150	-

Date	Particulars		L.F.	Dr.(Rs)	Cr.(Rs)
2015 April 1	Karim's Current A/c	Dr.		150	
	To Krishna's Current A/c				150
	(Interest excessive charged, now rectified)				

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