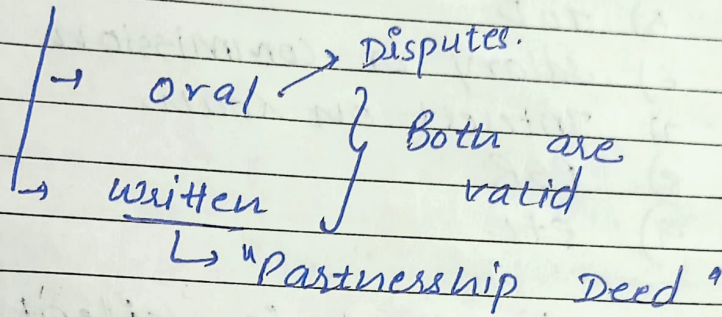


Partnership Accounts

#CA FOUNDATION

* Partnership is an agreement between 2 or more persons who agreed to share profits or losses and act as principle as well as agent.

* Agreement:



* Minimum :- 2

Maximum :- 50

↓
According to the companies Act

* Note:- If any firm exceeds limit of 50 members, it will be considered as "ILLEGAL ASSOCIATION"

* Lawful Business

* True test of Partnership :- MUTUAL AGENCY

* A partner can disallow admission of new partner

"consent of all" → right of every & each partner even if one partner disagree it has to be considered.

⇒ Elements of Partnership Deed.

- 1) Name & Add. of firm
- 2) " " " " partners
- 3) Capital contribution
- 4) IDC
- 5) IOD
- 6) Salary or Commission
- 7) Interest on Loan
- 8) PSR
- 9) etc.

* If Partnership Deed is silent :-

- 1) IDC - NIL
- 2) IOD - NIL
- 3) Salary or Commission - NIL
- 4) Interest on Loan - 6% p.a.
↳ simple interest
- 5) PSR - equal.

Accounting of Partnership Firm

Profit & Loss Appropriation A/c
for the year ended on

Dr.

Particulars	₹	Particulars	₹
To interest on capital		By Net Profit b/d	
To interest on loan		By Interest on Drawings	
To Salary / Commission		By Int on current A/c	
To Reserve		only if P says on P/L balance	
To Profit t/f to capital / current A/c	(bal.)		

(in P/L)

↓
divisible / distributable Profit

DR. SIDE



जो firm partner को देती है

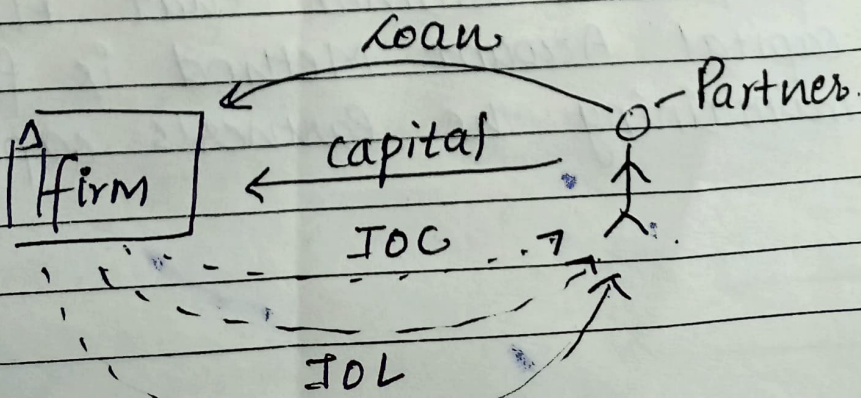
- ↳ IOC
- ↳ IOL
- ↳ Salary
- ↳ Commission

CR. SIDE

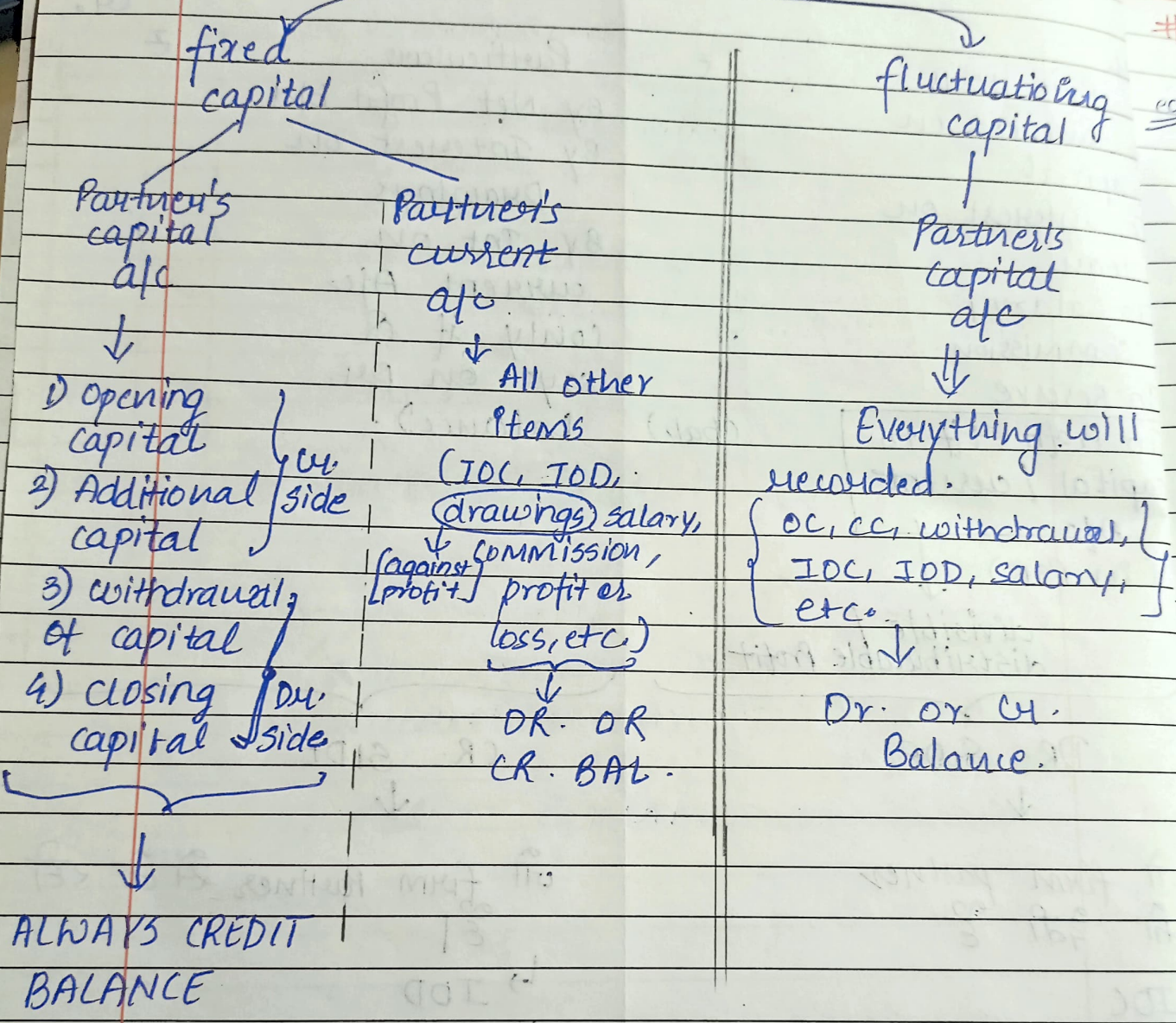


जो firm Partner से ले रही है

- ↳ IOB
- ↳ Interest on current A/c



⇒ PARTNER'S CAPITAL ACCOUNT SYSTEM



INTEREST
eg Opening Addition withdrawal Addition find

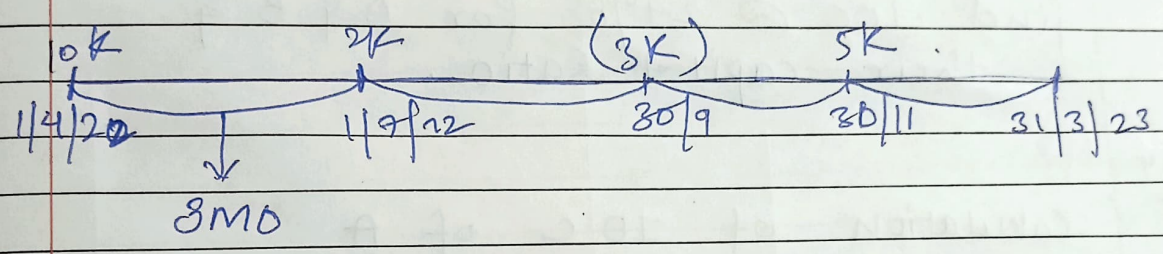
* In the absence of any instructions or info, it is assumed that Fluctuating capital Account Method is followed for maintaining the Partner's capital Accounts.

INTEREST ON CAPITAL

eg

Opening capital	→	10,000	-	1/4/2022
Additional "	→	2000	-	1/7/2022
withdrawal of "	→	3000	-	30/9/2022
Additional "	→	5000	-	30/11/2022

find IOC @ 12% pa. for 2022-23.



$$10,000 \times \frac{3}{12} \times 12\% = 300$$

+

$$12000 \times \frac{3}{12} \times 12\% = 360$$

+

$$9000 \times \frac{2}{12} \times 12\% = 180$$

+

$$14000 \times \frac{4}{12} \times 12\% = 560$$

IOC changed during the year.

1400

2022-23.

		A	B
opening capital	1/4/20	15K	20K
Additional "	30/9/20	5K	—
withdrawal "	1/10/20	—	6K
Additional "	1/1/21	3K	4K

find IOC @ 24% for A & B & their capital ratio.

Sol^y

Calculation of IOC of A

$$A = \left(15000 \times 24\% \times \frac{6}{12} \right) + \left(20000 \times 24\% \times \frac{3}{12} \right) + \left(23000 \times 24\% \times \frac{3}{12} \right) = ₹ 4380$$

calculation of IOC of B.

$$\left(20000 \times 24\% \times \frac{6}{12} \right) + \left(14000 \times 24\% \times \frac{3}{12} \right) + \left(18000 \times 24\% \times \frac{3}{12} \right)$$

$$= ₹ 4320 \quad \underline{\underline{\text{Ans}}}$$

capital Ratio of A & B.

$$\frac{\text{Total capital A}}{\text{Total capital B}}$$

$$\text{Total cap. of A} = 15K \times 6 + 20K \times 3 + 23K \times 3$$

$$= ₹ 219,000$$

$$\text{Total cap. of B} = 20,000 \times 6 + 14K \times 3 + 18K \times 3$$

$$= 216,000$$

$$\text{Capital Ratio} = \frac{219,000}{216,000}$$

$$= \frac{73}{72}$$

$$= 73:72 \quad \underline{\underline{\text{Ans}}}$$

Qu. A & B started their business on 01/01/22
A = 30,000 B = 20,000

A/c to Deed.

B → 5000 p.m. salary

IOC → 6% p.a.

Ratio → 5:3

NP = 25,000

A withdrew 8K

B " 10K.

Prepare P/L Appropriation A/c

Solⁿ

Profit & Loss Appropriation A/c
 for the year ended on 31/12/22

D.H.

		₹.		
To B's salary (500 x 12)		6000	By Net Profit	25000
To T.O.C.				
A	1800			
B	<u>1200</u>	3000		
To Profit				
A	10,000			
B	<u>6000</u>	16,000		
		<u>25,000</u>		<u>25,000</u>

Note:- T.O.D is not given

A/c.
31/12/22

INTEREST ON DRAWINGS.

Regular Drawings	Irregular Drawings.
$JOD = \text{total draw.} \times \text{rate} \times \frac{\text{avg. period}}{12}$	$JOD = \text{total product} \times \text{rate} \times \frac{1}{12} \times \frac{\text{or.}}{365}$
<p>Average Period =</p> <p>Time left after 1st drawing + Time left after last drawing</p> <p style="text-align: center;">÷</p>	

25000

IRREGULAR DRAWINGS.

<u>Dr.</u>	Date	Drawings ₹
	30/April/2020	5000
	1/July/2020	6000
	30/Nov/2020	1000
	1/feb/2021	3000

find JOD @ 12% p.a.

date	Time left till yr end	£	Product
20/4	11mo	5000	55000
1/7	9mo	6000	54000
30/11	4mo	1000	4000
1/2	2mo	3000	6000
			<u>119000</u>

$$\text{JOD} = \frac{\text{total Product}}{\text{rate}} \times \frac{1}{365 \times 12}$$

$$= \frac{119000 \times 1280 \times 1}{365}$$

$$= \frac{390123}{365} \text{ per day.}$$

$$= \frac{119000 \times 1280 \times 1}{12}$$

$$= 1190 \text{ per month.}$$

⇒ Average Period.

	Month	Quarter	
Beg.	6.5	7.5	
Middle	6 *	6	
End.	5.5	4.5	

* If total drawings are given then we assume that the partner withdraws money at middle of every month.

Journal Entries

(a) For appropriations (i.e. amt given to partner) like IOD, salary, rent, com., profit, etc.

Profit & Loss Appropriation A/c Dr xx
 To Partner's capital / A/c xx
 current

(b) For IOD / amt taken from partner like IOD.

P. Capital / current A/c Dr xx
 To P/L App. A/c xx

* NO PAST ADJUSTMENT, Guarantee (✓).