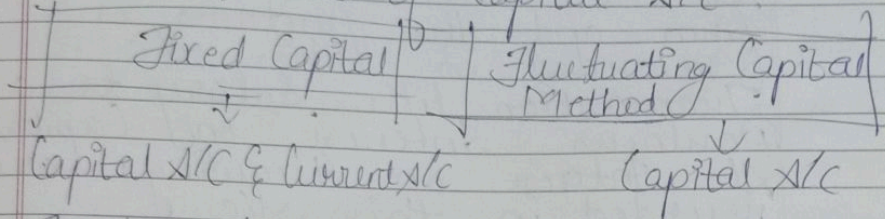


Partnership Final Account

1. To understand P & L the following methodologies understand

1. Methods of Capital A/c



2. Trading Account is Nominal Account. It is prepared to calculate G.P. or Profit loss. The debit side represents all direct expenses [In the making of product]. Credit side represents all Direct Incomes.

3. P & L A/c

P & L is also prepared on the basis of Nominal A/c. Debit side represents all indirect expenses [In the making of product]. Credit side represents all indirect income. It is prepared to calculate net profit or Net loss.

4. P & L Appropriation A/c Partner

This A/c is prepared only under Partnership. All the transactions between the firm and the partners is recorded in this A/c. Transaction like Salary to a Partner, Interest on Capital A/c Interest on Drawings are recorded in this A/c.

5. Partner's Capital / Current A/c

It is Personal A/c (Debit the received Credit the given). This A/c is maintained or prepared on the basis of fixed Capital or fluctuating Capital method.

6. Fixed Capital Method

In this Method Capital A/c & Current A/c both are prepared. All transactions related to Partner's Interest on Capital Drawings Interest on Drawings is recorded in Partner's Current A/c.

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7. Fluctuating Capital method

In this method only partner's Capital A/c prepared. All transactions related to Interest on Capital Drawings, Interest on Drawings will be recorded in partner's Capital A/c.

8. Balance sheet

It is a statement showing financial position of a firm on a particular date. It includes the value of Assets and Liabilities of a firm on a particular date.

Important points.

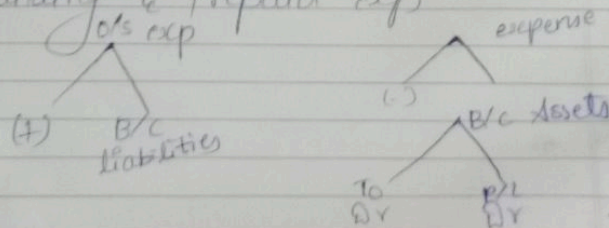
* Interest on Partners Capital.

1. It is provided on the opening balance if it is mentioned in the question.
2. Interest on Drawings is to be charged at @ 6% p.a. for 6 months.
3. If there is no specification of profit sharing ratio PSR assume equal ratio.
4. Interest on partner's loan to be calculate @ 12% per annum.

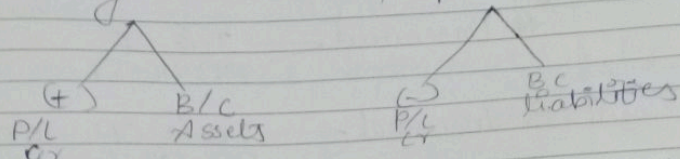
Adjustments

Closing stock Trading A/c Credit B.A
Note: If Closing stock is given in the final balance then it will have only one effect

1. Outstanding & Prepaid Exp



2 Outstanding Income & Prepaid Income

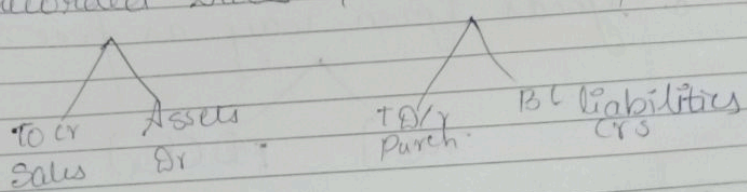


3 Bad Debts

P/L Cr
 B/L Assets
 Debtors
 + Sales
 + B1R
 (-) SR
 (-) NBD Adj
 (-) NFDD Adj
 (-) RFDD Adj

To Bad Debts TB or
 (+) NBD or FBD
 NRDD or NPDD
 (-) ORDD TB Cr
 To REDD Adj

4 Unrecorded Sales & Unrecorded purchase



5 Sales on Reversals Basis

TR Cr
 Sales (-)
 @ SP
 Selling price

BA Assets
 Drs
 @ CP
 Cost Price

TC
 Clstock
 @ CP
 Cost Price

6. Goods lost by fire & theft
* Unsecured \rightarrow TC @ CP
PD (loss)

B Insured \rightarrow TC @ CP 5000.
PD (for loss) 800
PX Insurance claim 4200

7. Depreciation \rightarrow PM
BAC \rightarrow Assets

Depreciation PM \rightarrow TP / X
Depreciation on furniture
Depreciation on Delivery van

8. Goods given away as free samples

TC (cr) PD (Dr)

9. Adjustment for partners

1. \rightarrow TC
P cap Dr or Partner's Current Ac
2. \rightarrow BAC \rightarrow Cash
P cap Dr or Partner's Current Ac
3. \rightarrow P cap Ac / Partner's Current Ac
P / cap

4. Interest on Partner's Cap/
Drawings ————— Current A/c Dr
P/L Appropriation Cr

5. Salary/Commission paid to partner
P/L Dr Partner's Capital
Appropriation Current

6. Interest on Partner's Loan

Partners' Capital
Appropriation (Dr) Current A/c (Cr)

18/7/ * Piecemeal Distribution of Cash

Piecemeal Distribution of Cash is a method followed by partnership firms with respect to payment of liabilities against realisation of fixed assets. Money is received on sale of assets and distribution is done in "Piecemeal" (stages) i.e. not in a single shot.

B) * Order of payment.

1. Provision for realisation Expenses
2. Secured Creditors.
3. Unsecured Creditors.
4. Partner's loan.
5. Partner's Capital
6. Prof.

① Proportionate Capital method. also known as Excess or Surplus Capital

In this method Capital Account of partner is adjusted in their PRR

② Adjusted Capital.

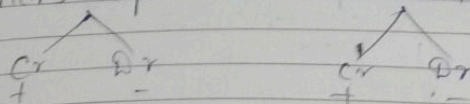
It includes adjustment made in partner's Capital Account, Partner's Current Account, Reserves and Surplus (Profit), P/L A/c, Credit balance (Profits), losses, P/L Debit Balance (Losses).

* Unit Capital

It is the capital which is calculated by using the formula.

$$\text{Unit Capital} = \frac{\text{Adj Capital (Step 2)}}{\text{PSR}}$$

$$\text{Adj Cap} = \text{Partners Cap Bal} + \text{P (Withdrawal Bal) (-)}$$



* Base Capital

(Step 3)

It is the lowest of Unit Capital

* Proportionate Capital

It is calculated by using the formula.

$$\text{PC} = \text{Base Cap} \times \text{PSR} \quad (\text{Step 4} \times \text{PSR})$$

* Access Capital

It is a difference between Adjusted Cap and Proportionate Cap

$$\text{EC} = \text{Adj Cap} - \text{Proportionate Cap} \quad (\text{Step 2} - \text{Step 5})$$

Q. From the following information prepare a statement of excess cap
Capital A/C of ABC is 30000 & 20000 respectively in the PSR 3:2:1

* Statement of excess cap

Particular	A	B	C
1. PSR	3	2	1
2. Adj Capital	30000	30000	20000
3. Unit Cap - step 2	10000	10000	20000
4. Base Cap (↓ step 3)	10000	-	-
5. Prop Cap = step 4 × step 1	30000	20000	10000
6. Excess Cap (step 2 - step 5)	0	10000	10000
7. New Unit Cap - step 6	-	5000	10000
8. New BC = ↓ step 7	-	5000	-
9. New Prop Cap = step 8 × step 1	-	10000	5000
10. New Excess Cap (step 6 - step 9)	-	0	5000