LESSON PLAN 1 (2022/2023)

Week:		**Date:**		**Class:**	*SSS 2*	**Period**	***1&2***	**Time:**		**Duration**	
Subject	*Financial Accounting*	**Topic**	*Partnership accounts*	**Sub-topic**	Partnership accounts	**Teacher**	*ABANUM, Collins*	**Class assistant**			

Behavioural Objectives: At the end of the lesson, the students should be able to:	1. Define of partnership. 2. State types of partnership. 3. List advantages and disadvantages of partnership. 4. Explain of other related terms such as drawings, interest on capital, share of profits etc.	***Previous Knowledge:***	*Students have an average knowledge on subject matter (Partnership)*
Vocabulary:	*Subscription, Non-profit, receipts and payment, surplus, deficit, income and expenditure,*	***Starter:***	

Proposed Length of Time	***Presentation***	***Teacher's Activities***	***Student's Activities***	***Instructional Resources/references Required:***
	Introduction	*The teacher introduces the lesson by referring to previous lesson through questions ie. Explain the following Deficit, Surplus, Subscription etc.*	*Students were guided in answering questions.*	*Textbooks, research on the internet.*
	Step I	*The learners were guided to define partnership account*	*Participate in class discussion*	
	Step II	*The learners were also guided to* State types of partnership.	*' students were involved in discussion*	
	Step III	*The learners list* advantages and disadvantages of partnership with the aid of the teacher.	*Participates in class discussion*	
	Step iv	*The learners and teacher e*xplains other related terms such as drawings, interest on capital, share of profits etc.	*The students were involved in stating the categories and explaining them*	

Content	***Assignment***
A partnership *is a business that is owned and managed by two to twenty persons with the sole aim of making profit. However, in banking there cannot be more than ten partners.* ***FORMATION OF PARTNERSHIP***	• *Essential financial accounting* *James and John are sole traders. James proposed that their businesses be merged to form a partnership.*

Deed of Partnership: *This is a document drawn up by the partners which contains the rules and regulations guiding the business. It will clarify the respective position of the partners in a business. A partnership may be established without any formality but it is better to have a written agreement.*

<u>Content of Deed of Partnership</u>

The following are contained in the deed of partnership.

1. *Proportion of capital to be contributed*
2. *Profit and loss sharing ratio.*
3. *Rate of interest on drawings*
4. *Rate of interest on capital*
5. *How much salaries to be paid*
6. *Valuation of goodwill*
7. *Dissolution of partnership*
8. *The name of the partners*
9. *The firm's name*
10. *Signatories to the account*
11. *Duration of the partnership*
12. *Rights and duties of the partners*

<u>Where there is no Agreement</u>

If no specific agreement is made by the partners, the following provisions of Section 24 of the Partnership Act 1890 must be applied:

1. *There is no interest on capital.*
2. *No salary for partners acting in the business.*
3. *Profit and loss are to be shared equally.*
4. *No interest to be charged on drawings.*
5. *5 % interest a year on loans made by partners in excess of the agreed capitals.*
6. *No partners may introduce a new person without the consent of all existing partners.*

<u>Types of Partnership</u>

a. Limited Partnership: *This is registered and formed under the Limited partnership Act. Partners cannot take equal part in management and running of the business. There must be one general partner with unlimited liability and one limited partner whose liability is limited*

Identify and explain five reasons to John how such a partnership would be to their mutual benefits.

to the *amount invested.* ***b. General or Ordinary Partnership:*** *Under this type of partnership, partners have equal responsibility and risk in the business hence, they are liable to the full extent of the debts of the firm. All of them take active part in the day to day running of the business.* ***<u>Kinds of Partners</u>*** ***There are several types of partners*** ***1. General Partner:*** *This is a partner who is entitled to take full share in the administration and management of the firm. He has unlimited liability.* ***2. Limited Partner:*** *This is a partner who is prevented from taking any active part in the management of the business. He is a partner whose liability is limited to the extent of his shares.* ***3. Active Partner:*** *This is a partner who participates actively in the management and running of the firm.* ***4. Sleeping Partner:*** *This is a partner who contributes capital but does not participate actively in the running of the business* ***5. Nominal partner:*** *This is a partner who contributes only his name to the formation of the business in order to enhance the goodwill and reputation of the firm. He must not take part in the management of the business* ***PARTNERSHIP ACCOUNTS*** ***Capital account:*** *The amount contributed by each partner into the business will be credited to his capital account. The firm can maintain or use either a fixed capital or fluctuating capital.* ***i. Fluctuating capital account:*** *The partners can maintain a fluctuating capital account. Profit, interest on capital and salaries will be credited to the capital account and drawings and interest on drawings debited. In short, the balance of this account will change each year.* ***ii. Fixed capital account and current account.*** *The balance of capital will remain at the same figure during the partnership. Profit, interest on capital and salaries will be credited to a separate current account. Drawings and interest on drawings are debited. Examiners often ask for separate current and capital account*	

Partners Loan: *A partner may introduce cash by way of loan to the partnership. Any cash introduced will be credited to a loan account.* ***Partners Salaries:*** *The agreement may provide that any of the partners who devote his time to the running of the business shall receive a fixed salary in addition to a share in the profits. Salary will be credited to the current account* ***Interest On Capital:*** *The partners may be paid interest on capital when they have contributed unequal amount. This is debited to profit and loss appropriation account and credited to current account.*	
Evaluation	***Conclusion***
1. Define of partnership. 2. State types of partnership. 3. List advantages and disadvantages of partnership	*The teacher summarizes the lesson by explaining some of the major points already discussed in the lesson*
Head of Section's Comment	***Signature and Date***

LESSON PLAN 2 (2022/2023)

Week:		**Date:**		**Class:**	*SSS 2*	**Period**	***1&2***	**Time:**		**Duration**	

Subject	*Financial Accounting*	**Topic**	*Partnership accounts*	**Sub-topic**	Goodwill	**Teacher**	*ABANUM, Collins*	**Class assistant**	

Behavioural Objectives: At the end of the lesson, the students should be able to:	1. define Goodwill 2. State reasons for Goodwill. 3. Identify types of Goodwill. 4. prepare Goodwill	***Previous Knowledge:***	*Students have an average knowledge on subject matter (Partnership)*

Vocabulary:	***Partnership, Goodwill, Partners sharing ratio etc.***	***Starter:***	

Proposed Length of Time	***Presentation***	***Teacher's Activities***	***Student's Activities***	***Instructional Resources/references Required:***
	Introduction	*The teacher introduces the lesson by referring to previous lesson through questions ie. What is partnership? What are the merits and demerits of partnership?*	*Students were guided in answering questions.*	*Textbooks, research on the internet.*
	Step I	*The learners were guided to define goodwill*	*Participate in class discussion*	
	Step II	*The learners were also guided to* State reasons for Goodwill.	*' students were involved in discussion*	
	Step III	*The learners list and identify types of Goodwill with the* aid of the teacher.	*Participates in class discussion*	
	Step iv	*The learners and teacher prepare Goodwill.*	*The students were involved in stating the categories and explaining them*	

Content	***Assignment***
<u>What is goodwill?</u> ***Goodwill*** *can be defined as the excess of the purchases consideration over the total value of assets less liabilities. It arises as a result of connection, reputation and efficiency of a business concern. It is not a tangible asset and cannot be realized until the business is to be sold.* ***What are the reasons for goodwill?***	*Essential financial accounting* *Practice exercises* *Pg 467: Q 26:1, 26:2.*

These are the reasons why a purchaser will be will to pay an amount over the realizable value of assets.

1. *The name, reputation and connection of the business.*
2. *Quality of goods*
3. *Possession of partial monopoly*
4. *Managerial skill*
5. *Goodwill can also come into force when a purchaser feels that there may be high degree of growth rate in the future.*
6. *Another reason for goodwill is for patent and copy right protection*
7. *The effectiveness of publicity*

Types of goodwill

1. *Purchased Goodwill*
2. *Inherent Goodwill*

Purchase Goodwill

This is the goodwill that is bought as any other asset of the business is bought. We can only have this type of goodwill in a business in will the ownership has changed. The value of goodwill could be objectively computed.

Inherent Goodwill

This is the goodwill that is made or earned because of the ability of the business itself (that is its good performance). This type of goodwill exist in business which has being existing without being purchased or merged with any other business.

Goodwill valuation

There is no actual method of valuing goodwill, but the following methods can be used.

1. *Number of year*
2. *Super profit.*
3. *Number of times of the gross annual fee income*
4. *Excess of value of a business over the realizable value*
5. *Average profit*
6. *Weighted average profit*
7. *Capitalisation method*

Characteristics of goodwill

1. *It may fluctuate from day to day*
2. *The value is subjective*

3. *It cannot be sold separately apart from other assets of the business.* ***Changes in partnership*** ***Changes can occur in partnership when:*** 1. *There is a change in the profit or loss sharing ratio.* 2. *A new partner is admitted* 3. *A partner retires or dies.* 4. *Partnership is dissolved.* 5. *There is amalgamation of partnership.* *TREATMENT OF GOODWILL ON ADMISSION OF NEW PARTNER* *A new partner can be introduced into the business based on agreement of the partners. On the introduction of a partner, the old partners will give up part of their profit. In other to compensate them, he will bring in goodwill and this will be dealt with as follows:* ***When Goodwill is brought and retained into the books.*** *A goodwill account will be opened and the amount debited to it. It will be credited to the capital account in their old profit sharing ratio.* ***Ledger entries**:* ***Debit**: Goodwill account* ***Credit**: Partners capital in old profit sharing ratio* ***When Goodwill is written off*** *The goodwill brought into the books may be written off. This will be done in their new profit sharing ratio in the partners capital account.* ***Ledger entries*** ***Debit**: Capital account in new profit sharing ratio* ***Credit**: Goodwill account.*	
Evaluation	***Conclusion***
5. Define of partnership. 6. State types of partnership. 7. List advantages and disadvantages of partnership	*The teacher summarizes the lesson by explaining some of the major points already discussed in the lesson*
Head of Section's Comment	***Signature and Date***

LESSON PLAN 3 (2022/2023)

Week:		**Date:**		**Class:**	*SSS 2*	**Period**	***1&2***	**Time:**		**Duration**	
Subject	*Financial Accounting*	**Topic**	*Partnership accounts*	**Sub-topic**	Dissolution of Partnership	**Teacher**	*ABANUM, Collins*	**Class assistant**			

Behavioural Objectives: At the end of the lesson, the students should be able to:	1. Define dissolution of Partnership Business 2. identify reasons for dissolution. 3. prepare realization account:- 4. -when profit is made on dissolution	***Previous Knowledge:***	*Students have an average knowledge on subject matter (Revaluation account)*
Vocabulary:	***Partnership, Dissolution, Partners sharing ratio etc.***	***Starter:***	

Proposed Length of Time	***Presentation***	***Teacher's Activities***	***Student's Activities***	***Instructional Resources/references Required:***
	Introduction	*The teacher introduces the lesson by referring to previous lesson through questions ie. What is revaluation account? Why do we prepare revaluation account?*	*Students were guided in answering questions.*	*Textbooks, research on the internet.*
	Step I	*The learners were guided to d*efine dissolution of Partnership Business	*Participate in class discussion*	
	Step II	*The learners were also guided to* identify reasons for dissolution.	*' students were involved in discussion*	
	Step III	*The learners and teacher* prepare realization account	*Participates in class discussion*	
	Step iv	*The learners prepare* when profit is made on dissolution	*The students were involved in stating the categories and explaining them*	

Content	***Assignment***
Dissolution of partnership *is the process whereby a partnership is automatically dissolved or brought to an end by the happenings of any event which makes it unlawful to carry on the business.*	

Dissolution means cessation of business, disposal of assets, settlement of debts and division of cash balance among members.

Reasons for Dissolution

1. *Withdrawal or retirement of partners*
2. *Admission of a new partner*
3. *Insanity of a partner*
4. *Death of a partner*
5. *Bankruptcy of a partner*
6. *Non-performance of the business*
7. *Expiration of the time given*
8. *A joint decision to discontinue*
9. *Illegality of object of the business*

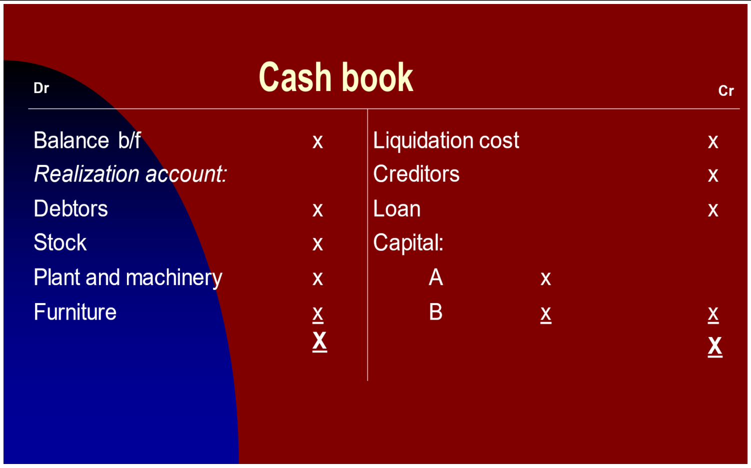
Rules for distribution of assets

The assets are disposed off and the proceeds are applied in discharging the liabilities of the partnership. Section 44 of the Partnership Act states that subject to agreement, the following procedures must be followed:

a. *Losses must be paid out of capital*
b. *Payments of debts and liabilities to outside creditors*
c. *Payment of partners loan*
d. *Settlement of partners capital*
e. *Any profit on the realization must be divided in their profit sharing ratio.*

Realisation account

Dr			Cr
Book value of assets		***Cash realized from sales***	
Debtors	x	Debtors	x
Plant and machinery	x	Furniture and fittings	x
Furniture and fitting	x	Stock	x
Stock	x	Plant and machinery	x
Cost of liquidation	x	Discount received	x
Share of profit:		Goodwill	x
A ½	x		
B ½	x		
	X		**X**



Cash book

Dr				Cr
Balance b/f	x	Liquidation cost		x
Realization account:		Creditors		x
Debtors	x	Loan		x
Stock	x	Capital:		
Plant and machinery	x	A	x	
Furniture	x	B	x	x
	X			**X**

Evaluation	***Conclusion***
5. Define dissolution of Partnership Business 6. identify reasons for dissolution	*The teacher summarizes the lesson by explaining some of the major points already discussed in the lesson*
Head of Section's Comment	***Signature and Date***