**PARTNERSHIP ACCOUNTS**

- Trading & Profit and Loss A/C / Income Statement
- Profit & Loss Appropriation A/C
- Balance Sheet

### CAPITAL A/C

<table>
<thead>
<tr>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance (c/d)</td>
<td>Cash</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>

### CURRENT A/C

<table>
<thead>
<tr>
<th>Dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance (b/d)</td>
<td>Interest on Capital</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Interest on Drawings</td>
<td>Interest on Loan</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Share of Loss</td>
<td>Salary</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Balance (c/d)</td>
<td>Share of Profit</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Balance (b/d)</td>
<td>Balance (c/d)</td>
</tr>
<tr>
<td>XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>

- If the balance on the current A/C is Debit, then subtract it.
- If the balance on the current A/C is Credit, then add it.
- Add the Share of Profits
- Subtract the Share of Loss.
### Balance Sheet

#### Non-Current Assets:
- Premises
- Furnitures & Fixings

#### Current Assets:
- Inventory
- Trade Receivables
- (Less) Provision for Doubtful Debts
- Bank
- Cash

**TOTAL ASSETS**

### Capital & Liabilities

#### Capital Accounts
- Capital Accounts (Balance)

#### Current Accounts
- (Less) Drawings
- (Less) Interest on Drawings

**CURRENT LIABILITIES**
- Trade Payables (+ Accrued)
**APPRIORTION A/C**

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>xxxxx</td>
<td>xxxxx</td>
</tr>
<tr>
<td>+ Interest on Drawings</td>
<td>xxx</td>
<td>x</td>
</tr>
<tr>
<td>(Less) Interest on Capital - A</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>(Less) Salary of Partner</td>
<td>xxx</td>
<td>x</td>
</tr>
<tr>
<td>Residual Profit / Loss</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Share of Profits / Loss</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Share of Profit / Loss</td>
<td>[\text{Share} \times \text{Residual Profit} / \text{Loss}]</td>
<td></td>
</tr>
</tbody>
</table>

Q. Why do we use an Appropriation Account?

- It is used to show how Net Profit/Loss is shared.

Goodwill - Value of a business, over and above its existing value.

\[\Rightarrow A \text{ Cr balance on the Current A/C} = \text{Current Assets}\]
\[\Rightarrow A \text{ Dr balance on the Current A/C} = \text{Current Liabilities}\]

The partner has excessively drawn from the business, so it is a C.O.L. They owe the Partnership.
Profit & Loss Appropriation A/c = Profit for the year + Int. on
Drawings - Int. on Capital - Salary = Profit/Loss Share

\[
\text{Net Assets/Capital Employed} = \text{Total Assets} - \text{C.L} \\
\downarrow \\
\text{N.C.A + C.A}
\]

\[
\text{Working Capital} = \text{C.A - C.L}
\]

\[=> \text{Improving Working Capital: - Injection of Capital} \\
\text{Reduction in Drawings} \\
\text{Taking a long-term loan} \\
\text{Sales of Surplus N.C.A}
\]

\[=> \text{An Int. on Drawings is added to discourage partners from making excessive drawings.}
\]

\[=> \text{A partner may be given a salary, for recognition of work done in the business.}
\]

\[=> \text{A partnership agreement should be formed to avoid disagreements or misunderstandings later on.}
\]

\[2. \text{Advantage of having a Capital & Current A/c for each partner?}
\]

- Easier to see the Profit retained by each partner
- To calculate their interest on Capital

\[=> \text{Items in a Partnership Agreement / P&L Appropriation A/c-}
\]

- Profit-Sharing Ratio
- Int. on Capital
- Int. on Drawings
- Partners' Salaries.