T.S. Grewal's Double Entry Book Keeping—Accounting for Partnership Firms

## **ACCOUNTING FOR PARTNERSHIP FIRMS — FUNDAMENTALS** Appropriation of Profit **Charge Against Profit** · Interest on Capital is not allowed Profit & Loss Account (After debiting Partnership No Interest on Drawings is not charged operating and non-operating expenses, Deed Exists · Remuneration to Partners is not allowed losses and crediting operating and · Profit/Loss is shared Equally non-operating incomes) Prepare Profit & Loss Appropriation Account Further Debited by Debited by Credited by Manager's Commission · Rent Paid to Partner • Interest on Loan by Partner @ 6% p.a. Interest on Current Account · Interest charged on Debit Balance in (If no Partnership Deed exists or at the (If so provided in Partnership Deed or Partner's Current Account rate provided in the Partnership Deed) Agreed Otherwise) Interest on Drawings charged at Determine Distributable Profit Interest on Capital if it is a Charge Interest on Capital at agreed rate of agreed rate of interest Remuneration to Partners as agreed Partner's Capital A/c ...Dr. Credited By Transfer to Reserve To Interest on Current A/c To Interest on Drawing A/c Guarantee For Interest on Current Account: Interest on Loan given by the firm to the of Profit to Partner(s) Interest on Partner's Current A/c ...Dr. partners at the agreed rate of interest by Partner(s) Interest on Drawings A/c ...Dr. To Partner's Capital A/c or firm Interest on Current A/c. Dr For Interest on Capital: Determine Net Profit/Loss To Profit & Loss Appropriation A/c Interest on Capital A/c ...Dr. Yes To Partner's Capital A/c For Salary/Remuneration to Deficiency shared by Net Profit/Loss transferred to Profit & Partners: agreed Partners/Firm Loss Appropriation Account Distribute Profit in PSR Partner's Salary A/c ...Dr. To Partner's Capital A/c Profit & Loss Appropriation A/c ...Dr. Profit & Loss A/c Guaranteeing Partner's Capital/Current A/c ...Dr. To Partners' Capital/Current A/cs To Profit & Loss Appropriation A/c Profit & Loss Appropriation A/c ...Dr. To Guaranteed Partner's Capital/Current A/c To Partner's Capital A/c To Salary/Remuneration A/c To Interest on Capital A/c To Reserve A/c

Abbreviation Used:

PSR—Profit-sharing Ratio

**Note:** When Capital Accounts are maintained following Fixed Capital Accounts Method, amount is debited/credited to Partners' Current Accounts. In case of fluctuating capitals, amount is debited/credited to Partners' Capital Accounts.