



St. Lawrence High School

A Jesuit Christian Minority Institution



Study Materials 2

Sub: Accountancy

Class: XII

Chapter: Unit I: Introduction to Partnership

Topic: Proforma and Concept

Date: 17/06/2020

PROFORMA OF PROFIT & LOSS APPROPRIATION ACCOUNT

Profit & Loss Appropriation Account, for the year ended.....

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To, Interest on Capital	*****	By, Profit & Loss A/C (Net Profit) ***	
To, Partners Salaries	*****	Less: Interest on loan ***	
To, Partners Commission	*****	Less: Rent paid to partner ***	
To, Transfer to reserve	*****		*****
To, Partners Capital A/C (Share of Profit)	*****	By, Interest on drawings	*****
	*****		*****

PROFORMA OF PARTNERS CAPITAL ACCOUNT

UNDER FIXED METHOD

Partners Capital Account

Particulars	X	Y	Particulars	X	Y
To, Bank A/C (capital withdrawn)	***	***	By, Balance b/d	***	***
To, Balance c/d	***	***	By, Bank A/C (additional capital)	***	***
	***	***		***	***

Partners Current Account

Particulars	X	Y	Particulars	X	Y
To, Balance b/d (O/P Dr. Balance)	***	***	By, Balance b/d (O/P Cr. Balance)	***	***
To, Drawings A/C	***	***	By, Interest on capital A/C	***	***
To, Interest on drawings A/C	***	***	By, Partners Salaries A/C	***	***
To, Interest on current A/C	***	***	By, Partners Commission A/C	***	***
			By, P/L Appropriation A/C	***	***
			By, Rent A/C	***	***
To, Balance c/d (C/L Cr. Balance)	***	***	By, Interest on current A/C	***	***
			By, Balance c/d (C/L Dr. Balance)	***	***
	***	***		***	***

UNDER FLUCTUATING METHOD

Partners Capital Account

Particulars	X	Y	Particulars	X	Y
To, Drawings A/C	***	***	By, Balance b/d	***	***
To, Interest on drawings A/C	***	***	By, Bank A/C (additional capital brought)	***	***
To, Bank A/C (withdrawn)	***	***	By, Interest on capital A/C	***	***
			By, Partners Salaries A/C	***	***
To, Balance c/d	***	***	By, Partners Commission A/C	***	***
			By, P/L Appropriation A/C	***	***
			By, Rent A/C	***	***
	***	***		***	***

INTEREST ON CAPITAL

On opening capital charge interest on capital for whole year. On additional capital charge interest from the date of introduction of capital to the closing date of the year.

INTEREST ON DRAWINGS

Methods of charging interest:

(1) Product Method: Applicable when unequal amount is withdrawn at different dates. Interest on drawings is calculated with the help of Simple Method or Product Method.

Formula: Interest on Drawings = Total of Product $\times \frac{\text{Rate of interest}}{100} \times \frac{1}{12}$ or $\frac{1}{365}$

(2) Average Period Method: Applicable when amount of drawings is uniform and the time interval between the two drawings is also uniform.

Formula: Interest on Drawings = Total Drawings $\times \frac{\text{Rate of Interest}}{100} \times \frac{\text{Average Period}}{12}$

Average Period = $\frac{\text{Months Left after First Drawings} + \text{Months Left after Last Drawings}}{2}$

PARTNERS COMMISSION

There are two basis of charging partners commission such as:

1. On the basis of turnover/sales:

Here partners commission = Amount of turnover achieved by the partner \times % of commission.

2. On the basis of net profit or divisible profit:

(a) Before charging method: Commission = Net Profit/ Divisible Profit $\times \frac{\text{percentage}}{100}$

(b) After charging method: Commission = Net Profit/ Divisible Profit $\times \frac{\text{percentage}}{100 + \text{percentage}}$

TRANSFER TO RESERVE/ GENERAL RESERVE

There are two methods of transfer such as percentage of Net Profit or Percentage of Divisible Profit.

INTEREST ON LOAN

1. It is an example of charge against profit and must be deducted from Net Profit.

2. If the Partnership Deed is silent interest must be charged @ 6% p.a.

RENT PAID TO PARTNER

1. If any partner let out his property to the firm, he will receive rent against that.

2. It is an example of charge against profit and must be deducted from net profit.

3. Amount of rent paid must be disclosed in the credit side of Partners Current A/C (if fixed) or in Partners Capital A/C (if fluctuating)