

UNIT 3

ACCOUNTS OF PARTNERSHIP FIRMS– FUNDAMENTALS



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Points to recall

The following points are to be recalled before learning the accounts of partnership firms–fundamentals:

- ◇ Forms of organisation
- ◇ Accounting cycle



Learning objectives

To enable the students to

- ◇ Understand the meaning and features of partnership
- ◇ Understand fixed and fluctuating capital methods of maintaining capital accounts of partners
- ◇ Understand the calculation and accounting treatment of interest on capital, interest on drawings, remuneration to partners and interest on loan from partners
- ◇ Understand the division of profits among partners

Key terms to know

- ◇ Partner
- ◇ Partnership firm
- ◇ Partnership deed
- ◇ Fixed capital
- ◇ Fluctuating capital
- ◇ Interest on capital
- ◇ Interest on drawings
- ◇ Profit and loss appropriation account

