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Class 12 Accountancy

Partnership Accounts One-Liners

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Fundamentals

- A partnership is an agreement between two or more persons to share profits.
- Partnership Deed governs the terms; in its absence, the Partnership Act applies.
- Profit & Loss Appropriation Account distributes profit among partners.
- Interest on capital, salary and commission are appropriations of profit.

Reconstitution of Partnership

- Admission of a partner: new profit-sharing ratio, sacrificing ratio, goodwill.
- Retirement/death: gaining ratio and settlement of the partner's account.
- Revaluation Account records changes in asset and liability values.
- Goodwill is valued by average profit, super profit or capitalisation methods.

Dissolution

- Dissolution closes the firm; Realisation Account is prepared.
- Assets are realised and liabilities paid off.
- Partners' loan is paid before capital.
- Any surplus or deficiency is shared in the profit-sharing ratio.