CHAPTER 1

Accounting for Partnership Firms Fundamentals

According to Section- 4 of the Indian Partnership Act, 1932 :

"Partnership is the relationship between persons who have agreed to the share the profits of a business carried on by all or any one of them acting for all"

Features of Partnership

1. There must be at least two persons to form a valid partnership. Section 11 of the Indian Partnership Act, 1932 restrict the **(maximum) number of partners to 10 for carrying on banking business and 20 for other kind of business.**
2. **Partnership comes into existence by an agreement (**either written or oral) among the partners. The written agreement among teh partners is called Partnership Deed.
3. A Partnership can formed for the purpose of **carrying at sharing the profits** or losses of the business
4. An agreement between the partners must be aimed at **sharing the profits or losses** of the business.
5. **A partnership can be carried on by all or any one of them acting for all.**

PARTNERSHIP DEED

The partnership deed is a written agreement among the partners which contains the terms of agreement. A partnership deed should contain the following points:

1. Name and address of the firm.
2. Name and addresses of the partners.
3. Nature of the business
4. Terms of Partnership
5. Capital contribution by each partner.
6. Interest on capital
7. Drawings and interest on drawings.
8. Profit sharing ratio
9. Interest on loan.
10. Partner's Salary/commission etc.
11. Method for valuation of goodwill

12. Accounting period of the firm
13. Rights and duties of partners.

Benefits of Partnership deed

(1) Helps to avoid dispute in future

(2) It is an evidence in the court

(3) Facilitates functioning of business by avoiding misunderstanding

RULES APPLICABLE IN THE ABSENCE OF PARTNERSHIP DEED

Profit sharing Ratio	**Equal**
Interest on Capital	**No Interest on Capital is to be allowed to any Partner**
Interest on Drawings	**No interst on Drawings is to be charged from any Partner**
Salary on Commission to a Partner	**Not Allowed**
Interest on loan by a Partner	**Interest is allowed @6% per annum**

DISTRIBUTION OF PROFITS AMONG PARTNERS

A Profit and Loss Appropriation Account is prepared to show the distribution of profits among partners as per the provision of Partnership Deed (or as per the provision of Indian Partnership Act, 1932 in the absesnce of Partnership Deed). It is an extension of Profit and Loss Acccount. **It is nominal account.**

The Journal Entries regarding Profit and Loss Appropriation Account are as follows:

1. For transfer of balance of Profit and Loss Account

Profit and Loss A/c Dr.

To Profit and Loss Appropriation A/c

(Being net profit transferred to P & L Appropriation A/c)

2. **For Interest on Capital**

1. For allowing Interest on capital

Interest on Capital A/c

To Partners' Capital/Current A/cs

(Being interest on capital allwoed @ ___ % p.a)

2. For transferring Interest on Capital to Profit and Loss Appropriation A/c :

Profit and Loss Appropriation A/c Dr.

To Interest on Capital A/c

(Being interest on capital transferre to P & L Appropriation A/c)

3. ***For Salary of Commission payable to a partner***

i. For allowing Salary or Commission to a partner :
Partner's Salary/Commission A/c Dr.

To Partner's Capital /Current A/cs

(Being salary/commission payable to a partner)

ii. For transferring Partner's Salary/Commission A/c to Profit and Loss Appropriation A/c :

Profit and Loss appropriation A/c Dr.

To Partner's Salary/ Commission A/c

4. ***For transfer of Reserves :***

Profit and Loss Appropriation A/c Dr.

To Reserve A/c

(Being reserve created)

5. ***For Interest on Drawings :***

1. For charging interest on a partner's drawings :

Partner's Capital/Current A/c Dr.

To Interest on Drawings A/c

(Being interest on drawings charged @ ____%p.a.)

2. For transferring Interest on drawings to Profit and Loss Appropriation A/c : Dr.

Interest on Drawings A/c

To Profit and Loss Appropriation A/c

(Being interest on drawings transferred to P & L Apprpriation A/c)

6. ***For transfer to Profit (i.e. Credit Balance of Profit and Loss Appropriation Account***

Profit and Loss Appropriation A/c Dr.
To Partners Capital A/cs
(Being profits distributed among partners)

SPECIMEN OF PROFIT AND LOSS APPROPRIATION ACCOUNT

Profit and Loss Appropriation Account

For the year ending on ________________

Dr. Particulars	₹	Particulars	Cr. ₹
To Interest on Capital A B To Partner's Salary/ Commission To Reserves To Profits transferred to capital A/c of : A B		By Profit Loss A/c (Net Profits transferred from P& L A/c) By Interst on Drawings A B	

PARTNERS' CAPITAL ACCOUNTS

Partner's Capital Accounts : It is an account which represents the partner's interst in the business.

In case of partnership business, a separate capital account is maintained for each partner. The capital accounts of partners may be maintained by following any of the following two methods:

(1) Fixed Capital Accounts

(2) Fluctuating Capital Accounts

1. Fixed Capital Accounts

Under this method the following two accounts are maintained:

1. **Capital Account**

This account will always show a credit balance. Balance of Capital account remains fixed and only the following two transactions are recorded in the Fixed Capital Accounts:

Additional Capital Introduced

Capital Withdrawn or Drawings out of Capital

Dr. **Partner's Capital A/cs** **Cr.**

Particulars	X ₹	Y ₹	Particulars	X ₹	Y ₹
To Cash/ Bank A/c (Capital Withdrawn)			By Balance b/d (Opening Cr. Balance)		
To Balance c/d (Closing balance)			By Cash/Bank A/c (Additional Capital Introduced)		

2. Current Account

The Current account may show a debit or credit balance. All the usual adjustments such as Interest on Capital, partner's salary/commission, drawings (out of profits), interest on drawings and share in profits or losses etc. are recorded in this account

Dr. **Partner's Capital A/cs** **Cr.**

Particulars	X ₹	Y ₹	Particulars	X ₹	Y ₹
To Balance b/d (Opening Dr. Balance)			By Balance b/d (Opening Cr. Balance)		
To Drawings (out of Profits)			By Interest on Capital		
To Interest on Drawings			By Partner's Salary or Commission		
To Profit and Loss A/c (Share in losses)			By Profit and Loss Appropriation A/c (Share in Profits)		
To Balance c/d (Closing credit Balance)			By Balance c/d Closing Dr. Balance		

Note :

1. ***Debit balance of Current Account is shown in Assets side of Balance Sheet.***
2. ***Credit balance of Current Account is shown in Liabilities side of Balance Sheet.***
3. ***Balance of Capital Accounts are always shown in Liabilities side of Balance Sheet as this account will always show a credit balance when capital is fixed***

2. Fluctuating Capital Accounts :

In this method only one account i.e., Capital Account of each and every partner is prepared and all the adjustment such as interest on capital, interest on drawings etc. are recorded in this account. Under this method, Capital account may show a debit or credit balance and the balance of this account changes frequently from time to time therefore it is called fluctuating Capital Account

Dr. **Partner's Capital A/cs** **Cr.**

Particulars	X ₹	Y ₹	Particulars	X ₹	Y ₹
To Balance b/d (Opening Dr. Balance)			By Balance b/d (Opening Cr. Balance)		
To Cash/Bank A/c (Capital Withdrawn)			By Cash/ Bank A/c (Additional Capital Intoduced)		
To Drawings (out of profits)			By Interest on Capital		
To Interest on Drawings			By Partner's Salary or Commission		
To Profit and Loss A/c (Share in losses)			By Profit and Loss Appropriation A/c (Share in Profits)		
To Balance c/d (Closing credit Balance)			By Balance c/d (Closing Dr. Balance)		

INTEREST ON CAPITAL

Interest on partners' capital will be allowed only when it has been specifically mentioned in the partnership deed. Interest on Capital can be treated as either:

a. An Appropriation of profit; or

b. A Charge against profits

A. Interest on Capital : An Appropriation of Profits:

In Case of Losses	***Interest on Capital is NOT ALLOWED***
In Case of Sufficient Profits	***Interest on Capital is ALLOWED IN FULL***
In case of Insufficient Profits	***Interest on Capital is allowed only to the extent of profits in the ratio of interest on capital of each partner***

B. Interest on Capital: As a Charge against Profits:

Interest on Capital is always allowed in full irrespective of amount of profits or losses

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a. In case of Sufficient Profits

Profit and Loss Appropriation A/c Dr.

To Interest on Capital A/c

(Being interest on capital transferred to P & L Appropriation A/c)

b. In case of Insufficient Profits or Losses

Profit and Loss / Profit and Loss Adjustment A/c Dr.

To Interest on Capital A/c

(Being interest on capital transferred to P&L Adjustment A/c)

Note :

Interest on Capital is always calculated on the OPENING CAPITAL. If Opening Capital is not given in the question, it should be ascertained as follows :

Particulars		₹
Capital at the End		
Add : 1. Drawings	xxxxxx	
2. Interest on Drawings	xxxxxx	
3. Losses during the Year	xxxxxx	

Less : 1. Additional Capital Introduced	(xxxxxx)	
2. Profits during the year	(xxxxxx)	
	--------	(------------)
Opening Capital		

For additional capital interest is calculated for period for which capital is utilised e.g if additional capital is introduced on 1 April in firm where accounts are closed on 31st December

Interest = Amount introduced x Rate/100x9/12

as money is utilised for 9 months

INTEREST ON DRAWINGS

Interest on drawings in charged by the firm only when it is clearly mentioned in Partnership Deed. It is calculated with reference to the time period for which the money was withdrawn.

Case 1 : When Rate of Interest on Drawings is given in %

Interest on Drawings is calculated with a flat rate irrespective of date of drawings.

Case 2 : ***When Rate of Interest on Drawings is given in % p. a.***

1. **When date of Drawings is not given**

   Interest on Drawing = Total Drawings x Rate/100 x 6/12

   Note : Interest is calculated for a period of 6 months

2. **When date of Drawings is given**

   Interest on Drawing = Total Drawings x Rate/100 x Time Left after drawings/12

Case 3 : When different amount are withdrawn on different date :

We have the following two methods to calculate the amount of Interest on Drawing :

1. **Simple Interest Method**

   In this method, interest on drawing is calculated for each amount of drawing indivdually of the basis of periods for which

2. **Product Method**

   In this method, the amounts of drawings are multiplied by the period for which it remained withdrawn during the period, Interest for 1 month is calculated on the sum of these products.

We can explain the above mentioned two methods with the help of an example.

Example :

Aarushi and Simran are partners in a firm. During the year ended on 31st March 2011 Aarushi makes the drawings as under :

Date of Drawing	Amount (₹)
01-08-2010	5,000
31-12-2010	10,000
31-03-2011	15,000

Partnership Deed provided that partners are to be charged interest on drawings @ 12% p.a. Calculate the interest chargeable to Aarushi Drawing by using Simple Interest Method and Product Method.

SOLUTION

1. Simple Interest Method

Date of Withdrawal	Amount of Drawings (₹)	Months till March 31, 2011	Interest @ 12% p.a (₹)
01.08.2010	5,000	08	400
31.12.2010	10,000	03	300
31.03.2011	15,000	00	000
			700

2. Product Method

Date of Withdrawal	Amount of Drawings (₹)	Months for which amount has withdrawn till December 31, 2011	Product (₹)
01.08.2010	5,000	08	40,000
31.12.2010	10,000	03	30,000
31.03.2011	15,000	00	00000
			70,000

Interest on Drawing = Total Product x Rate/100xTime/12 (in months)

= 70,000x12/100x1/12

= ₹ 700

Case 4 : When an equal amount is withdrawn regularly

Interest on Drawing can be calculated using either Product Method or Direct Method (i.e., Short Cut Method)

Direct Method will be used only if all the following three conditions are satisfied :

1. Amount should be same throughout the period
2. Date of Drawings should be same throughout the period
3. Drawings should be made throughout the period regularly without any gap.

Interst on Drawing = Total Product x Rate/100 x T/12

T= Time (in months) for which interest is to be charged

T=Time left after first drawing + Time left after last drawing/2

Value of T under Different circumstances will be as under :

	Monthly Drawings for 12 Months	Quarterly Drawings for 12 Months	Half-Yearly Drawings for 12 Months	Monthly Drawings for 06 Months
When drawing are made in the Beginning of each period	**6.5**	**7.5**	**9**	**3.5**
When drawing are made in the Middle of each period	**6**	**6**	**6**	**3**

When drawing are made in the End of each period	**5.5**	**4.5**	**3**	**2.5**

Illustration :

Calculate interest on drawings of Mr. X @10% p.a if he withdrew ₹ 1000 per month (i) In the begnning of each Month (ii) In the middle of each month (iii) at end of each month.

Total Amount withdrawn = ₹1000x12 = 12,000

(i) Interest on drawing = Amount x Rate/100 x 6.5/12

= 12,000 x 10/100x6.5/12 = ₹ 650

(ii) Interest on drawing = Amount x Rate/100 x 6/12

= 12,000 x10/100x6/12 =₹600

(iii) Interest on drawing = Amount x Rate/100x5.5/12

= 12,000 x 10/100 x 5.5/12 = ₹550

Illustration 2

Calculate interest on drawing of Vimal if the withdrew Rs.48000 in year withdrawn evenly (1) at beginning of each Quarter (ii) in the middle of each Quarter (iii) at end of each Quarter rate is 10%P. A.

Solution

Case I - Drawing made on begnning of each Quarter

Interest on drawing = Amount x Rate/100 x 7.5/12

= 48,000 x 10/100 x 7.5/12 = Rs.3,000

Case II - Drawing made in middle of each quarter

Interest on drawing = Amount x Rate/100 x 6/12

= 48,000 x 10/100 x 6/12 = Rs.2,400

Case III - Drawings made at end of each quarter

Interest on drawing = Amount x Rate/100 x 4.5/12

= 48,000x10/100 x 4.5/12 = Rs.1800

Similarly Interest can be calculated by following farmulas

Half yearly Drawings for year when

(a) Drawings are made in the begning of each period (half-year)

Interest on drawing = Amount x Rate/100 x 9/12

(b) Drawings are made in the middle of each period (half year)

Interes on drawing = Amount x Rate/100 x 6/12

(c) Drawings are made at the end of each period (half year)

Interest on drawing = Amount x Rate/100 x 3/12

For monthly drawings for 6 months

(a) Drawings are made in beginning of each month

Interst = Amount x Rate/100 x 3.5/12

(b) When drawings are made in the middle of each month

Interest = Amount x Rate/100 x 3/12

(c) When drawings are made at the end of each month
Interest = Amount x Rate/100 x 2.5/12

INTEREST ON PARTNER'S LOAN

It is a charge against profits. It is provided irrespective of profits or loss. It will also be provided in the absence of Partnership Deed @ 6% per annum.

The following entries are passed to record the interest on partner's loan

i. For allowing Interest on loan:

Interest on Partner's Loan A/c Dr.

To Partner's Loan A/c

(Being interest on loan allowed @___% p.a.)

ii. For transferring Interest on Loan to Profit and Loss A/c:

Profit and Loss A/c Dr.

To Interest on Loan A/c

(Being interest on loan transferred to P & L A/c)

It is always DEBITED to Profit and Loss A/c

Rent paid to a partner is also a charge against profits and it will also be DEBITED to Profit and Loss A/c.

Q.1. A and B entered into partnership on 1st April, 2010 without any partnership deed. They introduced capitals of Rs. 5, 00,000 and Rs. 3, 00,000 respectively. On 31st October, 2010, A advanced Rs. 2, 00,000 by way of loan to the firm without any agreement as to interest.

The Profit and Loss Account for the year ended 31-03-2011 showed a profit of Rs. 4, 30,000 but the partners could not agree upon the amount of interest on Loan to be charged and the basis of division of profits. Pass a Journal Entry for the distribution of the Profits between the partners and prepare the Capital A/cs of both the partners and Loan A/c of 'A'.

SOLUTION :

Profit and Loss Appropriation Account
For the year ending on 31st March, 2011

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Profits transferred to Capital A/c of : A - 2,12,500 B - 2,12,500	4,25,000	By Profit and Loss A/c Rs. (Net Profits 4,30,000 Less : Interest on A's Loan (5,000)	4,25,000
	4,25,000		**4,25,000**

Dr. **Partner's Capital A/cs** Cr

Date	Particular	A	B	Date	Particular	A	B
31.03.2011	To Balance c/d	7,12,500	5,12,500	01.04.2010	By Bank A/c	5,00,000	3,00,000
				31.03.2011	By Profit and Loss Appropriation A/c	2,12,500	2,12,500
		7,12,500	5,12,500			7,12,500	5,12,500

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Date	Particulars	L.F.	Debit Rs.	Credit Rs.
31.03.2011	Profit and Loss Appropriation A/c Dr		4,25,000	
	To A's Capital A/c			2,12,500
	To B's Capital A/c			2,12,500
	(Being profit distributed among the partners)			

Dr. **A's Loan A/c** Cr.

Date	Particulars	Amount	Date	Particulars	Amount Rs.
2011 March, 31	To Balance c/d	2,05,000	2010 Oct., 31	By Bank A/c	2,00,000
			2011 March, 31	By Interest on Loan A/c	5,000
		2,05,000			2,05,000

Note : Interest on A's Loan = Loan Amount x Rate /100x Time Left after Loan Taken/12
= 2,00,000x 6/100x 05/12
= Rs.5,000

PAST ADJUSTMENTS

If, after preparation of Final Accounts of firm, it is found that some errors or omission in accounts has occurred than such errors or omissions are rectified in the next year by passing an adjustment entry.

A statement is prepared to ascertain the net effect of such errors or omissions on partner's capital/current accounts in the following manner.

Particulars	A Rs.	B Rs.	C Rs.
A. Amount to be given (CREDITED)			
* Interest on Capital (Not allowed or provided at a lower rate)			
* Partner's Salary or Commission etc. (Omitted to be recorded)			
* Actual Profits (To be distributed in correct ratio)			
TOTAL A			
B. Amount already given to be taken back now (DEBITED)			
* Interest on Capital (If given at a higher rate)			
* Interest on Drawings (if not charged)			
* Profits already distributed in worng ratio (debited now)			
TOTAL B			
Net Effect (A-B)	+/-	+/-	+/-

+ Indicates Amount to be Credited to Partner's Capital Account
- indicates Amount to be Debited to Partner's Capital Account

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Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Partner's Capital A/c (Amount to be Debited) Dr To Partners' Capital A/c (Amount to be Credited) (Being adjustment entry passed)			

During Past - adjustment it is not compulsory that capital accounts of all partner's are affected. More than one partner's Capital Account may be debited or credited but amount of debit & credit shold be equal

Q.1 : Manoj Sahil and Dipankar are partners in a firm sharing profits and losses equally. The have omitted interest ob Capital @10% per annum for three years ended on 31st March, 2011. Their fixed Capital on which interest was to be calculated throughout the were :

Manoj	Rs.3,00,000
Sahil	Rs.2,00,000
Dipankar	Rs.1,00,000

Give the necessary adjusting journal entry with working notes.

SOLUTION :

Books of Manoj, Sahil and Dipankar

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Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Dipankar's Current A/c Dr.		30,000	
	To Manoj's Current A/c			30,000
	(Being adjustment entry passed)			

STATEMENT SHOWING ADJUSTMENT

Particulars	Manoj Rs.	Sahil Rs.	Dipankar Rs.
A. Amount to be given (Credited)			
Interest on Capital	90,000	60,000	30,000
Total A	90,000	60,000	30,000
B. Amount already given to be taken back now (DEBITED) :			
Excess Profit taken back from teh partners in their profit sharing ratio	60,000	60,000	60,000
(Rs.90,000+60,000+30,000 = 1,80,000)			
Total B	*60,000*	*60,000*	*60,000*
Net Effect (A-B)	*30,000*	*Nil*	*30,000*
	Credit		*Debit*

Hint :- As closing balance sheet is given so before calculation of interest opening capital should be calculated

Q2. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. The following was the Balance Sheet of the firm as on 31-03-2011 :

BALANCE SHEET
AS ON 31-03-2011

Liabilities		₹	Assets	₹
Capitals :	Rs.		Sundry Assets	80,000
A	60,000			
B	20,000	80,000		
		80,000		**80,000**

The profits Rs.30,000 for the year ended 31-03-2011 were divided between the partners without allowing interest on capital @ 12% p.a. and salary to A Rs.1,000 per month. During the year A withdrew Rs.10,000 and B Rs.20,000.

Pass the necessary adjustment entry and show your working clearly

The profits ₹30,000 for the year ended 31-03-2011 were divided between the partners without allowing interest on capital @ 12% p.a. and salary to A ₹1,000 per month. During the year A withdrew ₹10,000 and B ₹20,000.
Pass the necessary adjustment entry and show your working clearly

Books of A and B
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Date	Particulars	L.F.	Debit ₹	Credit ₹
	B's Capital A/c Dr.		30,000	
	To A's Capital A/c			30,000
	(Being interest on capital and salary to A not Charged, now rectified)			

Working Notes :

1. Calculation of Opening Capital : As Closing Balance Sheet is given so before calculation of interest opening capital should be calculated

Particulars	A ₹	B ₹
Capital at the End	60,000	20,000
Add : 1. Drawings	10,000	20,000
	70,000	40,000
Less : Profits during the year	(18,000)	(12,000)
Opening Capital	52,000	28,000

2. Calculation of Net Effect

STATEMENT SHOWING ADJUSTMENT

Particulars	A ₹	B ₹
A. Amount to be given (CREDITED)		
Interest on Capital (Not provided)	6,240	3,360
Salary to A (Not provided)	12,000	------
TOTAL A	18,240	3,360
B. Amount already given to be taken back now (DEBITED) :		
Loss to the firm due to Interest on Capital and Salary to A be debited to the partners in their profit sharing ratio (Rs.18,240+3,360=21,600)	12,960	8,640
TOTAL B	12,960	8,640
NET Effect (A-B)	5,280 Credit	5,280 Debit

GUARANTEE OF PROFITS TO A PARTNER

Guarantee is an assurance given to the partner of the firm that at least a fixed amount shall be given to him/her irrespective of his/her actual share in profits of the firm. If actual share in profits is less than the guaranteed amount in that case the deficit amount shall be borne either by the firm or by any partner as the case may be.

Note : *Guarantee to a partner is given for minimum share in profits. If the actual share in profits is more than the minimum guaranteed amount then the actual profits will be allowed to the partner*

Case : **1. When guarantee is given by FIRM (i.e., by all the Partners of the firm)**

1. Guaranteed amount to a partner is written in Profit and Loss Appropriation A/c

2. Remaining profits are distributed among the remaining partners in their remaining ratio.

Case 2: When guarantee is given by a partner or partners to another partner

1. **Calculate the share in profits for the partner to whom guarantee is given**
2. **If share in profits is more than the guaranteed amount, distribute the profits as per the profit and loss sharing ratio in usual manner.**
3. **If share in profits is less than the guaranteed amount, find the difference between the share in profits and the guaranteed amount and the difference is known as Deficiency.**

   Deficiency is distributed among the partner or partners who guaranteed in a certain ratio and subtracted from his or their respective shares.

Q. A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C for 1/6th share in profits and guaranteed that his share of profits will not be less then Rs. 25,000. Total profits of the firm were Rs. 90,000. Calculate share of profits for each partner when:

1. Guarantee is given by firm.
2. Guarantee is given by A
3. Guarantee is given by A and B equally.

SOLUTION:

Case 1. When Guarantee is given by firm

Profit and Loss Appropriation Account
For the year ending on 31ST March, 2011

Dr. **Cr.**

Particulars	₹	Particulars	₹
To A's Capital A/c (3/5 of Rs.65,000)	39,000	By Profit and Loss A/c	90,000
To B's Capital A/c (2/5 of Rs.65,000)	26,000		
To C's Capital A/c (1/6 of Rs.90,000 or Rs. 25,000 whichever is more	25,000		
	90,000		90,000

Case 2. When Guarantee is given by A

Profit and Loss Appropriation Account
For the year ending on 31ST March, 2011

Dr. **Cr.**

Particulars		₹	Particulars	₹
To A's Capital A/c			By Profit and Loss A/c	
(3/6 of Rs.90,000)	45,000		(Net Profits)	90,000
Less : Deficiency				
Borne for C	(10,000)	35,000		
To B's Capital A/c				
(2/6 of Rs.90,000)		30,000		
To C's Capital A/c				
(1/6 of Rs.90,000	15,000			
Add : Deficiencey				
Recover from A	10,000	25,000		
		90,000		90,000

Case 3. When Guarantee is given by A and B equally

Profit and Loss Appropriation Account
For the year ending on 31ST March, 2011

Dr. **Cr.**

Particulars		₹	Particulars	₹
To A's Capital A/c			By Profit and Loss A/c	
(3/6 of Rs.90,000)	45,000		(Net Profits)	90,000
Less : Deficiency				
Borne for C				
(1/2 of 10,000)	5,000	30,000		
To B's Capital A/c				
(2/6 of Rs.90,000)	30,000			
Less : Deficiency				
Borne for C				
(1/2 of 10,000)	5,000			
		25,000		
To C's Capital A/c				
(1/6 of Rs.90,000	15,000			
Add : Deficiency				
Recover from A	5,000			
Deficiency				
Recover From B	5,000	25,000		
		90,000		90,000