



Ready For Boards
10th & 12th Exam Prep

CHAPTER 2

Accounting for Partnership Firms

Fundamentals · CBSE Class 12 · Accountancy · Chapter 2

CBSE · Accountancy · Class 12

WHAT THIS CHAPTER DOES

Boards prep that builds confidence, not anxiety.

TODAY'S MISSION

Today's mission

WHY THIS MATTERS

Why this chapter matters

TOPIC

A

**What IS a
partnership?**

THEOREM · LOAD-BEARING RESULT

Indian Partnership Act 1932 — the legal definition



Section 4 of the Indian Partnership Act 1932 defines partnership as 'the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all'. The three essential elements are: (a) a contract / agreement, (b) between two or more persons, (c) to share profits of a business carried on by all or any of them.

STATEMENT

Section 4 essentials → contract + 2+ persons + agreement to share profits + business activity + mutual agency (each partner can bind the others). Section 4 carries the famous phrase 'business carried on by all or any of them'

WHY THIS MATTERS

- The 1932 Act is the legal backbone of every Indian partnership
- Every CBSE 'features of partnership' question maps to one of the Section 4 essentials
- Mutual agency is the conceptual differentiator from a company (where directors act for the company, not on personal authority)

WATCH OUT FOR

NOTE Don't confuse Partnership with HUF, co-ownership, joint property, or association of persons. Partnership requires an EXPRESS or IMPLIED contract — mere joint ownership of property is NOT partnership even if profits are split.

TOPIC

5 essential features of a partnership (Section 4 + supporting case law)

CONTRACT / AGREEMENT

There must be a **CONTRACT** (written or oral, express or implied) between the partners — partnership arises from agreement, never from operation of law. This distinguishes it from HUF (which arises by birth into a Hindu joint family) and from joint property co-ownership. The contract usually takes the form of a

TWO OR MORE PERSONS

A partnership requires **MINIMUM TWO** persons. Maximum number of partners is 50, per the Companies (Miscellaneous) Rules 2014 issued under the Companies Act 2013 (the older 20-partner limit under the 1956 Act is **OBSOLETE**). The 50-partner ceiling exists to prevent partnerships from being used as a substitute

SHARING OF PROFITS

Partners must **AGREE** to share the profits of the business. The sharing need not be in any specific ratio — any ratio agreed by partners is binding. If no ratio is specified, Section 13(b) applies and partners share **EQUALLY** regardless of capital contributed. Sharing of **LOSSES** is implied — if you share profits, you share losses

BUSINESS ACTIVITY

The activity must be a **BUSINESS** — defined in Section 2(b) of the Act as any trade, occupation, or profession. Mere joint ownership of property without any active business does **NOT** constitute partnership. Section 6 lists 'rules for determining the existence of partnership' — sharing of gross returns does not automatically

TOPIC

B

Partnership Deed — the rulebook

TOPIC

What the deed should cover + why it matters

WHY WRITE A DEED?

A partnership deed is a WRITTEN document recording the terms agreed among partners. Although the 1932 Act does NOT mandate a written deed (oral agreements are legally valid), every business reason supports having one — avoiding disputes, proving terms in court, easing tax compliance, simplifying accounting

ESSENTIAL CLAUSES

A well-drafted deed covers: (a) name of firm and partners, (b) nature and place of business, (c) capital contribution by each partner, (d) profit-sharing ratio, (e) interest on capital, drawings, and partner loans (if any), (f) partner salary/ commission (if any), (g) duration of partnership, (h) procedure for admission, retirement, death of partner

REGISTRATION — MANDATORY OR OPTIONAL?

Registration of a partnership firm with the Registrar of Firms (under Section 58 of the Act) is OPTIONAL — but UN-registered firms suffer significant disabilities under Section 69: they cannot sue third parties to enforce contracts, cannot file suit against partners for any right arising from the

SECTION 13 — THE SAFETY NET

If a partnership has NO DEED or the deed is SILENT on a particular issue, Section 13 of the Act supplies the default rules. The four most-tested defaults: (1) profits and losses are shared EQUALLY among partners regardless of capital contributed; (2) NO interest on capital is payable; (3) NO partner

THEOREM · LOAD-BEARING RESULT

Section 13 — the four default rules (memorise verbatim)



In the ABSENCE of a partnership deed, or where the deed is silent on a specific matter, the Indian Partnership Act 1932 Section 13 supplies default rules that govern the partners' rights and obligations.

STATEMENT

Section 13(b): Subject to contract between partners, partners are entitled to share equally in the profits earned, and shall contribute equally to the losses sustained by the firm. Section 13(c): No partner is entitled to

WHY THIS MATTERS

- Section 13 is the CBSE 3-mark 'no deed' question generator
- Every year, candidates are asked to apply these four defaults to a scenario
- The most common trap is partners claiming '6% interest on capital' — wrong, it's 6% on LOANS, not on capital.

WATCH OUT FOR

NOTE The four defaults are NOT independent of the deed. ANY of them can be overridden by an explicit contrary provision in the deed. If the deed says 'partners share profit in 3:2 ratio', Section 13(b)'s equal-sharing rule does NOT apply. The defaults fill the GAPS in an incomplete deed.

TOPIC

C

Profit & Loss Appropriation Account

THEOREM · LOAD-BEARING RESULT

The Appropriation A/c — distributing net profit among partners

The Profit & Loss APPROPRIATION Account is a separate ledger account (distinct from the regular P&L A/c) that distributes the NET PROFIT computed in the regular P&L A/c among the partners and reserves. It is prepared AFTER the P&L A/c and BEFORE posting to Partners' Capital / Current Accounts.

STATEMENT

Structure: 2-column T-account.
CREDIT side: 'By Profit & Loss A/c (Net Profit brought down)' + 'By Interest on Drawings' (charged to partners). **DEBIT side: 'To Interest on Capital' (allowed to partners) + 'To Partners' Salary / Commission'**

WHY THIS MATTERS

- The Appropriation A/c serves a specific legal purpose — it APPROPRIATES (allocates) the firm's profit to the owner-partners, who are not employees
- Items like partner's salary, interest on capital, and commission are NOT business EXPENSES (because partners are owners, not employees) — they are

WATCH OUT FOR

NOTE Do NOT confuse the regular P&L A/c with the P&L APPROPRIATION A/c. Regular P&L computes net profit by deducting business expenses (employee salaries, rent, depreciation, etc.) from gross profit. Appropriation A/c then distributes that net profit. CBSE 1-mark MCQs frequently test the placement of partner's salary — the answer is always

WORKED EXAMPLE

Prepare P&L Appropriation A/c — full step-through

1 DATA (₹): A and B are partners sharing profits 3:2. Capitals: A 200000, B 150000. Drawings (during year): A 30000, B 20000. Deed provides interest on capital 8% p.a., interest on drawings 10% p.a. (already computed: A ₹1500, B ₹1000), partner's salary to A ₹24000 p.a., commission to B 10% of net profit after interest on capital and salary but before commission. Net Profit (from P&L A/c) = ₹110000.

2 Step 1 — Compute Interest on Capital: A = $200000 \times 8\% = 16000$. B = $150000 \times 8\% = 12000$.

3 Step 2 — Compute Commission to B: Profit before commission = $110000 + (\text{interest on drawings}) 2500 - \text{Interest on Capital } 28000 - \text{Salary } 24000 = 60500$. Commission to B = $60500 \times 10\% = ₹6,050$.

4

P&L Appropriation A/c for year ended 31 March

Format: standard 2-column T

RECEIPTS (Dr.)		PAYMENTS (Cr.)	
By Profit & Loss A/c (Net Profit b/d)	₹ 1,10,000	To Interest on Capital — A 16,000 + B 12,000	₹ 28,000
By Interest on Drawings — A 1,500 + B 1,000	₹ 2,500	To Salary — A	₹ 24,000
		To Commission — B (10% of 60,500)	₹ 6,050

TOPIC

D

Partners' Capital Accounts — two methods

TOPIC

Fluctuating Capital Method — one account per partner (DEFAULT)

SINGLE ACCOUNT STRUCTURE

Each partner has ONE Capital Account that absorbs every transaction affecting their capital — opening capital, additional capital introduced, drawings, interest on capital, interest on drawings, salary, commission, share of profit/loss. The closing balance fluctuates year-to-year as a

WHAT GOES CREDIT SIDE?

Cr (increases): Opening balance b/d (Cr) + Additional capital introduced + Interest on Capital + Partner's Salary + Commission to Partner + Share of Profit transferred from Appropriation A/c. All credits represent amounts the firm owes to the partner. Memorise the four 'appropriation' items in this list — they are the most-

WHAT GOES DEBIT SIDE?

Dr (decreases): Drawings during the year + Interest on Drawings + Share of Loss + Capital withdrawn permanently. All debits represent amounts withdrawn from or charged against the partner's stake. The closing balance (c/d) is computed as the balancing figure and carried forward.

CLOSING BALANCE

Closing balance can be either Cr (most common case) or Dr (overdrawn — the partner owes the firm). A Dr closing balance is uncommon but legal — it appears in Balance Sheet on the ASSETS side under 'Partner's Capital A/c (Dr)' as recoverable from the partner. CBSE asks 'where does Dr closing balance appear?' as a 1-mark MCQ

TOPIC

Fixed Capital Method — two accounts per partner

TWO-ACCOUNT STRUCTURE

Each partner has TWO accounts: a CAPITAL A/c that stays largely constant (only changes when capital is permanently introduced or withdrawn), and a CURRENT A/c that absorbs all other movements (drawings, interest, salary, profit share). This method requires EXPLICIT PROVISION in the partnership deed — it is

WHAT GOES IN CAPITAL A/C?

Capital A/c (very limited entries): Opening Capital (Cr balance b/d), Additional Capital Introduced (Cr), Capital Withdrawn Permanently (Dr), Closing Capital (c/d). Drawings, interest on capital, salary, profit share are NEVER posted to Capital A/c under this method — they all go to Current A/c. CBSE 3-mark answers must explicitly

WHAT GOES IN CURRENT A/C?

Current A/c absorbs everything else: Opening Cr balance (or Dr) + Interest on Capital (Cr) + Salary (Cr) + Commission (Cr) + Share of Profit (Cr) – Drawings (Dr) – Interest on Drawings (Dr) – Share of Loss (Dr) = Closing balance (Cr or Dr). The Current A/c is where the 'fluctuation' happens under Fixed method.

CLOSING PRESENTATION IN BALANCE SHEET

Closing Capital balance (always Cr) → Liabilities side under 'Partners' Capital Accounts'. Closing Current balance: if Cr → Liabilities side under 'Partners' Current Accounts'; if Dr → ASSETS side under 'Partners' Current A/c (Dr)'. CBSE 5-mark long-answers test the Balance Sheet treatment of

TOPIC

Fixed vs Fluctuating — the 5-point distinction CBSE wants

NUMBER OF ACCOUNTS

Fluctuating Method: ONE account per partner (Capital A/c only). Fixed Method: TWO accounts per partner (Capital A/c + Current A/c). This is the headline distinction CBSE asks for as the first row of a 3-mark differentiate-table answer. Examiners reward answers structured as a parallel table over prose paragraphs.

BEHAVIOUR OF CAPITAL BALANCE

Fluctuating: Capital balance CHANGES every year as drawings, interest, salary, profit absorb into it — hence the name. Fixed: Capital balance stays MOSTLY CONSTANT — only varies when capital is permanently introduced or withdrawn. The 'fluctuation' under Fixed method happens in the Current A/c

TREATMENT OF DRAWINGS AND APPROPRIATIONS

Fluctuating: drawings + interest on drawings + interest on capital + salary + profit share ALL post to the Capital A/c. Fixed: ALL of these post to the Current A/c — never to the Capital A/c. The cleanest one-line distinction: 'in Fluctuating, Capital absorbs all; in Fixed, Capital stays static while Current absorbs all.'

DEFAULT STATUS

Fluctuating Method is the DEFAULT when the partnership deed is silent on capital structure. Fixed Method requires EXPLICIT PROVISION in the deed. Students often miss this — the trap question is 'what method applies in the absence of a deed?' Answer: Fluctuating. CBSE has tested this in multiple recent years.

TOPIC

E

Interest on Drawings — Average Period method

THEOREM · LOAD-BEARING RESULT

Average Period Method — the standard CBSE technique



When drawings are made at regular intervals (e.g. monthly, quarterly), the Average Period method is used to compute interest on drawings in a single formula rather than computing interest on each drawing separately.

STATEMENT

Formula: Interest on Drawings = Total Drawings × Rate × Average Period / 12. Average Period (AP) depends on the pattern: Monthly at BEGINNING of each month → $AP = (12 + 1)/2 = 6.5$ months. Monthly at END of each month →

WHY THIS MATTERS

- The Average Period method is exam-standard because it produces the correct interest in a single calculation
- The intuition: instead of computing interest on each monthly drawing for its actual outstanding period, compute the total drawings as if they were all withdrawn at the AVERAGE moment

WATCH OUT FOR

NOTE The single most common error: using $AP = 6$ months for all monthly patterns. Only the MIDDLE-of-month case is 6. Beginning is 6.5, end is 5.5. Memorise the three monthly values (6.5 / 6 / 5.5) AND the two quarterly values (7.5 / 4.5). For unusual patterns (e.g. drawings only in first six months), calculate AP from first principles using

WORKED EXAMPLE

Interest on Drawings — three patterns compared

- 1 Scenario: Partner A draws ₹5,000 each month for 12 months. Rate of interest on drawings = 12% per annum.
- 2 Pattern 1 — Drawings at BEGINNING of each month: Total Drawings = $5000 \times 12 = 60,000$. AP = 6.5 months. Interest = $60000 \times 12\% \times 6.5/12 = ₹3,900$.
- 3 Pattern 2 — Drawings at END of each month: AP = 5.5 months. Interest = $60000 \times 12\% \times 5.5/12 = ₹3,300$.
- 4 Pattern 3 — Drawings in MIDDLE of each month: AP = 6 months. Interest = $60000 \times 12\% \times 6/12 = ₹3,600$.
- 5 Observation: same total drawings + same rate, but different timing yields different interest because the money was 'outstanding' for different average durations. The earlier the drawing, the longer it was outstanding, the higher the interest.

TOPIC

F

Guarantee of Profit

THEOREM · LOAD-BEARING RESULT

Guarantee of profit to a partner



A 'guarantee of profit' is an arrangement where one or more existing partners **GUARANTEE** to a junior or new partner a **MINIMUM** share of profit, regardless of the actual partnership profit-sharing ratio.

STATEMENT

Procedure: (1) Compute each partner's share of the year's profit at the **NORMAL** profit-sharing ratio. (2) Compare the guaranteed partner's actual share with the guaranteed minimum. (3) If actual \geq guaranteed, no adjustment

WHY THIS MATTERS

- Guarantee arrangements are common when a senior partnership admits a new partner who is bringing skills/clients but is unable to bear the risk of an unprofitable year
- The guarantee provides certainty to the junior partner
- CBSE 4-mark questions test the adjustment procedure equally

WATCH OUT FOR

NOTE Guarantee is given BY individual partners, NOT by the firm. The firm does not absorb the deficiency. After adjustment, the guaranteed partner gets at least the guaranteed amount; the guarantor partner(s) receive their normal share MINUS the deficiency they bore.

PYQ PATTERNS

Top 5 PYQ patterns to drill

MARKS DISTRIBUTION

Where to spend your revision time

TOPIC

Number of partners — legal limit

TRAP → TRUTH

× **MISTAKE** Maximum number of partners in any firm is 20.

✓ **CORRECT** Per the Companies (Miscellaneous) Rules 2014 (issued under the Companies Act 2013), the maximum number of partners in any firm is 50, NOT 20. The earlier 20-partner limit under the Companies Act 1956 was raised. Students who memorise outdated limits lose the 1-mark question. The minimum is always 2 (per Indian Partnership Act 1932 Section 4).

TOPIC

In the absence of partnership deed — interest on capital

TRAP → TRUTH

✗ **MISTAKE** In the absence of a partnership deed, partners are entitled to 6% interest on capital (same as on loans).

✓ **CORRECT** In the absence of a deed, NO interest on capital is payable. The 6% per annum rate applies ONLY to partner LOANS (advances over and above capital). Interest on capital requires explicit provision in the deed. CBSE 3-mark answers must state the four S.13 default rules: equal profit-sharing, NO interest on capital, NO salary, 6% on loans only.

TOPIC

Partner's salary — treatment in books

TRAP → TRUTH

- ✗ **MISTAKE** Partners' salary is debited to the Profit & Loss Account, like an employee's salary.
- ✓ **CORRECT** Partner's salary is NOT a business expense — partners are owners, not employees. It is debited to the P&L APPROPRIATION account (which distributes net profit AMONG owners) and credited to the partner's Capital A/c (Fluctuating method) or Current A/c (Fixed Capital method). The same logic applies to interest on capital and commission to a partner.

TOPIC

Interest on Drawings — by whom and when

TRAP → TRUTH

- ✗ **MISTAKE** Interest on drawings is calculated only if the partnership deed says so AND only when there is a profit.
- ✓ **CORRECT** Interest on drawings is charged if the deed PROVIDES for it, regardless of whether the firm earns profit or loss. It is debited to Partner's Capital/Current A/c and credited to the P&L Appropriation A/c. The 'only if profit' restriction applies to interest on capital + salary + commission, NOT to interest on drawings — drawings interest is treated as income to the firm.

TOPIC

Fixed vs Fluctuating Capital Method — which is default

TRAP → TRUTH

- × **MISTAKE** The default capital method when the deed is silent is the Fixed Capital Method.
- ✓ **CORRECT** The DEFAULT method when the deed is silent is the FLUCTUATING CAPITAL METHOD — a single Capital A/c per partner where every transaction (drawings, interest on capital, salary, share of profit) flows through. Fixed Capital Method (two-account system: Capital A/c stays constant + Current A/c absorbs movements) MUST be specifically provided in the deed.

TOPIC

Current Account balance — debit or credit?

TRAP → TRUTH

× **MISTAKE** Current A/c balance is always a credit balance.

✓ **CORRECT** Current A/c balance can be EITHER debit OR credit. Credit balance means the partner has earned more (interest + salary + profit share) than withdrawn (drawings + interest on drawings) — a liability of the firm to the partner. Debit balance means the partner has overdrawn — an asset of the firm (recoverable from the partner). In the Balance Sheet, Cr balance → Liabilities side under 'Partners' Capital'; Dr balance → Assets side under 'Partners' Current A/c (Dr)'.

TOPIC

Guarantee of profit — by whom and how to apply

TRAP → TRUTH

- ✗ **MISTAKE** Guarantee is given by the firm, so the firm absorbs the deficiency.
- ✓ **CORRECT** Guarantee is given by one or more existing partners (the GUARANTORS) to a new partner or junior partner (the GUARANTEED). The firm does NOT absorb deficiency. After computing each partner's share at the normal ratio, compare the guaranteed partner's actual share with the guaranteed amount. If actual < guaranteed, the SHORTFALL is borne by the guarantor partner(s) in their agreed ratio (defaulting to their PSR if not specified).

TOPPER TEMPLATE · MARK-BY-MARK

5-6 mark question: Prepare Profit & Loss Appropriation Account from given particulars

- 1** **FORMAT THE APPROPRIATION A/C HEADER CORRECTLY**
1 m
Title: 'Profit & Loss Appropriation Account for the year ended 31 March 20XX'. Two columns: Dr (left) and Cr (right). Both sides labelled 'Particulars' and 'Amount (₹)'.
- 2** **CREDIT SIDE: NET PROFIT TRANSFERRED + INTEREST ON DRAWINGS**
2 m
Cr side opens with 'By Profit & Loss A/c (Net Profit transferred)' = ₹X. Add 'By Interest on Drawings' (if applicable) with sub-totals per partner. Show partner-wise breakdown in narrations: 'By Interest on Drawings — A ₹500 + B ₹400 = ₹900'.
- 3** **DEBIT SIDE: INTEREST ON CAPITAL + SALARY + COMMISSION + RESERVE**
2 m
Dr side: 'To Interest on Capital — A ₹X + B ₹Y = ₹X+Y'. 'To Partner's Salary — to A ₹Z'. 'To Partner's Commission — to B ₹W'. 'To Reserve / General Reserve' (if appropriated).
- 4** **PROFIT TRANSFERRED TO PARTNERS' CAPITAL A/C**
1 m
Final Dr line: 'To Profit Transferred to Partners' Capital A/c — A (3/5) ₹M + B (2/5) ₹N = ₹M+N'. The PSR division must be shown. Both sides totalled must match.

TOPPER TEMPLATE · MARK-BY-MARK

6-mark question: Prepare Capital A/c and Current A/c under Fixed Capital Method

- 1 CAPITAL A/C (PER PARTNER) — OPENS WITH OPENING CAPITAL, CLOSSES WITH SAME AMOUNT**
1 m
Capital A/c is STATIC under Fixed Capital Method: only opening Cr balance + additional capital introduced (Cr) + capital withdrawn permanently (Dr). Drawings, interest on capital, salary, profit share all go to Current A/c — never to Capital A/c. Closing balance equals opening + additions – permanent withdrawals.
- 2 CURRENT A/C STRUCTURE — OPENS WITH OPENING CR (USUALLY) BALANCE**
1 m
Current A/c opens with opening balance (usually Cr but can be Dr). Cr entries: Interest on Capital + Salary + Commission + Profit share. Dr entries: Drawings + Interest on Drawings + Loss share.
- 3 COMPUTE EACH LINE PRECISELY**
2 m
 $\text{Interest on Capital} = \text{Opening Capital} \times \text{Rate} \times \text{Time}$. Interest on Drawings (if drawings spread): use product method or average period. Salary: fixed annual amount. Profit/Loss share: per PSR.
- 4 CLOSE CURRENT A/C AND PRESENT BALANCE SHEET ENTRY**
2 m
Closing balance c/d = balancing figure (Cr if income > drawings; Dr if drawings > income). In Balance Sheet: Cr balance → Liabilities under Partners' Current A/c; Dr balance → Assets under Partners' Current A/c (Dr). Show both partners' Capital A/c balances on the Liabilities side separately.

TOPPER TEMPLATE · MARK-BY-MARK

3-4 mark question: Calculate Interest on Drawings using Average Period method

- 1 IDENTIFY DRAWING PATTERN AND THE PERIOD COVERED**
1 m
Drawings made at regular intervals. CBSE common patterns: ₹X at the beginning of each month, ₹X at the end of each month, ₹X in the middle of each month, ₹X quarterly. Identify which pattern.
- 2 COMPUTE AVERAGE PERIOD CORRECTLY PER PATTERN**
1 m
Monthly drawings at BEGINNING of each month: $AP = (12 + 1)/2 = 6.5$ months. Monthly drawings at END of each month: $AP = (11 + 0)/2 = 5.5$ months. Monthly drawings in MIDDLE of each month: $AP = 6$ months. Quarterly at beginning: $AP = (12 + 3)/2 = 7.5$ months. Quarterly at end: $AP = (9 + 0)/2 = 4.5$ months.
- 3 APPLY FORMULA: INTEREST = TOTAL DRAWINGS × RATE × AP/12**
1 m
Worked example: Total annual drawings = ₹60,000. Rate = 10% per annum. Drawings at beginning of each month (AP = 6.5 months). Interest = $60,000 \times 10/100 \times 6.5/12 = ₹3,250$.
- 4 SHOW JOURNAL ENTRY / CAPITAL A/C POSTING**
1 m
Journal: 'Partner's Capital A/c Dr ₹3,250 / To P&L Appropriation A/c ₹3,250'. (Or to Current A/c under Fixed Capital Method.)

PYQ PATTERNS





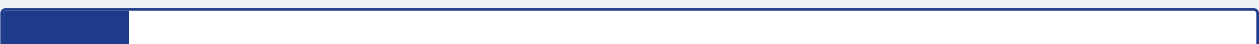
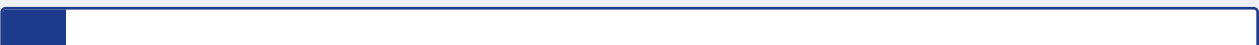
Top PYQ patterns to drill

#1	Prepare P&L Appropriation Account from data including interest on capital, drawings, partners' salary, commission (6 marks)	95%
#2	Distinguish Fixed Capital Method vs Fluctuating Capital Method (3 marks)	70%
#3	Calculate Interest on Drawings	Average Period method when drawings made at regular intervals (3 marks) — 80%
#4	Apply Section 13 provisions when no partnership deed exists (3 marks)	60%
#5	Guarantee of profit	adjustment for deficiency (4 marks) — 50%

MARKS DISTRIBUTION

10-year marks distribution

10-YEAR PYQ MARKS DISTRIBUTION

P&L Appropriation Account preparation (5-6 marks)		30%
Capital A/c + Current A/c (Fixed vs Fluctuating)		25%
Interest on Drawings (average period method)		15%
Past adjustments / rectification of error		15%
Conceptual: nature of partnership, deed essentials, S.13 provisions		10%
Guarantee of profit to a partner		5%

RECAP · MEMORISE THESE

5-line revision (memorise these)

1 Section 4 — Partnership = relation between persons who have agreed to share profits of business carried on by all or any acting for all. Min 2, max 50 partners (Companies Rules 2014).

2 Section 13 defaults — No deed → profit-sharing EQUAL · NO interest on capital · NO salary · 6% pa on partner LOANS only. These four are the most-tested 3-mark question generators.

3 Appropriation A/c — Cr side: Net Profit + Interest on Drawings. Dr side: Interest on Capital + Salary + Commission + Reserve + Profit transferred to Partners (in PSR). Both sides total must match.

4 Capital methods — Fluctuating (DEFAULT): 1

5 Interest on Drawings AP — Monthly: 6.5/6/5.5

WHAT'S NEXT

Coming up next



- Chapter 3 — Reconstitution of a Partnership Firm: Change in Profit Sharing Ratio + Goodwill (builds directly on Ch 2's PSR and capital accounts).
- Quick check: can you write the four Section 13 default rules from memory in under 30 seconds? If yes, you are ready for Ch 3.



Ready For Boards
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Practise — drill, board paper, take the CBT

15-MCQ Quick Drill (20 min) → 30-mark Board Paper (60 min) → 20-MCQ Chapter CBT with timer + scorecard. All on the Chapter Notes page.

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