

Week 2 : Partnership Accounts - Basic

Partnership business involves at least 2 owners. The objective of forming the business is to expand business by obtaining more finance support. The most usual form of partnership is family partnership. The general examples are as follows.

- Public accountant (not company accountant)
- Doctor/ Dentist
- Lawyer/Solicitor
- Husband and wife owning a small kiosk

Week 2 : Partnership Accounts - Basic

Characteristics

If sole trader wishes to expand his business, long-term finance is often difficult to obtain. The answer for most sole traders is to take a partner from his friend or family.

Week 2 : Partnership Accounts - Basic

Accounting for partnership

With regard to format of income statement and balance sheet, the student needs to understand *two* additional accounts.

1] Profit and Loss Appropriation Account

(under net profit of income statement)

2] Capital and Current account

(capital is replaced by these 2 accounts)

Week 2: Partnership Accounts - Basic

Profit and Loss Appropriation Account

It is to record all incomes and expenses incurred due to the participation of each partner.

Capital and Current account

Owners' investments are replaced by the partners' investments

- 1] Capital account (Partners' shares of fixed capital in the company)
- 2] Current account (Partners' shares of profits/losses - drawings)