K.G.S. MARTIC .HR. SEC. SCHOOL.

POONDI RING ROAD, 4TH CHETTIPALAYAM (PO),

TIRUPUR - 3

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12TH - ACCOUNTANCY

3. ACCOUNTS OF PARTNERSHIP FIRMS FUNDAMENTALS

INTEREST ON CAPITAL:

- **Interest on capital** = Amount of capital × $\frac{\text{Rate of interest per annum}}{100}$ × $\frac{\text{Period of interest}}{12}$

[Note: Since the date of additional capital introduced is not given, interest on additional capital is calculated for an average period of 6 months]

INTEREST ON DRAWINGS:

I. DIRECT METHOD

- **Interest on drawings** = Amount of drawings × $\frac{\text{Rate of interest}}{100}$ × $\frac{\text{Period of interest}}{12}$

[Note: Since the date of drawings is not given, interest is calculated for an average period of 6 months]

II. PRODUCT METHOD

Calculate interest at the prescribed rate for **one month** by using the following formula.

- **Interest on drawings** = Sum of products × $\frac{\text{Rate of interest}}{100}$ × $\frac{1}{12}$

Calculate interest at the prescribed rate for **per day** by using the following formula**.**

- **Interest on drawings** = Sum of products × $\frac{\text{Rate of interest}}{100}$ × $\frac{1}{12}$

III. AVERAGE PERIOD METHOD:

- **Interest on drawings** =Total amount of drawings × $\frac{\text{Rate of interest}}{100}$ × $\frac{\text{Average period}}{12}$

❖ **Average period in Month:**

- Withdrawn in the beginning of every month

$$\text{Average Period} = \frac{12+1}{2} = \frac{13}{2} = 6.5 \text{ month}$$

$$= \frac{6.5}{12} \text{ (or) } \frac{13}{24}$$

- Withdrawn in the middle of every month

$$\text{Average Period} = \frac{11.5+0.5}{2} = \frac{12}{2} = 6 \text{ month}$$

$$= \frac{6}{12} \text{ (or) } \frac{12}{24}$$

- Withdrawn in the End of every month

$$\text{Average Period} = \frac{11+0}{2} = \frac{11}{2} = 5.5 \text{ month}$$

$$= \frac{5.5}{12} \text{ (or) } \frac{11}{24}$$

❖ **Average period in Quarterly:**

- Withdrawn in the beginning of every quarter

$$\text{Average Period} = \frac{12+3}{2} = \frac{15}{2} = 7.5 \text{ month}$$

$$= \frac{7.5}{12} \text{ (or) } \frac{15}{24}$$

- Withdrawn in the middle of every quarter

$$\text{Average Period} = \frac{10.5 + 1.5}{2} = \frac{12}{2} = 6 \text{ month}$$

$$= \frac{6}{12} \quad (\text{or}) \quad \frac{12}{24}$$

- Withdrawn in the End of every quarter

$$\text{Average Period} = \frac{9 + 0}{2} = \frac{9}{2} = 4.5 \text{ month}$$

$$= \frac{4.5}{12} \quad (\text{or}) \quad \frac{9}{24}$$

❖ **Average period in Half yearly:**

- Withdrawn in the beginning of half yearly

$$\text{Average Period} = \frac{12 + 6}{2} = \frac{18}{2} = 9 \text{ month}$$

$$= \frac{9}{12} \quad (\text{or}) \quad \frac{18}{24}$$

- Withdrawn in the middle of half yearly

$$\text{Average Period} = \frac{9 + 3}{2} = \frac{12}{2} = 6 \text{ month}$$

$$= \frac{6}{12} \quad (\text{or}) \quad \frac{12}{24}$$

- Withdrawn in the End of half yearly.

$$\text{Average Period} = \frac{6 + 0}{2} = \frac{6}{2} = 3 \text{ month}$$

$$= \frac{3}{12} \quad (\text{or}) \quad \frac{6}{24}$$

SALARY AND COMMISSION TO PARTNERS:

- Commission as a percentage of net profit **Before** charging such commission

  $$= \text{Net profit before commission} \times \frac{\text{Percentage of commission}}{100}$$

- Commission as a percentage of net profit **After** charging such commission

  $$= \text{Net profit before commission} \times \frac{\text{Percentage of commission}}{100 + \text{Percentage of commission}}$$

>>>> ALL THE BEST <<<<

Padasalai

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