

Rights of partners

- Right to take part in management
- Right to inspect the books of accounts
- Right to share profits
- Right to be consulted about matters affecting the partnership business
- Right to retire

Duties of partners

- He should be faithful to other partners
- He should share the losses of the firm
- To attend his duties diligently
- He should not compete with the firm

Preparation of Profit & Loss Appropriation Account

In case of a partnership firm, all charge are shown in profit and loss account and all appropriations are shown in Profit and Loss Appropriation Account. The main purpose of preparing Profit and Loss Appropriation Account is 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 a temporary account and by nature it is a nominal account.

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

1. When Profit from Profit and Loss Account is transferred to the P/L Appropriation A/c

Profit and Loss A/c Dr.
 To Profit and Loss Appropriation A/c
(Being profit transferred to P & L Appropriation A/c)

2. For Interest on Capital

(a) For allowing Interest on capital

Interest on Capital A/c
 To Partners' Capital/Current A/cs
(Being interest on capital allowed @ ___ % p.a)

(b) 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 transferred to P & L Appropriation A/c)

3. For Salary of Commission payable to a partner

(a) 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)

(b) 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 :

(a) 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.)

(b) For transferring Interest on drawings to Profit and Loss Appropriation A/c :

Interest on Drawings A/c Dr.
 To Profit and Loss Appropriation A/c
(Being interest on drawings transferred to P & L Appropriation 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

Particulars	Amount	Particulars	Amount
To Interest on Capital		By Profit & Loss A/c (profit)	xxxx
X xxxx		By interest on Drawings :	
Y xxxx		X xxxx	
Z <u>xxxx</u>	xxxx	Y xxxx	
To Partners Salary		Z <u>xxxx</u>	xxxx
X xxxx			
Y xxxx			
Z <u>xxxx</u>	xxxx		
To Partners Commission			
X xxxx			
Y xxxx			
Z <u>xxxx</u>	xxxx		
To Transfer to Reserve	xxxx		
To Profit Transferred to			
X's Capital/Current A/c xxxx			
Y's Capital/Current A/c xxxx			
Z's Capital/Current A/c <u>xxxx</u>	xxxx		
	xxxx		xxxx