

COMMERCE: ACCOUNTING & TAXATION

SEMESTER – II	MAJOR COURSE
AAT222N: PARTNERSHIP ACCOUNTING (ACCOUNTING & TAXATION - COMMERCE)	CREDITS: THEORY: 04 PRACTICAL / TUTORIAL: 02

Course Description

The course is designed to familiarize the students with the different facets, perspectives and methods of Partnership Accounting that partnership firms use and apply to record, organize and interpret their business transactions. Along with divulging the theoretical framework of partnership accounting, it sheds light on the various characteristics and features of partnership firms provided in the relevant laws of Partnership firm. This course makes an endeavor to make the students understand the impact and implications of admission, retirement and death of a partner on profit sharing ratios, goodwill, accumulated profits etc. This course also covers other vital topics of partnership accounting such as dissolution, insolvency, sale and amalgamation of partnership firms.

The broad course objectives are the following:

- To enable the learners to have an understanding of accounting for partnership, preparation of profit and loss appropriation account, treatment of Goodwill and preparation of revaluation account and balance sheet.*
- To enable learners, understand the effect of admission of a partner on profit sharing ratio, accumulated profits and losses and make them understand various implication of retirement and death of a partner.*
- To enable the students, understand the effect of dissolution of partnership on settlement of accounts and make them learn the treatment of insolvency, sale and amalgamation of partnership firms.*

Learning Outcome

After going through this course, the students are expected to develop a Clear understanding, knowledge and application of the skills in the field of Partnership Accounting.

Curriculum Details**UNIT-I**

Accounting for Partnership Firms: Partnership: features, Partnership Deed, Provisions of the Indian Partnership Act 1932 in the absence of partnership deed; Fixed v/s fluctuating capital accounts. Preparation of Profit and Loss Appropriation account - division of profit among partners, guarantee of profits, Past adjustments (relating to interest on capital, interest on drawing, salary and profit sharing ratio), Goodwill: nature, factors affecting and methods of valuation - average profit, super profit and capitalization.

(Knowledge, Comprehension and Skill)

UNIT-II

Goodwill: meaning, factors affecting, need for valuation, methods for calculation (average profits, super profits and capitalization), adjusted through partners' capital/ current account or by raising and writing off goodwill (AS 26). Change in the Profit-Sharing Ratio among the existing partners - sacrificing ratio, gaining ratio, accounting for revaluation of assets and reassessment of liabilities and treatment of reserves and accumulated profits. Preparation of revaluation account and balance sheet.

Admission of a partner - effect of admission of a partner on change in the profit-sharing ratio, treatment of goodwill (as per AS 26)), treatment for revaluation of assets and reassessment of liabilities, treatment of reserves, accumulated profits and losses, adjustment of capital accounts and preparation of capital, current account and balance sheet.

(Knowledge, Comprehension and Skill)

UNIT-III

Retirement and death of a partner: effect of retirement / death of a partner on change in profit sharing ratio, treatment of goodwill (as per AS 26), treatment for revaluation of assets and reassessment of liabilities, adjustment of accumulated profits, losses and reserves, adjustment of capital accounts and preparation of capital, current account and balance sheet. Preparation of loan account of the retiring partner. Calculation of deceased partner's share of profit till the date of death. Preparation of deceased partner's capital account and his executor's account.

(Knowledge, Comprehension and Skill)

UNIT-IV

Dissolution of a partnership firm: meaning of dissolution of partnership and partnership firm, types of dissolution of a firm. Settlement of accounts - preparation of realization account, and other related accounts: capital accounts of partners and cash/bank a/c (excluding piecemeal distribution, sale to a company and insolvency of partner(s)).

Partnership: - Insolvency, Piecemeal Distribution, Sale of a Firm and Amalgamation of Firms: introduction, decision in Garner vs Murray, Applicability of the decision in Garner vs Murray in India, Insolvency of a Firm, Piecemeal Distribution, Basis of Distribution of cash among partners towards their capitals, Maximum Loss method, proportionate method, Sale of a firm to company, Amalgamation of Firms.

(Knowledge, Comprehension and Skill)

Unit - 5 and 6 (Tutorial/Practical) Continuous Assessment

Note: The Teacher shall give assignments from the above topics to the students and students shall submit report for evaluation by the concerned teacher.

(Knowledge, Comprehension Skill)

SUGGESTED READINGS:

- P.C. Tulsian, Financial Accounting, Tata McGraw Hill, New Delhi.
- S. N. Maheshwari, Financial Accounting, Vikas Publication, New Delhi.
- R.L. Gupta and V. K. Gupta, Principles and Practice of Accountancy Sultan Chand and Sons, New Delhi.
- J.R Monga, Basic Financial Accounting, Mayur Paper backs, Darya Gang New Delhi.

Note: Latest edition of text books may be used