

Accounts:

Learn the Adjustment Journal Entries:

1. Interest On Partners's Loans To The Firm:

a) in the absence of any agreement:

Partners are entitled to provide interest @6% p.a. on the loan advanced.

b) It is charged against profit.

C) Interest on Partners loan is credited to Loan A/C.

ACCOUNTING TREATMENT:

A. Loan advanced by Partners:

Bank A/C -----Dr.

To Partners' Loan A/C

B. Interest on loan is paid:

Interest on Partners loan A/C -----Dr

To Bank A/C

C. Interest is transferred:

Profit & Loss A/C-----Dr.

To Interest on Partners loanA/C