

Partners' Capital Accounts:

a) Fixed Capital Method:

See pictures---

... amount is payable to the partner on account of capital.

Current Account

Current Account is maintained to record transactions other than transactions relating to capital such as drawings against profit, interest charged on drawings, interest allowed on capital, salary or commission payable to a partner and share of profit or loss, etc. As a result, balance in the Current Account fluctuates with every transaction with the partner.

In spite of losses being incurred year after year, Fixed Capital Account does not show debit balance because all transactions relating to Interest on Capital, Drawings, Salary, Commission, share of Profit/Loss are recorded in Current Account and not in the Capital Account.

Credit balance in the Partner's Current Account is shown in the liabilities side of the Balance Sheet, which means that much amount is payable to the partner.

Debit balance in the Partner's Current Account is shown in the assets side of the Balance Sheet, which means that much amount is due from the partner.

The outline of the two accounts maintained under the Fixed Capital Accounts Method are:

PARTNERS' CAPITAL ACCOUNTS							
Dr.			Cr.				
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Cash/Bank A/c (Withdrawal of capital)	By Balance b/d	...	...	...
To Balance c/d	By Cash/Bank A/c (Additional capital)	...	...	...

PARTNERS' CURRENT ACCOUNTS							
Dr.			Cr.				
Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Balance b/d (in case of debit opening balance)	By Balance b/d (in case of credit opening balance)	...	...	...
To Drawings A/c	By Interest on Capital A/c	...	...	...
To Interest on Drawings A/c	By Interest on Current A/c	...	...	...
To Interest on Current A/c	By Commission A/c	...	...	...
To Profit and Loss A/c (Share of Loss)	By Partner's Salary A/c	...	...	...
To Balance c/d*	By Profit and Loss App. A/c (Share of Profit)	...	...	...

*The balance of all or some of the partners may be on the opposite (credit) side also.

Here two Capital Accounts are prepared.

1. Capital Accounts
2. Current Accounts