CHAPTER 16: PARTNERSHIP ACCOUNTING

Under partnership Act 1890 the following terms are applicable;

- All partners contribute equal capital.
- Partners are not entitled to interest on capital.
- Partners are not entitled to salaries.
- No interest is charged on drawings.
- Profits are shared equally.
- Interest on loan given by partners is charged @ 5% per annum.

NOTE: These terms may be changed by partnership agreement.

Difference between capital accounts and current accounts

Capital Accounts: They remain fixed unless changes are required by question. Only good will and revaluation transactions are recorded in these accounts. At time of partnership sale or retirement of partners or entrance of new partner capital accounts will be prepared.

Current Accounts: They are prepared to record routine transactions of business with partners. Interest on capital and drawings, drawings, profit shares and interest on loan of partner record in current accounts. These accounts will be merged with capital accounts at time of dissolution or retirement of partner. These accounts show in balance sheet as part of capital.

Partnership Advantages:

- Two heads (or more) are better than one
- Your business is easy to establish and start-up costs are low
- More capital is available for the business
- You'll have greater borrowing capacity
- High skilled employees can be made partners
- There is opportunity for income splitting, an advantage of particular importance due to resultant tax savings
- Partners' business affairs are private
- There is limited external regulation
- Share responsibilities and work burden.

Disadvantages:

- The liability of the partners for the debts of the business is unlimited. Each partner is 'jointly and severally' liable for the partnership's debts; that is, each partner is liable for their share of the partnership debts as well as being liable for all the debts
- There is a risk of disagreements and friction among partners and management
- Each partner is an agent of the partnership and is liable for actions by other partners

- If partners join or leave, you will probably have to value all the partnership assets and this can be costly.
- Unincorporated business.
- Profits are shared
- No individual consideration of partner.

Goodwill:

Goodwill in accounting is an intangible asset that arises when a buyer acquires an existing business. The goodwill amounts to the excess of the "purchase consideration" (the money paid to purchase the asset or business) over the total value of the assets and liabilities. This represents positive image of a business.

FORMATS ON NEXT PAGE

A & B Partnership
Income Statement
For The Year Ended______________________

	$	$	$
Revenue (sales)		XXX	
Return inward (sales return)		(XX)	XXX
Cost Of Sales:			
Opening inventory		XXX	
Purchases	XXX		
Carriage inward	XXX		
Drawings of goods by owner	(XX)		
Damage goods	(XX)		
Return out ward	(XX)	XXX	
Closing inventory		(XXX)	(XXX)
Gross profit			XXX
Other incomes:			
Profit on disposal of non current asset		XX	
Decrease in provision for doubtful debt		XX	
Commission received		XX	XXX
			XXXX
Expenses:			
Rent		XXX	
Wages & salaries		XXX	
Repairs		XXX	
Insurance		XXX	
Telephone charges		XXX	
Discount allowed		XXX	
Carriage outward		XXX	
Lighting and heating		XXX	
Bad debts		XXX	
Maintenance cost		XXX	
Sundry expenses		XXX	
Bank charges		XXX	
Finance cost (interest on loan)		XXX	
Increase in provision for doubtful debt		XXX	
Depreciation of non current assets		XXX	
Damaged goods not insured		XXX	
Loss on disposal of non current asset		XXX	(XXX)
Profit /(loss) for the year			XXX
Interest on drawings			
-A		XX	
-B		XX	XX
Interest on Capital			
-A		XX	
-B		XX	(XX)
Salaries to Partners			
-A		XX	
-B		XX	(XX)
Residual profit/(loss)			XX/(XX)

Residual profit/(loss)			XX/(XX)
Profit/(loss) distribution			
-A (ratio × residual profit/loss)		XX	
-B (ratio × residual profit/loss)		XX	XX

Current Account

	A $	B $		A $	B $
			Balance B/F	XX	XX
Drawings	XX	XX	Interest on capital	XX	XX
Interest on drawings	XX	XX	Interest on partner's loan	XX	XX
*loss share	XX	XX	Salaries	XX	XX
			*Profit share	XX	XX
**Balance C/F	XX	XX	**Balance C/F	XX	XX
	XX	XX		XX	XX

- *Either profit or loss will be available. Both will never be available together.
- ** Balance C/F will be either on debit side or on credit side. Credit Side balance C/F will be taken as negative balance in Statement of financial position.

A & B Partnership
Statement Of Financial Position
As At____________________

	$ Cost	$ Provision for depreciation	$ Net book value
Non current assets			
Intangible:			
Goodwill	XXX		XXX
Patents and trade marks	XXX		XXX
Tangible:			
Premises, land and building or leasehold land and building	XXX	(XXX)	XXX
Machinery, Equipment and plant	XXX	(XXX)	XXX
Furniture, fixtures and fittings	XXX	(XXX)	XXX
Moto vehicles and cars	XXX	(XXX)	XXX
			XXX
Current assets			
Inventory (closing)		XXX	
Trade receivables	XXX		
Provision for doubtful debt	(XX)	XXX	
Other receivables (prepayments of expenses or accruals of incomes)		XXX	
Bank		XXX	
Cash		XXX	XXX
			XXX
Equity (Financed by):			
Capital Account			
-A		XXX	
-B		XXX	
			XXX
Current Account			
-A		XX	
-B		XX	XXX

Non current liabilities:			
Bank loan			XXX
Current liabilities:			
Trade payables		XXX	
Other payables (accrued expenses + prepaid incomes)		XXX	
Bank overdraft (credit balance)		XXX	XXX
			XXX

PRACTICE QUESTIONS:

Q1: East and West are in partnership sharing profits in the ratio 2 : 1 respectively. The following trial balance was extracted from the books on 31 May 2008.

East and West
Trial Balance at 31 May 2008

	$	$
Purchases	207 620	
Carriage on purchases	2 160	
Purchases returns		1 470
Sales		411 320
Sales returns	7 340	
Wages and salaries	93 700	
Motor expenses	14 600	
General expenses	41 640	
Land and buildings at cost	72 000	
Fixtures and fittings at cost	38 000	
Motor vehicles at cost	21 000	
Provision for depreciation of fixtures and fittings		14 000
Provision for depreciation of motor vehicles		15 750
Trade receivables	38 500	
Trade payables		19 240
Inventory at 1 June 2007	15 200	
Cash at bank	1 420	
Capital accounts 1 June 2007		
East		60 000
West		30 000
Current accounts 1 June 2007		
East		10 600
West		6 900
Drawings East	9 050	
West	7 050	
	569 280	569 280

Additional information:

1 Inventory at 31 May 2008 was valued at $16 100.

2 At 31 May 2008:

(i) Wages and salaries, $7835, were accrued.

(ii) Motor expenses, $800, were prepaid.

3 Repairs, $2000, which have not added value to property, have been recorded in the land and buildings account in error.

4 Fixtures and fittings are to be depreciated using the straight line method over five years. The residual value is estimated at $3000.

5 Motor vehicles are depreciated using the diminishing (reducing) balance method at 50 % per annum.

6 A provision for doubtful debts of 2 % of Trade receivables at 31 May 2008 is to be created.

7 Interest is allowed on capital at 5 % per annum. West is entitled to a partnership salary of $3500.

REQUIRED

(a) Prepare the Income statement and appropriation accounts of East and West for the year ended 31 May 2008.

(b) Prepare the statement of financial position of East and West at 31 May 2008.

Q2: The information below relates to the partnership of Bell and Hayward.

	$
Capital 1 May 2008	
Bell	40 000
Hayward	20 000
Current accounts 1 May 2008	
Bell	Nil
Hayward	1 500 Dr
Drawings for the year ended 30 April 2009	
Bell	6 000
Hayward	20 000

The partnership agreement includes the following terms:

1 Interest on capital is allowed at 6 % per annum.

2 Hayward receives a salary of $12 000.

3 Interest on drawings is charged at 4 % per annum on total drawings for the year.

4 Profits and losses are shared equally.

Additional capital, $10 000, was introduced by Bell on 1 August 2008. Net

profit for the year ended 30 April 2009 was $20 500.

Required

a) Prepare the appropriation account for the year ended 30 April 2009.
b) Prepare the current account of Hayward for the year ended 30 April 2009. Bring down the balance on 1 May 2009.

Q3: Choong and Tan are partners sharing profits and losses in the ratio 2:1. Interest is allowed on partners' capital at the rate of 5% per annum and Tan receives a salary of $9 000 per annum. No interest is charged on drawings.

Balances remaining in the books at 30 April 2011 included the following:

	$
Profit for the year	32 000
Capital accounts	
Choong	80 000
Tan	50 000
Current accounts	
Choong	1 200 Cr
Tan	1 500 Dr
Drawings	
Choong	14 700
Tan	16 000
Goodwill	90 000

REQUIRED

a) Prepare the appropriation account of Choong and Tan for the year ended 30 April 2011.
b) Prepare the current accounts of Choong and Tan for the year ended 30 April 2011.

Q4: Fu, Li and Yang are partners in a retail business. The partnership agreement states that they share profits and losses in the ratio 2:2:1.

Interest on capital is allowed at the rate of 4% per annum and interest is charged on drawings at the rate of 5% per annum on the balances at 30 April 2011.

The following balances were extracted from the books on 30 April 2011.

	$	
Capital accounts		
Fu	40 000	
Li	35 000	
Yang	25 000	
Current accounts		
Fu	2 500	Cr
Li	1 500	Cr
Yang	1 000	Dr
Drawings		
Fu	10 000	
Li	10 000	
Yang	12 000	
Premises	44 750	
Motor vehicles (cost)	16 000	
Fixtures and fittings (cost)	30 000	
Provisions for depreciation		
Motor vehicles	3 200	
Fixtures and fittings	17 500	
Trade payables	54 700	
Trade receivables	45 000	
Provision for doubtful debts	1 500	
Bank	7 560	Dr
Purchases	111 200	
Revenue (sales)	209 500	
Returns outward	4 750	
Inventory at 1 May 2010	30 650	
Salaries and wages	42 100	
Heat and light	3 890	
General expenses	16 750	
Discount received	5 300	
Marketing expenses	12 050	
Rent	7 500	

Additional information at 30 April 2011:

1 Inventory was valued at $28 100.
2 General expenses, $4 200, were prepaid.
3 Rent, $2 500, was accrued.
4 Depreciation is to be charged as follows:
   Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
   Fixtures and fittings at the rate of 10% per annum on cost, using the straight line method.
5 The provision for doubtful debts is to be maintained at 5% of trade receivables.
6 On 30 April 2011 the partners agreed to allow Yang to reduce his capital balance by $10 000. The sum was transferred to his current account on that date. The transfer took place after calculating the interest on capital for the year.

REQUIRED

a) Prepare the income statement and appropriation account of Fu, Li and Yang for the year ended 30 April 2011.

b) Prepare the statement of financial position (balance sheet) of Fu, Li and Yang at 30 April 2011.

Q5: Su and Li are in partnership sharing profits and losses in the ratio 3:2. Interest is allowed on capital at the rate of 5% per annum. Su is entitled to a salary of $15 000 per annum. The following balances were extracted from the books on 30 April 2012:

	$
Land and buildings (cost)	200 000
Equipment (cost)	48 000
Fixtures and fittings (cost)	35 000
Provisions for depreciation:	
Land and buildings	14 000
Equipment	12 000
Fixtures and fittings	26 000
Revenue	380 000
Inventory at 1 May 2011	53 750
Purchases	170 000
Returns from customers	11 100
Returns to suppliers	8 900
Carriage outwards	6 290
Administration expenses	25 720
Marketing expenses	17 800
Wages and salaries	69 530
Communication expenses	8 900
Loan interest paid	3 600
Building works	24 000
6% Loan repayable 31 December 2020	80 000
Trade receivables	58 000
Provision for doubtful debts	2 500
Trade payables	20 340
Bank deposit	5 000
Bank	9 150 Cr
Capital accounts:	
Su	120 000
Li	100 000
Current accounts:	
Su	500 Cr
Li	2 700 Dr
Drawings:	
Su	20 000
Li	14 000

Additional information

1 Inventory at 30 April 2012, $38 500.

2 The $15 000 salary paid to Su had been posted to the wages and salaries account and not to her drawings account.

3 Building works consisted of an extension to the building, $20 000, and repairs to the existing air conditioning, $4000.

4 At 30 April 2012 communication expenses, $890, were prepaid and marketing expenses, $4000, were accrued.

5 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

(i) Buildings at the rate of 2% per annum on cost. No depreciation is charged on land.
On 1 April 2011 the land was valued at $75 000.

(ii) Equipment at the rate of 20% per annum using the diminishing (reducing) balance method.

(iii) Fixtures and fittings at the rate of 10% using the straight-line method.

6 Trade receivables contain a debt of $3000 which is considered irrecoverable.

7 The provision for doubtful debts is to be maintained at 6% of remaining trade receivables.

REQUIRED

(a) Prepare the income statement and appropriation account of Su and Li for the year ended 30 April 2012.
(b) Prepare the Statement Of Financial Statement of Su and Li at 30 April 2012.

Q6: Genet and Vass are in partnership. The following balances were extracted from their books on 31 January 2013.

	$
Capital accounts 1 February 2012	
Genet	60 000
Vass	40 000
Current accounts 1 February 2012	
Genet	2 400 Cr
Vass	3 600 Dr
Drawings	
Genet	9 000
Vass	10 000
Inventory 1 February 2012	12 400
Purchases	66 200
Returns to suppliers	1 230
Revenue	148 200
Import duty	2 846
Transport costs	4 330
General expenses	16 822
Wages	9 600
Insurance premiums	10 400
Marketing expenses	12 200
Discounts received	2 428
Trade receivables	8 110
Trade payables	10 180
Loan interest paid	1 000
Storage expenses	9 612
Provision for doubtful debts	600
Leasehold property (cost)	80 000
8% Bank loan repayable 1 May 2018	15 000
Storage equipment (cost)	26 000
Motor vehicles (cost)	40 000
Provisions for depreciation:	
Leasehold property	12 000
Storage equipment	9 360
Motor vehicles	19 520
Bank	1 202 Cr

Additional information

1 Inventory was valued at $14 230 on 31 January 2013.
2 Insurance premiums were paid up to 28 February 2013.
3 General expenses, $322, were owing at the year end.
4 A bad debt, $110, is to be written off.
5 The costs of bringing goods into the business amounts to 80% of the transport costs.
6 New storage equipment, $6000, was purchased during the year. This had been recorded in the storage expenses account in error.
7 The provision for doubtful debts is to be maintained at 5% of trade receivables.

8 A full year's depreciation charge is made on non-current assets in the year of purchase, but no charge is made in the year of sale. Depreciation is charged as follows:
1. Leasehold at $2000 per annum.
2. Storage equipment at 12% using the straight-line method of depreciation.
3. Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method.

9 The partnership agreement states:
Interest on capital is allowed at 4% per annum. Vass is to receive an annual salary of $5000.Profits and losses are to be shared in the ratio of their capital.

REQUIRED

a) Prepare the income statement and appropriation account for the year ended 31 January 2013.
b) Draw up the current accounts of the partners for the year ended 31 January 2013.
c) Prepare the balance sheet (statement of financial position) at 31 January 2013.

Q7: Sue Lim and Vanessa Jackson are in partnership providing secretarial services. They share profits and losses in the ratio 3:2 respectively. The following trial balance was extracted from the books of the partnership on 31 December 2003.
Sue Lim and Vanessa Jackson
Trial Balance as at 31 December 2003

	Dr	Cr
	$	$
Fees (income)		125 300
Rent	26 000	
Staff salaries	18 600	
Sundry expenses	34 400	
Bad debts	1 600	
Provision for doubtful debts 1 January 2003		330
Bank	90	
Office equipment	28 000	
Provision for depreciation for office equipment		14 000
Trade receivables	18 300	
Trade Payables		900
Capital accounts 1 January 2003		
Sue Lim		20 000
Vanessa Jackson		10 000
Current accounts 1 January 2003		
Sue Lim		5 600
Vanessa Jackson		3 720
Drawings		
Sue Lim	28 720	
Vanessa Jackson	24 140	
	179 850	179 850

Additional information

1 Rent paid in advance on 31 December 2003 amounted to $2000.

2 Staff salaries totaling $790 were owing at 31 December 2003.

3 Office equipment is depreciated at 50% per annum using the diminishing (reducing) balance method.

4 The provision for doubtful debts is to be adjusted to 5% of Trade receivables.

5 Vanessa Jackson is entitled to a partnership salary of $6000 for the year.

REQUIRED

- **(a)** Prepare the Income statement of Sue Lim and Vanessa Jackson for the year ended 31 December 2003. [17]

- **(b)** Prepare the partnership Statement of Financial Position as at 31 December 2003. [18]

Note: Current account details may be included within the Balance Sheet (liabilities) **or** in account format outside.

Q8: Asif and Iqbal are in partnership providing business services. They share profits in proportion to their capital account balances and do not use current accounts. The following list of balances was extracted from the accounts of Asif and Iqbal on 30 April 2005.

	$
Fee income	77 800
Advertising expenses	12 400
Heat and light	1 060
Motor expenses	7 300
Rent paid	12 800
Office expenses	12 240
Motor vehicles	40 000
Equipment	12 000
Capital – Asif	18 000 Cr
Capital – Iqbal	12 000 Cr
Drawings – Asif	8 000
Drawings – Iqbal	2 000

REQUIRED

(a) Prepare the Trial Balance for the partnership.
(b) Prepare the Income Statement for the partnership for the year ended 30 April 2005.
(c) Prepare the Appropriation Account for the partnership for the year ended 30 April 2005.

(d) Draw up the capital account of each partner at 30 April 2005.

Q9: Wall and Fence are in partnership sharing profits and losses in the ratio 2 : 1 respectively. The following trial balance was extracted from the books of the partnership on 30 April 2006:

	Dr	Cr
	$	$
Revenue		264 300
Purchases	121 200	
Rent, rates and insurance	14 600	
Wages and salaries	43 700	
Motor expenses	22 900	
Land and buildings at cost	110 600	
Motor vehicles at cost	48 000	
Provision for depreciation - motor vehicles		19 200
Inventory at 1 May 2005	9 600	
Trade Receivables	29 000	
Trade Payables		8 700
Bank	9 400	
Capital accounts 1 May 2005		
- Wall		80 000
- Fence		40 000
Current accounts 1 May 2005		
- Wall		12 600
- Fence		13 300
Drawings		
- Wall	12 800	
- Fence	16 300	
	438 100	438 100

Additional information:

1 Inventory at 30 April 2006 was valued at $10 100.

2 Wages and salaries of $3700 were accrued at 30 April 2006.

3 A provision for doubtful debts of 2% of Trade Receivables at 30 April 2006 is to be created.

4 Motor vehicles are to be depreciated by 40% per annum using the diminishing (reducing) balance method. Depreciation is not charged on land and buildings.

5 Fence is entitled to a partnership salary of $10 600 per annum.

6 Interest on capital is allowed at 5% per annum.

REQUIRED

(a) Prepare the partnership Income Statement and Appropriation Account for the year ended 30 April 2006.

(b) Prepare the partnership Statement Of Financial Position as at 30 April 2006.

Q10: Caster and Wheel are in partnership sharing profits in the ratio 3 : 2 respectively. The following trial balance was extracted from the books on 30 September 2007:

Caster and Wheel
Trial Balance at 30 September 2007

	$	$
Purchases	119 600	
Revenue		227 300
Wages and salaries	34 380	
Rent, rates and insurance	17 660	
General expenses	21 350	
Land and buildings at cost	52 100	
Fixtures and fittings at cost	21 500	
Provision for depreciation of fixtures and fittings	12 900	
Trade Receivables	18 500	
Trade Payables		9 140
Inventory at 1 October 2006	10 300	
Cash at bank	2 480	
Capital accounts 1 October 2006		
Caster		33 000
Wheel		22 000
Current accounts 1 October 2006		
Caster		14 300
Wheel		12 600
Drawings		
Caster	17 130	
Wheel	16 240	
	331 240	331 240

Additional information:
1 Inventory at 30 September 2007 was valued at $9900.

2 At 30 September 2007:
(i) Wages and salaries, $3530, were accrued.
(ii) Insurance, $1120, was prepaid.

3 An invoice for $1620 for goods bought on credit during September 2007 was received on 30 September 2007. This has not been recorded.

4 Fixtures and fittings are to be depreciated at 20% per annum on cost.

5 A provision for doubtful debts of 3% of Trade Receivables at 30 September 2007 is to be created.

REQUIRED

(a) Prepare the Income Statement and appropriation accounts of Caster and Wheel for the year ended 30 September 2007.
(b) Prepare the Statement Of Financial Position of Caster and Wheel at 30 September 2007.

Q11: Aina and Barry are in partnership. The partnership agreement states the following:

Interest is charged on drawings at the rate of 6% per annum.

Interest is paid on capital at the rate of 4% per annum.

Interest is paid on partners' loans at the rate of 5% per annum.

Barry receives a salary of $8000 per annum.

Profits and losses are shared 3/5 Aina and 2/5 Barry.

The following information was available on 1 May 2014.

		$
Capital account	Aina	50 000
	Barry	20 000
Current account	Aina	800 debit
	Barry	6 500 credit
Loan to partnership	Barry	40 000

Additional information for the year ended 30 April 2015
1 Barry increased his capital in the partnership by $20 000 on 1 November 2014.

2 Drawings during the year were:

	$
Aina	7 500
Barry	10 000

3 Profit for the year before loan interest was $19 800.

REQUIRED

(a) Prepare the appropriation account of the partnership for the year ended 30 April 2015.
(b) Prepare the current accounts of the partners for the year ended 30 April 2015. Balance the accounts and bring down the balances on 1 May 2015.

Q12: Paul and Judi are partners in a retail business. The partnership agreement states that they share profits and losses in the ratio 3 : 2, after allowing interest on capital at the rate of 4 % per annum. The following balances were extracted from the books on 30 September 2009.

	$
Capital accounts	
Paul	30 000
Judi	20 000
Current accounts	
Paul	2 300 Cr
Judi	650 Dr
Drawings	
Paul	11 000
Judi	10 000
Purchases	139 750
Revenue	210 000
Returns inward	4 500
Inventory at 1 October 2008	12 650
Staff wages	18 000
General expenses	9 650
Rent receivable	6 000
Advertising expenses	10 000
Rent	17 500
Fixtures and fittings (cost)	24 000
Provision for depreciation of fixtures and fittings	12 600
Trade Payables	8 900
Trade Receivables	16 000
Provision for doubtful debts	550
Bank	16 650 Dr

Additional information

1 Inventory at 30 September 2009 was valued at $15 400.

2 Paul withdrew goods costing $4000 from the partnership business during the year. This had not been recorded in the books.

3 At 30 September 2009:
Advertising expenses, $2850, were prepaid.
Rent receivable, $2000, was due.

4 Depreciation is charged on fixtures and fittings at 15% per annum on cost using the straight line method.

5 Additional fixtures and fittings, $4000, were purchased on 31 January 2009. These are included in the balance at 30 September 2009. No other changes in fixed assets occurred during the year. Depreciation is calculated from the date of purchase.
6 The provision for doubtful debts is to be maintained at 5% of Trade Receivables.

REQUIRED
(a) Prepare the Income statement and appropriation accounts of Paul and Judi for the year ended 30 September 2009.
(b) Prepare the Statement of financial position of Paul and Judi at 30 September 2009.

Q13: Farah and Hana are in partnership. The partnership agreement states that they share profits and losses equally. Interest on capital is allowed at the rate of 4% per annum. Interest is charged on drawings made during the year at the rate of 5% per annum. No salaries are paid to the partners The following balances were extracted from the books on 30 April 2015.

	$
Premises (cost)	60 000
Delivery vehicles (cost)	30 000
Office fixtures (cost)	15 000
Provisions for depreciation	
Premises	3 600
Delivery vehicles	10 000
Office fixtures	11 000
Trade payables	7 900
Trade receivables	18 750
Provision for doubtful debts	500
Bank overdraft	12 200
Capital accounts:	
Farah	50 000
Hana	30 000
Current accounts at 1 May 2014:	
Farah	3 250 Cr
Hana	1 850 Cr
Drawings:	
Farah	6 000
Hana	6 000
Purchases	81 250
Revenue	190 000
Returns inwards	8 600
Inventory at 1 May 2014	15 600
Advertising expenses	11 000
Wages and salaries	31 450
Delivery vehicle expenses	14 900
Heat and light	9 750
Other operating expenses	12 000

Additional information
The following information was available 30 April 2015.
1 Inventory was valued at $13 650.
2 Advertising expenses prepaid were $800.
3 Heat and light $150 was outstanding.
4 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
Premises at the rate of 2% on cost per annum
Delivery vehicles at the rate of 20% per annum using the diminishing (reducing) balance Method.
Office fixtures at the rate of 10% per annum using the straight-line method.
5 The provision for doubtful debts is to be maintained at 4%.
6 A cheque payment of $550, made to a credit supplier on 15 April, had not been recorded in the books.

REQUIRED

(a) Prepare the income statement and appropriation account for the year ended 30 April 2015.
(b) Prepare the current accounts for the year ended 30 April 2015.
(c) Prepare the statement of financial position at 30 April 2015.

Q14: Cain and Les are in partnership providing book-keeping and general administration services to small businesses. They share profits and losses in the ratio of 3:2 respectively. Interest on drawings
is charged at 4%, while interest on capital is allowed at the rate of 5% per annum. Les receives an annual salary of $16 000.
The following balances were extracted from their books on 30 September 2013:

	$
Capital accounts 1 October 2012	
Cain	90 000
Les	60 000
Current accounts 1 October 2012	
Cain	700 Cr
Les	15 500 Dr
Drawing	
Cain	12 000
Les	15 000
Premises at cost	118 000
Office equipment at cost	60 000
Motor vehicles at cost	22 000
Provision for depreciation	
Premises	7 080
Office equipment	21 600
Motor vehicles	7 200
Fees (Revenue)	103 769
Staff salaries	14 170
General expenses	23 460
Heat and light	4 760

Communication expenses	7 680
Motor vehicle expenses	3 650
Discounts allowed	3 400
Discounts received	1 400
Bank loan interest paid	3 000
8% Bank loan (repayable 30 June 2019)	40 000
Trade payables	1 960
Trade receivables	10 720
Provision for doubtful debts	520
Bank	20 889 Dr

Additional information

1 Commission received, $2400, had been credited to the communication expenses account in error.

2 Heat and light, $150, were outstanding and general expenses $1010 were prepaid on 30 September 2013.

3 Bank charges, $123, had not been recorded in the books.

4 Motor vehicle expenses, $2000, had been recorded in the motor vehicles account.

5 The provision for doubtful debts is to be maintained at 5% of trade receivables.

6 Depreciation is charged on premises and office equipment at the rate of 6% and 12% respectively using the straight line method.

7 Motor vehicles are depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.

8 On 1 October 2012 Cain reduced his capital account balance by $10 000. This sum was to be left in the business as an interest free loan, to be repaid on 31 March 2018.

REQUIRED

(a) Prepare the income statement and appropriation account for the year ended 30 September 2013.

(b) Prepare the current accounts for the year ended 30 September 2013.

(c) Prepare the statement of financial position at 30 September 2013.

Q15: Li and Yang are in partnership sharing profits and losses in the ratio 3:2. Interest is allowed on capital at the rate of 4% per annum and is charged on drawings at the rate of 10% per annum. Partners are entitled to annual salaries, Li $8000 and Yang $5000.
The following balances were extracted from the books on 30 September 2016.

	$	
Capital accounts		
Li	50 000	
Yang	50 000	
Current accounts		
Li	4 300	Credit
Yang	2 900	Credit
Drawings		
Li	15 000	
Yang	9 000	
Land and buildings (cost)	200 000	

Computing equipment (cost)	60 000	
Office fixtures (cost)	35 000	
Provisions for depreciation		
Land and buildings	22 000	
Computing equipment	20 000	
Office fixtures	10 000	
Provision for doubtful debts	2 000	
Revenue	625 000	
Inventory at 1 October 2015	52 600	
Purchases	295 000	
Returns from customers	15 750	
Returns to supplier	4 850	
General expenses	27 500	
Heat and light	5 300	
Marketing expenses	41 000	
Wages and salaries	153 000	
Administration expenses	16 800	
5% Bank loan (repayable 2021)	120 000	
Bank loan interest paid	4 000	
Trade receivables	69 200	
Trade payables	62 500	
Bank	25 600	Credit

Additional information

1 Inventory at 30 September 2016 was $57 900.

2 A sale of goods made on credit on 26 September, $2800, had not been recorded in the books.

3 At 30 September 2016

Marketing expenses, $1100, were accrued.

Administration expenses $250, were prepaid.

4 The partners' salaries had been paid to Li and Yang. These had been posted to the wages and salaries account.

5 Office fixtures costing $5000 and with an accumulated depreciation of $3000 had been sold for $2000. A cheque was received on 20 August 2016. No entries had been recorded in the books.

6 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

(i) buildings at the rate of 2% per annum. The buildings have a cost of $100 000. No depreciation is charged on land.

(ii) computing equipment at the rate of 30% per annum using the diminishing (reducing) balance method.

(iii) office fixtures at the rate of 20% per annum using the straight-line method.

7 Trade receivables include a debt of $4000 which is considered irrecoverable. The provision for doubtful debts is to be maintained at 5%.

REQUIRED

(a) Prepare the income statement and appropriation account for the year ended 30 September 2016.

(b) Prepare the current accounts for the year ended 30 September 2016. Balance the accounts and bring down the balances on 1 October 2016.
(c) Prepare the statement of financial position at 30 September 2016.