ARD Partnership
Appropriation Account for the year ended December 31, 2017

	Profit for the year		XXX
Add	**Interest on drawings**		
	Mr. A	XXX	
	Mr. R	XXX	**XXX**
Less:	**Interest on capital**		
	Mr. A	XXX	
	Mr. R	XXX	**(XXX)**
Less:	**Salaries / Bonus / Commission:**		
	Mr. A	XXX	
	Mr. R	XXX	**(XXX)**
	Residual Profits		**XXX**
	Mr. A (Remaining profit X share)	XX	
	Mr.R (Remaining profit X share)	XX	XXX

Current Account

	A	R			A	R
Balance b/d (Dr)	**XXX**	**XXX**	OR	**Balance b/d**	**XXX**	**XXX**
Drawings	XXX	XXX		Interest on Capital	XXX	XXX
Interest on Drawings	XXX	XXX		Salaries	XXX	XXX
Share of Loss	XXX	XXX		Bonus / commission	XXX	XXX
Salary Drawings	XXX			Profit share	XXX	XXX
				Interest on Loan	XXX	XXX
Balance c/d	**XXX**	**XXX**	OR	**Balance c/d (Dr)**	**XXX**	**XXX**
	XXX	XXX			XXX	XXX
Balance b/d (Dr)	**XXX**	**XXX**	OR	**Balance b/d**	**XXX**	**XXX**

STATEMENT OF FINANCIAL POSITION EXTRACT

Equity		
Capital Accounts – A	XXX	
– B	XXX	**XXX**
Current Accounts – A	XX	
– B	(XX)	**XX**
Total Partners Equity / Net Assets		**XXX**

Q1 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.

Aina and Barry
Appropriation Account for the year ended 30 April 2015

$ $

....[8]

(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.

Current accounts

Details	Aina $	Barry $	Details	Aina $	Barry $

[6]

(c) State **two** advantages of a partnership.

1 ....

2 ....

[2]

Additional information

Aina and Barry are considering ways to improve the profit for the year of the business. They suggest the following changes.

1 Remove the provision for doubtful debts from the income statement.
2 Increase the value of the premises from cost to the current market value.
3 Reduce the depreciation rate on computers from 30% to 10% per annum.
4 Record expenses paid without adjustment for amounts owing.

REQUIRED

(d) Name the accounting principle/concept which would **not** be complied with if Aina and Barry implemented the suggestions.

	Suggestions	Accounting principle/concept
1	Remove the provision for doubtful debts from the income statement.	
2	Increase the value of the premises from cost to the current market value.	
3	Reduce the depreciation rate on computers from 30% to 10% per annum.	
4	Record expenses paid without adjustment for amounts owing.	

[4]

Q2 Genet and Vass are in partnership. The following balances were extracted from their books on 31 January 2013.

	$
Capital accounts 1 February 2012	
Genet	60000
Vass	40000
Current accounts 1 February 2012	
Genet	2400 Cr
Vass	3600 Dr
Drawings	
Genet	9000
Vass	10000
Inventory 1 February 2012	12400
Purchases	66200
Returns to suppliers	1230
Revenue	148200
Import duty	2846
Transport costs	4330
General expenses	16822
Wages	9600
Insurance premiums	10400
Marketing expenses	12200
Discounts received	2428
Trade receivables	8110
Trade payables	10180
Loan interest paid	1000
Storage expenses	9612
Provision for doubtful debts	600
Leasehold property (cost)	80000
8% Bank loan repayable 1 May 2018	15000
Storage equipment (cost)	26000
Motor vehicles (cost)	40000
Provisions for depreciation:	
Leasehold property	12000
Storage equipment	9360
Motor vehicles	19520
Bank	1202 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. [24]

(b) Draw up the current accounts of the partners for the year ended 31 January 2013. [5]

(c) Prepare the balance sheet (statement of financial position) at 31 January 2013. [11]

[Total: 40]

Q3 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.

Li and Yang

Income Statement and Appropriation Account for the year ended 30 September 2016

	$	$

	$	$

[19]

(b) Prepare the current accounts for the year ended 30 September 2016. Balance the accounts and bring down the balances on 1 October 2016.

Current accounts

Date	Details	Li	Yang	Date	Details	Li	Yang
		$	$			$	$

[5]

(c) Prepare the statement of financial position at 30 September 2016.

Li and Yang
Statement of Financial Position at 30 September 2016

	$	$	$

	$	$	$

[16]

[Total: 40]

4. Haiqa and Beha are in partnership. Their financial year ends on 30 September. When they started the business they drew up a partnership agreement which provided for:

- Interest on capital at 4% per annum.
- Interest on drawings at 5% per annum.
- Annual salary of $7000 for Haiqa.
- Interest on any loans from partners at 6% per annum
- Sharing of profits and losses equally

On **1 October 2017** the balances on the partners' accounts were as follows:

	Haiqa	**Beha**
	$	$
Capital account	50 000	85 000
Current account	1 150 **credit**	3 125 **debit**
Loan account	10 000	

The interest on loan is credited to Haiqa's current account at the end of each financial year.

On **1st April 2018** Haiqa introduced a motor vehicle, $14 500, into the business. She also deposited an amount into the business bank account so that his total capital was $80 000.

The partners agreed that Haiqa's salary should be increased by $1000 per annum starting on **1st April 2018.**

Drawings during the year ended **30 September 2018** were as follows:

	$
Haiqa	9 000
Beha	11 000

On **30 September 2018** Beha transferred $5000 from her capital account to her current account.

The profit for the year ended 30 September 2018 after loan interest was $11 350.

REQUIRED

(a) Prepare journal entries to record the following:

1. The introduction of additional capital by Haiqa on **1 April 2018.**
2. The transfer of $5000 from Beha's capital account to her current account on **30 September 2018.**

Narratives are **not** required.

Haiqa and Beha
Journal

Date	Details	Debit $	Credit $
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....

[4]

(b) Prepare the profit and loss appropriation account for the year ended 30 September 2018.

Haiqa and Beha
Profit and Loss Appropriation Account for the year ended 30 September 2018

	$	$

[8]

(c) Prepare the current account of Haiqa for the year ended 30 September 2018.
Balance the account and bring down the balance on 1 October 2018.

Haiqa
Current account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
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....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

[8]

[Total: 20]