**SANGAM SKM COLLEGE - NADI**

**YEAR 13 ACCOUNTING WORKSHEET- 2021**

**Week 3**

Instruction

* Hope you had completed worksheet 1 based on Nature of Accounting
* The question below covers strand 2

Question 1

**Part A Nature of Partnership Business**

(a) Define partnership.

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(b) State **one** reason for forming a partnership business.

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(c) State **one** advantage of the partnership business over a sole trader.

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(d) Identify **one** clause in the Partnership Agreement.

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Question2

Part A

Spade and Diamond are in partnership sharing profits and losses in a 2 : 1 ratio. The following were the relevant balances in their ledger at 30th July 2019.

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| --- | --- |
|  | **$** |
| Capital Account - Spade | 50 000 |
| Current Account (Cr) - Spade | 7 500 |
| Drawings - Spade | 8 500 |
| Capital Account - Diamond | 35 000 |
| Current Account (Dr) – Diamond | 2 500 |
| Drawings - Diamond | 5 600 |

The following clauses were shown in the partnership agreement:

∙ Interest on drawings is to be charged at a rate of 5% per annum.

∙ Spade and Diamond are non- working partners and each receive $4 000 salary per partnership agreement. These salaries have not yet being paid.

∙ Interest to be charged and allowed on current account at a rate of 4%.

∙ Interest on capital to be allowed at 10% per annum.

* Net Profit $20000

Required

Use the information given above to prepare the Profit and Loss Appropriation account

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Part B

David Stanley and Clement King are partners in the accountancy firm called *‘David & Clement*

*Consultancy’.*

The General Journal entries below were prepared on balance dated 31 December 2014. Assume that partners share profits/losses equally.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Date** | | | **Particulars** | | | | **Dr** | | |
|  | Dec 31 | | | Profit and Loss | | | | 97 000 | | |
|  |  | | | Profit & Loss Appropriation | | | |  | | |
|  |  | | | (*to transfer the net profit)* | | | |  | | |
|  |  | | | Profit & Loss Appropriation | | | | 45 000 | | |
|  |  | | | Current Account- David | | | |  | | |
|  |  | | | -Clement | | | |  | | |
|  |  | | | (*for salaries paid to partners*) | | | |  | | |
|  |  | | | Profit & Loss Appropriation | | | | 18 000 | | |
|  |  | | | Current Account- David | | | |  | | |
|  |  | | | -Clement | | | |  | | |
|  |  | | | *(for interest on capital charged by partners)* | | | |  | | |
|  |  | | | Profit & Loss Appropriation | | | | 12 000 | | |
|  |  | | | Current Account- David | | | |  | | |
|  |  | | | -Clement | | | |  | | |
|  |  | | | *(for interest on Current account charged by partners)* | | | |  | | |
|  |  | | | Current Account- David | | | | 200 | | |
|  |  | | | -Clement | | | | 400 | | |
|  |  | | | Profit & Loss Appropriation | | | |  | | |
|  |  | | | (*for interest on drawings charged to partners)* | | | |  | | |
| 1 | | It is important that David and Clement have a Partnership Agreement. Describe the purpose of the Partnership Agreement. | | | | | | | | | |
| 2 | | Calculate the residual profit/loss after taking into consideration the above journal entries.  Residual Profit: $ | | | | | | | | | |
| 3 | | Partners’ drawings for the year were: David- $2 000 and Clement $4 000. Prepare the General Journal Entry to close the partners’ drawings account.  **General Journal**   |  |  |  |  | | --- | --- | --- | --- | | Date | Particulars | Dr | Cr | |  |  |  |  | |  |  |  |  |   (to close off partners drawings account) | | | | | | | | | |
| 4 | | Prepare David’s Current Account to calculate his closing balance as at 31  December, 2014.  **General Ledger**  **Current Account – David** | | | | | | | | | |
|  | Date | | Particulars | Dr | Cr | | Balance | Dr/Cr | |
| 31 Dec | | Balance b/f |  |  | | $20000 | Cr | |
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