2 Bill and Charles are in partnership sharing profits and losses in the ratio of 2:1.

Each partner draws $2000 cash from the business each month.

On 1 October 2013 Bill paid $24 000 into the business bank account.

They provided the following information.

Capital accounts	1 January 2013
	$
Bill	120 000
Charles	60 000

Current accounts	1 January 2013	31 December 2013
	$	$
Bill	17 000 Cr	2 160 Cr
Charles	18 000 Cr	2 800 Dr

REQUIRED

(a) Calculate the partnership profit for the year ended 31 December 2013 before appropriation.

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Additional information

On 1 January 2014 a new partnership agreement came into force which stated that Bill and Charles will share profits and losses in the ratio of 3:2. Bill will receive $6000 salary per annum, and Charles $5200 salary per annum.

The rate of interest on capital is to be 8% per annum and interest on drawings is to be charged at 11% per annum.

Bill and Charles will continue to withdraw $2000 each per month.

Goodwill was valued at $48 000 but is not to be retained in the books of account.

The net profit for the 6 months ended 30 June 2014 was $12 000.

REQUIRED

(b) Prepare the capital accounts of Bill and Charles for the six months ended 30 June 2014.

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(c) Prepare the partnership appropriation account for the six months ended 30 June 2014.

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(d) Prepare the current account of Bill for the 6 months ended 30 June 2014.

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(e) (i) State **two** reasons why the partners are charged interest on drawings.

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(ii) State **two** reasons why the partners receive interest on capital.

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2 ....

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