

- 2 Tania and Sue are in partnership. The following balances have been taken from their books of account at 31 January 2015.

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Revenue	163 400
Insurance	13 260
Wages	6 500
Rent received	10 400
Rates paid	9 500
Provision for doubtful debts	174
Office expenses	28 200
Capital	
Tania	120 000
Sue	80 000

Additional information

- 1 On 31 January 2015, insurance prepaid amounted to \$6400 and wages accrued amounted to \$8500.
- 2 Rent received is for the period 1 February 2014 to 28 February 2015.
- 3 Office expenses include \$470 for use of Tania's home telephone.
- 4 The provision for doubtful debts is to be maintained at 3% of trade receivables. On 31 January 2015 the trade receivables totalled \$7800.
- 5 Fixtures and fittings are depreciated at 10% per annum using the straight-line method. Fixtures and fittings cost \$7500.
- 6 Motor vehicles cost \$60 000. Accumulated depreciation at 31 January 2014 was \$35 000. No vehicles were bought or sold during the year. Vehicles are depreciated at 20% using the reducing balance method.
- 7 Computer equipment was valued at \$5700 on 1 February 2014. A new computer costing \$1800 was purchased during the year. There were no sales of computer equipment during the year. On 31 January 2015 the computer equipment was valued at \$6200.

## REQUIRED

**(a)** Prepare the partnership's income statement for the year ended 31 January 2015.

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### Additional information

On 1 February 2014 the balance on Tania's current account was \$5000 (credit).

On 31 January 2015, the balance on her current account was \$71 068 (credit). She withdrew \$5000 during the year.

The partnership agreement provides for the following:

- 1 Partners are permitted to withdraw up to a maximum of 5% of capital invested.
- 2 Interest on drawings is charged at a rate of 7% on the annual drawings.
- 3 Interest on capital is payable at 4% per year.
- 4 Tania receives a salary of \$1450 per month.
- 5 Profits and losses are shared in the ratio of capital invested.

### REQUIRED

- (b) Prepare Tania's current account for the year ended 31 January 2015 to identify her share of profit for the year.

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- (c) State **four** possible causes of depreciation of non-current assets.

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**(d)** State and explain **two** accounting concepts that apply to depreciation.

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(e) State why the reducing balance method of depreciation is more appropriate for non-current assets like motor vehicles.

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