1 Lee, Kim and Michael are in partnership. They share profits in the ratio of 3:2:1 respectively. They do not keep proper accounting records but the following information is available for the three years ended 30 September 2008.

Balances at 30 September	2006	2007	2008
	$	$	$
Fixed assets at valuation	750 000	870 000	1 200 000
Stocks	660 000	690 000	825 000
Debtors	390 000	420 000	495 000
Creditors	346 000	404 000	448 000
Bank overdrafts	285 000	255 000	375 000

On 1 October 2005 the balances (all credit) on the partners' accounts were as follows.

	Lee	Kim	Michael
	$	$	$
Capital accounts	240 000	210 000	150 000
Current accounts	190 000	50 000	80 000

In order to finance a new project, each partner introduced additional capital of $60 000 on 1 October 2007.

The partners' drawings were as follows.

the year ended 30 September	2006	2007	2008
	$	$	$
Lee	45 000	70 000	105 000
Kim	42 000	48 000	105 000
Michael	36 000	30 000	8 000

Michael also received a partnership salary which he withdrew in cash. This was not included in the drawings figure shown above. His salary was $45 000 in 2006; $60 000 in 2007 and $65 000 in 2008.

REQUIRED

(a) Calculate the **total** net profit available to the partners for **each** of the three years ended 30 September 2006, 2007, 2008.

.... [12]

(b) Prepare Michael's capital and current accounts for **each** of the three years ended 30 September 2006, 2007 and 2008.

Capital account – Michael

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Current account - Michael

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(c) Explain, briefly, why partnerships may keep both capital accounts and current accounts.

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