AFN1301-Financial Accounting

Continuous Assessment – Individual Assignment

**Guidelines to the students**

1. This assignment is an individual assignment on “Accounting for Partnership Business.”
2. Deadline – **24 January 2024 Midnight**
3. Soft copies of the report (MS word and PDF) should be uploaded to the LMS
4. Marks allocated – 40 marks.

**Requirements**

**This assessment has two tasks.**

**Task I – Theoretical aspects of partnerships**

Areas to cover:

1. Definition of a partnership business and different types of partnership agreements.
2. The difference between sole proprietorship and partnerships
3. Advantages and disadvantages of partnership business
4. Provisions given in Section 24 of the Partnership Act of 1890.
5. Profit and loss appropriation account and items (transactions) in the appropriation account
6. Difference between capital account and current account

**Tasks 2 – Solving case on accounting for partnership.**

Amal and Kamal were in a business partnership engaged in selling garments. The provisions in the partnership agreement are given below.

* Profit and loss is to be shared in the ration of 3:2 between Amal and Kamal
* Partners are entitled for interest on year beginning Capital Account balance is 10%
* Amal and Kamal are entitled to receive a monthly salary of Rs.100,000 and Rs.50,000 respectively.

|  |  |  |
| --- | --- | --- |
|  | Dr. (Rs.’000) | Cr. (Rs.’000) |
| Partners capital accounts |  |  |
| Amal |  | 1,500 |
| Kamal |  | 1,000 |
| Partners current accounts |  |  |
| Amal |  | 400 |
| Kamal |  | 250 |
| Sales |  | 8,200 |
| Purchase of goods | 3800 |  |
| Stock as at 01 April 2022 | 2550 |  |
| Administrative Expenses | 2460 |  |
| Sales and Distribution expenses | 450 |  |
| Finance and other expenses | 150 |  |
| Bank loan at 15% interest rate |  | 2000 |
| Buildings | 2,000 |  |
| Machinery | 1,200 |  |
| Motor vehicles | 1,000 |  |
| Provision for depreciation as at 31 March 2022 |  |  |
| Buildings |  | 200 |
| Machinery |  | 240 |
| Motor vehicles |  | 200 |
| Trade receivables | 550 |  |
| Trade payables |  | 820 |
| Cash and bank | 650 |  |
|  | **14,810** | **14,810** |

**Additional information**

1. Closing stock was valued at cost for Rs. 2,800,000. However, its market value was Rs. 2,500,000 as at 31 March 2023
2. Noncurrent assets should be depreciated on straight line method following manner

Buildings 5%

Machinery 20%

Motor vehicles 10%

1. Rs. 50,000 should be written off as bad debts and a provision of 10% should be provided for doubtful debts.
2. Interest is payable on the bank loan for six months.
3. Administrative expenses include salary paid to Amal and Kamal for twelve months.
4. Kamal has taken Rs.100,000 worth of goods for his personal use. No adjustment has been made in this regard.

**Required**

1. Trading profit and loss account and the appropriation account for the year ended 31 March 2023.
2. Partners current accounts and the capital accounts
3. The statement of financial position as at 31 March 2023.