**Additional Practice 1**

Chen and Hong are partners dealing in retail business. The terms of the partnership agreement are as follows:

1. Profits and losses are to be shared between Chen and Hong in the ratio of 2:3.
2. Chen’s salary is RM1,200 per month.
3. Interest on fixed capital of 2% per annum is to be paid to each partner.
4. Interest is to be charged on drawings of cash or goods at a rate of 6% per annum calculated from the date of withdrawals.

The Trial Balance of the business at 31 December 2013 was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **RM** | **RM** |
|  | Capital Accounts: - Chen |  | 200,000 |
|  | - Hong |  | 250,000 |
|  | Current Accounts: - Chen | 4,000 |  |
|  | - Hong |  | 12,000 |
|  | Inventory, 1 January 2013 | 15,000 |  |
|  | Purchases and Sales | 182,000 | 258,000 |
|  | Customs Duty | 2,300 |  |
|  | Carriage Outwards | 750 |  |
|  | Loan From Hong |  | 30,000 |
|  | Chen’s Salary | 13,200 |  |
|  | Accounts Receivable and Accounts Payable | 17,000 | 27,500 |
|  | Land And Buildings | 480,000 |  |
|  | Fixtures And Fittings | 28,600 |  |
|  | Wages And Salaries | 12,000 |  |
|  | Accumulated Depreciation of Fixtures And Fittings |  | 4,290 |
|  | Allowance For Doubtful Debts |  | 420 |
|  | Rental |  | 10,000 |
|  | Insurance Premium | 8,400 |  |
|  | Discounts | 700 | 900 |
|  | Returns | 11,500 | 2,500 |
|  | Drawings by Chen | 4,500 |  |
|  | Cash In Hand | 260 |  |
|  | Bank | 10,900 |  |
|  | Stationery | 900 |  |
|  | Water And Electricity | 3,600 |  |
|  |  | 795,610 | 795,610 |

Additional information:

1. Closing inventory was valued at RM12,000,
2. A debt of RM2,000 was written off as bad debts. The allowance for doubtful debts was maintained at 2% of the remaining credit customers.
3. Rent was received in advance RM400.
4. Electricity was still outstanding RM120.
5. Insurance was paid for 15 months until 31 March 2014.
6. Depreciation of fixtures and fittings was 5% per annum on cost.
7. Cash withdrawal by Chen was on 1 July 2013.
8. Hong took goods costing RM1,500 for his own use on 1 November 2013, but no entry has been made in the books.
9. The loan from Hong was made on 1 September 2013, interest due to him was not paid.

You are required to prepare:

1. Partners’ Current Account in columnar form.
2. Income Statement for the year ended 31 December 2013.