**Practice 4**

Lee, Yap and Tan were in partnership as retail merchants sharing profits and losses in the ratio of 5:2:3. The partnership agreement was as follows:

1. Interest of 5% per annum was allowed on capital.
2. Interest of 3% per annum was charged on partners’ drawings.
3. Interest of 5% per annum was allowed on loan from partner.
4. Yap was allowed salaries of RM2,000 per month.

The following information was taken from the books and records of the partnership on 31 December Year 4 after the preparation of Trading and Profit and Loss Accounts except the Profit And Loss Appropriation account:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Lee** | **Yap** | **Tan** |
|  | **RM** | **RM** | **RM** |
| Capital accounts, 1 Jan Year 4 | 80,000 | 100,000 | 120,000 |
| Current accounts, 1 Jan Year 4 | 5,800 Cr | 3,500 Dr | 2,100 Cr |
| Drawings | 30,000 | 10,000 | 9,000 |
| Interest on drawings | 900 | 300 | 270 |

Net Trading profit for the year (before charging interest on loan from partner) was RM99,050.

On 1 July Year 4 by mutual agreement, Lee increased his capital by paying a further RM20,000 into the partnership bank account, while Yap reduced his capital to RM60,000 but left his withdrawn capital in the partnership as a loan.

Partners’ salaries has been paid to Yap at the end month except for the month of December Year 4.

You are required to prepare:

1. Income Statement For The Year Ended 31 December Year 4;
2. Partners’ Capital account in columnar form;
3. Partners’ Current account in columnar form.

**Answer Guide:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Lee** | **Yap** | **Tan** |
|  | **RM** | **RM** | **RM** | **RM** |
| 1. Adjusted Net Profit | 98,050 |  |  |  |
| 2. Balance of Profit Shared |  | 30,510 | 12,204 | 18,306 |
| 3. Balances on Capital account |  | 100,000 | 60,000 | 120,000 |
| 4. Balances on Current account |  | 9,910 Cr | 5,404 Cr | 17,136 Cr |