**Practice 6**

Long and Short went into partnership on 1 July Year 5, each contributing RM48,000 and RM32,000 respectively as their capital. The partnership agreement provided that:

1. Profits and losses were to be shared equally.
2. Short had to transfer RM4,000 annually on 30 June from his Current account to his Capital account until his capital was equal to that of Long. The first transfer started on 30 June Year 6.
3. Interest on capital was to be allowed at 10$ per annum based on the initial capital.

The following was their Trial Balance taken on 30 June Year 6:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Debit** | **Credit** |
|  |  | **RM** | **RM** |
|  | Freehold Premises | 50,000 |  |
|  | Office Equipment | 14,000 |  |
|  | Motor Vehicles | 20,080 |  |
|  | Purchases and Sales | 254,700 | 315,200 |
|  | Accounts Receivable and Accounts Payable | 21,780 | 23,000 |
|  | Bank | 4,820 |  |
|  | Salaries | 25,200 |  |
|  | Insurance Expenses | 6,600 |  |
|  | Advertising Expenses | 980 |  |
|  | Carriage Inwards | 1,040 |  |
|  | Bad Debts | 380 |  |
|  | Water And Electricity | 3,440 |  |
|  | Discounts | 460 | 280 |
|  | Capital |  |  |
|  | Long |  | 48,000 |
|  | Short |  | 32,000 |
|  | Drawings |  |  |
|  | Long | 7,000 |  |
|  | Short | 8,000 |  |
|  |  | 418,480 | 418,480 |

**The following matters were to be taken into consideration:**

1. Inventory on 30 June Year 6 was valued at RM10,130.
2. The insurance expenses had been paid for 12 months ended 30 September Year 6.
3. RM100 was owed for the advertising expenses.
4. Office equipment and motor vehicles were to be depreciated at 20% per annum.
5. Short was to receive a commission of 1% on gross sales. The sum had not yet been included in the account.

**You are required to prepare:**

1. Partnership Income Statement for the Year Ended 30 June Year 6
2. Current account of Long and Short in columnar form.
3. Partnership Statement of Financial Position as at 30 June Year 6.