**Practice 3**

Tom and Mike were partners dealing in glassware for a few years. Their fixed capital and current accounts as at 1 April Year 2 were as follows:

|  |  |  |
| --- | --- | --- |
|  | **Tom** | **Mike** |
|  | **RM** | **RM** |
| Fixed capital accounts | 20,000 | 10,000 |
| Current accounts | 500 Cr | 105 Dr |

The terms of the partnership agreement stated that:

1. Tom and Mike were to share profits and losses in the ratio of 2:1.
2. Tom and Mike were entitled to salaries of RM6,000 and RM4,0000 respectively.
3. The interest on capital was to be paid at the rate of 6% per annum.
4. The interest on drawings was charged at a fixed rate of 4% per annum.

The partners’ total drawings for the year were: Tom RM5,000; Mike RM3,000.

During the year ended 31 March Year 4 the firm made a profit of RM15,080.

You are required to prepare:

1. Profit and Loss Appropriation account;
2. Partners’ Current account in columnar form;
3. Extracted Income Statement for the year ended 31 March Year 4;
4. Extracted Statement of Financial Position As At Year Ended 31 March Year 4.

**Answer Guide:**

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| --- | --- | --- |
|  | **Tom** | **Mike** |
|  | **RM** | **RM** |
| 1. Balance of Profit Shared: | 2,400 | 1,200 |
| 2. Balances on Current Account: | 4,900 Cr | 2,575 Cr |