**Practice 5**

Jia and Kai were in partnership under an agreement which provided that:

1. Profits and losses were to be shared in proportion to their original capital.
2. Jia would receive an annual salary of RM9,000.
3. 5% interest p.a. was allowed on partners’ capital.
4. Loan interest at 8% p.a. was to be paid on partner’s loan.

The following balances were extracted from the books of partnership as at 30 September Year 5:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **RM** |  |
|  | Capital Accounts, 1 October Year 4 |  |  |
|  | Jia | 45,000 |  |
|  | Kai | 30,000 |  |
|  | Current Accounts, 1 October Year 4 |  |  |
|  | Jia | 2,500 | Cr |
|  | Kai | 1,950 | Dr |
|  | Partner’s Salaries – Jia | 7,500 |  |
|  | Premises | 56,600 |  |
|  | Machinery | 25,000 |  |
|  | Accounts Receivable | 3,260 |  |
|  | Accounts Payable | 8,400 |  |
|  | Inventory, 30 September Year 5 | 25,500 |  |
|  | Cash At Bank | 14,000 |  |
|  | Loan From Kai | 10,000 |  |
|  | Rates and Insurance | 17,600 |  |
|  | Bad Debts | 1,200 |  |
|  | Gross Profit | 56,660 |  |

You are required to prepare:

1. Partnership Income Statement (Extract) for the year ended 30 September Year 5;
2. Current account of Jia and Kai in columnar form;
3. Partnership Statement Of Financial Position as at 30 September Year 5.

**Answer Guide:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Jia** |  | **Kai** |  |
|  | **RM** | **RM** |  | **RM** |  |
| Net Profit | 37,060 |  |  |  |  |
| Balances of Profit Shared |  | 14,586 |  | 9,724 |  |
| Balances on Current account |  | 20,886 | Cr | 10,074 | Cr |
| Total Assets | 124,360 |  |  |  |  |
| Total Equity | 105,960 |  |  |  |  |
| Total Liabilities | 18,400 |  |  |  |  |