**Question 2**

Qin and Tao are in partnership for years with invested capital of RM 45,000 and RM 50,000 respectively. The terms of the partnership agreement are as follows:

1. Profits and losses are shared equally;
2. Interest on capital is 6% per annum;
3. Interest on drawings is 4% per annum;
4. Tao's salary is RM 10,800 per annum;
5. Tao's allowance is RM 150 per month;
6. Interest on loan from partner is 8% per annum.

The following draft financial statement was prepared by inexperienced bookkeeper for the partnership:

Income Statement For The Year Ended 31 August 2023

|  |  |  |  |
| --- | --- | --- | --- |
|  | RM |  | RM |
| Wages And Salaries | 31,800 | Gross Profit |  |
| Insurance | 1,800 | Mortgage On Property |  |
| Office Expenses | 3,000 | Loan From Tom |  |
| Interest on Mortgage | 720 | Loan From Qin, 1 December 2022 |  |
| Drawings - Qin | 4,000 | Sales Commission |  |
| - Tao | 3,500 |  |  |
| Interest On Capital - Qin | 2,700 |  |  |
| - Tao | 3,000 |  |  |
| Net Profit | 36,680 |  |  |
|  | 87,200 |  | 87,200 |

**Additional information:**

1. Annual partner salary was included in the wages and salaries.
2. Insurance expenses included an amount of RM 360 which was paid for half year ended 31 December 2023.
3. Interest on loan was due to Qin.
4. Additional cash RM 500 withdrawal by Tao was on 31 August 2023.
5. The partners had the following balances on their current accounts as at 1 September 2022:

RM

Qin 340 (Credit)

Tao 2,260 (Debit)

1. All the above appropriation items were not yet paid to the partners except RM 7,200 as part of the partner salary and RM 1,800 of the partner allowance were paid during the year.

**You are required to:**

* 1. redraft Income Statement for the year ended 31 August 2023 (Profit And Loss account and Appropriation account sections only) to find the correct profit;
  2. prepare partners' Current account in columnar form.