

3A. Explain the following concepts in connection with partnership accounts

- Partnership salaries
- Current accounts
- Loans and advances
- Profit and loss sharing ratio
- Appropriation account.

4A. Madung and Njuguna were trading as partners sharing profits and losses in the ratio of 2:1. Their capital contributions were Shs. 200,000 and Shs. 150,000 respectively. Their Partnership Deed provided for a monthly salary of Shs. 9,000 for Madung and Shs. 10,000 for Njuguna; Interest of 6% per annum on their capital accounts which are to remain fixed; to charge interest on drawings at 10% per annum to discourage drawings and plough back profits. During the year Madung drew Shs. 54,000, while Njuguna drew Shs. 45,000. Their net trading profit for the year ended 31st December 2004 before taking into account the above matters was Shs. 231,000.

Required:

- Prepare an account to ascertain the division of profits between the partners.
- Partners current accounts.

Kirwa and Maina are in partnership sharing profits and losses equally.

The following is their balance as at 30 June 2001.

|                                       |       | Dr               | Cr               |
|---------------------------------------|-------|------------------|------------------|
|                                       |       | Shs.             | Shs.             |
| Capital:                              | Kirwa |                  | 350,000          |
|                                       | Maina |                  | 295,000          |
| Current accounts:                     | Kirwa |                  | 13,060           |
|                                       | Maina |                  | 2,980            |
| Drawings:                             | Kirwa | 64,000           |                  |
|                                       | Maina | 56,500           |                  |
| Buildings (Cost Sh. 900,000)          |       | 650,000          |                  |
| Fixtures at cost                      |       | 110,000          |                  |
| Provision for Depreciation (Fixtures) |       |                  | 33,000           |
| Debtors                               |       | 162,430          |                  |
| Creditors                             |       |                  | 261,500          |
| Cash at Bank 6,770                    |       |                  |                  |
| Sales                                 |       |                  | 1,236,500        |
| Stock at (30 June 2,000)              |       | 419,790          |                  |
| Purchases                             |       | 854,160          |                  |
| Carriage Outwards                     |       | 12,880           |                  |
| Discounts Allowed                     |       | 1,150            |                  |
| Loan interest: Bank                   |       | 40,000           |                  |
| Office expenses                       |       | 24,160           |                  |
| Salaries and Wages                    |       | 189,170          |                  |
| Bad Debts                             |       | 5,030            |                  |
| Loan from Bank                        |       |                  | 400,000          |
| Provision for Bad Debts               |       |                  | 4,000            |
|                                       |       | <b>2,596,040</b> | <b>2,596,040</b> |