

**BA SANGAM COLLEGE**  
**YEAR 13 ACCOUNTING WORKSHEET 1 2021**  
**TOPIC: ACCOUNTING FOR PARTNERSHIP**

**A. Nature of Partnership**

- (a) Define Partnership Agreement.
- (b) State whether Partnership is a separate legal entity or separate accounting entity.
- (c) What is the function of profit distribution statement?
- (d) Define the term amalgamation as in the partnership business.

**B. Formation of Partnership**

On 31<sup>st</sup> January 2020, Tina and Mina decided to amalgamate their sole trader business, in order to form a partnership and operate as TM Shoppers. At the date of amalgamation, their business financial positions were as follows:

**Statement of Financial Position of Tina Enterprises as at 31<sup>st</sup> January 2020**

| Assets                | \$     | \$             | Equities       | \$             |
|-----------------------|--------|----------------|----------------|----------------|
| Accounts Receivable   |        | 7 500          | Bank Overdraft | 11 300         |
| Inventories           |        | 9 300          |                |                |
| Motor vehicle         | 25 500 |                |                |                |
| Less Acc Depreciation | 5 000  | 20 500         | Capital -Tina  | 154 000        |
| Land                  |        | 128 000        |                |                |
|                       |        | <b>165 300</b> |                | <b>165 300</b> |

**Statement of Financial Position of Mina Enterprises as at 31<sup>st</sup> January 2020**

| Assets                        | \$     | \$            | Equities         | \$            |
|-------------------------------|--------|---------------|------------------|---------------|
| Cash at Bank                  |        | 8 230         | Accounts Payable | 5 600         |
| Accounts Receivable           | 10 300 |               |                  |               |
| Less Prov. for Doubtful Debts | 300    | 10 000        | Capital - Mina   | 85 330        |
| Inventories                   |        | 12 700        |                  |               |
| Furniture                     |        | 60 000        |                  |               |
|                               |        | <b>90 930</b> |                  | <b>90 930</b> |

|                          | Tina Enterprises | Mina Enterprises |
|--------------------------|------------------|------------------|
|                          | \$               | \$               |
| Accounts Receivable      | 7 400            | 9 900            |
| Inventories              | 9 000            | 13 000           |
| Land                     | 130 000          | -                |
| Furniture                | -                | 58 500           |
| Agreed value of business | 161 000          | 87 000           |

For the purpose of amalgamation, the following revaluation took place, while other assets and liabilities were taken over at book value.

Required:

Using the information given above, prepare the general journal entries to record the formation of partnership business.

### C. Final Account of Partnership

Shane, Malika and Monika operate a partnership business known as General cleaning Services. The following information relates to their business for the year 2018.

1. The partners opening balances as at 1<sup>st</sup> January 2018 were:

|        | Capital Account Balances\$ | Current Account Balances \$ |
|--------|----------------------------|-----------------------------|
| Shane  | 50 000                     | 35 000 (Cr)                 |
| Malika | 70 000                     | 15 000 (Dr)                 |
| Monika | 40 000                     | 10000 (Dr)                  |

2. Net Profit for the year ended 31<sup>st</sup> December 2018 was \$135 000.

3. The partner's drawings recorded for 2018 were:

| Drawings | \$     |
|----------|--------|
| Shane    | 25 000 |
| Malika   | 18 000 |

4. During the year, Monika did not withdraw any money from the business.

5. The following provisions were highlighted in their Partnership Agreement:

- Interest on Fixed Capital to be provided at 4% per annum.
- Interest on Current Accounts applied at 6% of opening balances.
- Interest on Drawings to be charged at 5% of the amount withdrawn.
- Salaries: Shane (**Non-Working partner**) \$28000.  
: Malika and Monika (**Working Partner**) \$38 000 each.
- Profits and Losses are shared equally.

### Required

a. Prepare the Profit and Loss Appropriation Statement of General Cleaning Services for the year ended 31<sup>st</sup> December 2018.

b. Prepare a current account for Shane