

**SANGAM SKM COLLEGE - NADI**  
**YEAR 13 ACCOUNTING WORKSHEET- 2021**

**Week 3**

Instruction

- Hope you had completed worksheet 1 based on Nature of Accounting
- The question below covers strand 2

Question 1

**Part A                      Nature of Partnership Business**

(a) Define partnership.

According to the Partnership Act of Fiji (Cap 248), partnership is defined as “the relation which exists between persons carrying on a business in common view to make profit

(b) State **one** reason for forming a partnership business.

- Improves financial stability.
- Rise in cash flow leading to expansion and purchase of assets.
- Combining two or more existing businesses reduces competition and increases market share.
- Sharing risk of decision making.(any one )

(c) State **one** advantage of the partnership business over a sole trader. (1 mark)

- More capital is contributed than sole trader business.
- Business run by two or more people will bring more specialised skills.
- Easy to manage the business in case of absence of partners due to sickness or holidays.
- It is possible to share workloads between the partners.(any one)

(d) Identify **one** clause in the Partnership Agreement.

Names of partners.

Name of firm.

Objectives of the partnership.

Rights, duties and liabilities of partners.

Capital introduced by each partner.

How profits and losses are to be divided.

Whether drawings, salaries to partners, interest on drawings, interest on capital and interest on advances are to be allowed.  
Voting and decision making procedures to be followed.  
Procedures to be followed on death or retirement of partners.(any one)

**(1 mark)**

Question2

Part A

Spade and Diamond are in partnership sharing profits and losses in a 2 : 1 ratio. The following were the relevant balances in their ledger at 30<sup>th</sup> July 2019.

	\$
Capital Account - Spade	50 000
Current Account (Cr) - Spade	7 500
Drawings - Spade	8 500
Capital Account - Diamond	35 000
Current Account (Dr) – Diamond	2 500
Drawings - Diamond	5 600

The following clauses were shown in the partnership agreement:

- Interest on drawings is to be charged at a rate of 5% per annum.
- Spade and Diamond are non- working partners and each receive \$4 000 salary per partnership agreement. These salaries have not yet being paid.
- Interest to be charged and allowed on current account at a rate of 4%.
- Interest on capital to be allowed at 10% per annum.
- Net Profit \$20000

Required

Use the information given above to prepare the Profit and Loss Appropriation account

	\$	\$	\$
Net Profit			20000
Add			
Interest on drawing -spade	425		
-diamond	280	705	
Interest on current -diamond		100	805
			20805
less			
Interest on capital – spade	5000		
-diamond	3500	8500	
Interest on current -spade		300	
Salary -spade	4000		
Diamond	4000	8000	16800
			4005
Profit appropriation -spade		2670	
-diamond		1335	Nil

### Part B

David Stanley and Clement King are partners in the accountancy firm called 'David & Clement Consultancy'.

The General Journal entries below were prepared on balance dated 31 December 2014. Assume that partners share profits/losses equally.

Date	Particulars	Dr	
Dec 31	Profit and Loss	97 000	
	Profit & Loss Appropriation		97000
	<i>(to transfer the net profit)</i>		
	Profit & Loss Appropriation	45 000	
	Current Account- David		30 000
	-Clement		15 000
	<i>(for salaries paid to partners)</i>		
	Profit & Loss Appropriation	18 000	

	Current Account- David		10 000
	-Clement		8 000
	<i>(for interest on capital charged by partners)</i>		
	Profit & Loss Appropriation	12 000	
	Current Account- David		9 000
	-Clement		3 000
	<i>(for interest on Current account charged by partners)</i>		
	Current Account- David	200	
	-Clement	400	
	Profit & Loss Appropriation		600
	<i>(for interest on drawings charged to partners)</i>		

1	<p>It is important that David and Clement have a Partnership Agreement. Describe the purpose of the Partnership Agreement.</p> <p><b>Clearly define the rights and obligations of the partners, and determine the rules of engagement should a disagreement arise among the parties</b></p>
2	<p>Calculate the residual profit/loss after taking into consideration the above journal entries.</p> <p><b>97000+200+400 (45000-18000-12000)</b></p> <p><b>Residual Profit: \$ 22600</b></p>

3

Partners' drawings for the year were: David- \$2 000 and Clement \$4 000. Prepare the General Journal Entry to close the partners' drawings account.

**General Journal**

Date	Particulars	Dr	Cr
	Current – David	2000	
	Clement	4000	
	Drawing –David		2000
	Clement		4000

(to close off partners drawings account)

4

Prepare David's Current Account to calculate his closing balance as at 31 December, 2014.

**General Ledger  
Current Account – David**

Date	Particulars	Dr	Cr	Balance
31 Dec	Balance b/f			\$20000
	Drawing	2000		18000
	Interest on drawing	200		17800
	Interest on capital		10000	27800
	Interest on current account		9000	36800
	Salary		30000	66800
	Profit		11300	78100