

SUVA SANGAM COLLEGE

YEAR 13

ACCOUNTING

WORKSHEET 4

Strand 2	PARTNRSHIP ACCOUNTING
----------	-----------------------

QUESTIONS

1	<u>Nature of Partnership Business</u>
a.	Define Partnership
b	State 2 characteristics of partnership business
c	Identify two clauses in the Partnership Agreement
2.	<u>Annual Accounts of Partnership</u>
i	Identify the final account that records non- working partner's salary
ii	State another name for retained profit account.
iii	Explain why partners are charged interest on drawing.
iv	Sachin and Pratham commenced business in partnership with capital of \$ 100,000 and \$ 80,000 respectively on 01.04.2020 agreeing to share profits and losses in the ratio of 3:2. For the year ending 31.03.2021 they earned the profits of \$ 36,000 before allowing:
	<ul style="list-style-type: none">• Interest on capital at 5% p.a
	<ul style="list-style-type: none">• Interest on drawings, Sachin \$ 600 and Pratham \$ 1,000
	<ul style="list-style-type: none">• Yearly salary of Pratham \$10,000 (non – working partner)
	<ul style="list-style-type: none">• Their drawings during the year Sachin \$ 16,000 and Pratham \$20,000. account.
	Required :
	Prepare the Profit and Loss Appropriation Account.
3 a	Mr. Ahmad and Mr. Babar are two partners sharing profit at 60% and 40% respectively. Mr. Saleem joined partnership for 20% share of profit and brought \$ 50,000 for his share of goodwill. Required: Calculate the value of goodwill.
	Partnership Formation
b	Kaveni and Donal agree to enter into partnership sharing profits and losses in a 1:3 ratio. Kaveni agrees to contribute \$40 000 cash and Toyota vehicle worth \$25 000. Donal will contribute inventories \$8 000, accounts receivable \$7 180, building \$55 000, accounts payable \$15 800. Required: Prepare General Journal entries for the formation of partnership.