PENANG SANGAM HIGH SCHOOL

YEAR 13 ACCOUNTING

WORKSHEET 2

Annual Accounts of Partnership

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 30th 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 for the year was $20 000.

Required:

Use the information given to prepare the following **closing** General Journal entries (narrations are not needed):

(1) Interest on drawings – Spade.

(2) Partner's salary – Diamond.

(3) Interest on current account for both partners (Spade & Diamond).

(4) Interest on capital for Spade.

Capital Adjustments

Drevula and Vasua are in partnership sharing profits and losses in a 3:1 ratio. On 31st March 2018 they agree to admit Civa into the partnership for half share of profits. Civa is to contribute cash $12 000, accounts receivable $4 200, inventories $4 000, furniture $8 500, buildings $35 000, land $25 000 and accounts payable $1 300.

The following were the assets, liabilities and owner's equity of the partnership at that date:

Assets	**$**	**$**	**Liabilities**	**$**
Cash at bank		1 000	Accounts Payable	3 800
Accounts receivables	2 850			
Less Prov. for doubtful debts	100		**Owner's Equity**	
		2 750	Capital – Drevula	80 000
Prepaid Expenses		150	Retained profits - Drevula	29 300
Inventories		12 500	Capital – Vasua	20 000
Furniture		9 200	Retained profits - Vasua	20 000
Plant & Machinery		12 500		
Building		70 000		
Land		45 000		
		$153 100		**$153 100**

It was agreed to **revalue** the following assets and liabilities before admitting the new partner:

- Bad bebts of $75 to be written off and the provision for doubtful debts to be increased to $120.
- Inventories to be valued at $10 000.
- Furniture to be revalued at $8 000 and plant and machinery to be revalued at $10 000.
- Land to be revalued at $55 000.

Required

Use the information given above to prepare:

(1) Capital Adjustment account for the business.

2) Capital accounts for each of the three partners.