

- 2 Ali and Sai are in partnership. Their financial year ends on 30 June. Their partnership agreement includes the following items.

Interest on capital is allowed at 6% per annum.

Interest on drawings is charged at 5%.

Sai is entitled to a partnership salary of \$10 050 per annum.

Ali and Sai share residual profits and losses in the ratio 3:2.

Ali and Sai have provided the following information:

	Ali \$	Sai \$
Drawings for the year ended 30 June 2024	11 000	16 000
Capital at 1 July 2023	60 000	40 000
Current account at 1 July 2023	1800 debit	250 credit

Profit for the year before interest on loan was \$42 700.

Ali provided a loan to the partnership of \$10 000 at an interest rate of 5% per annum. The interest payment for the year ended 30 June 2024 has been made. The partnership has no other loans.

REQUIRED:

- (a) Prepare the profit and loss appropriation account on page 7 for the year ended 30 June 2024.



Ali and Sai
Profit and loss appropriation account for the year ended 30 June 2024

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[8]

(b) Prepare the capital and current accounts for Sai for the year ended 30 June 2024 and bring down the balances on 1 July 2024.

Sai
Capital account for the year ended 30 June 2024

Date	Details	\$	Date	Details	\$
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Sai
Current account for the year ended 30 June 2024

Date	Details	\$	Date	Details	\$
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(c) State **two** disadvantages of operating as a partnership.

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(d) Prepare the journal entry to record the payment of interest on the loan provided by Ali. A narrative is **not** required.

Ali & Sai Journal		
Details	Debit \$	Credit \$

[2]

[Total: 20]

Question	Answer	Marks																																													
2(a)	<p style="text-align: center;">Ali & Sai</p> <p style="text-align: center;">Profit and loss appropriation account for the year ended 30 June 2024</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td><td style="text-align: center;">\$</td><td style="text-align: center;">\$</td></tr> <tr> <td>Profit for the year (42 700 (1) – 500 (1))</td><td></td><td style="text-align: right;">42 200</td></tr> <tr> <td>Add Interest on drawings</td><td></td><td></td></tr> <tr> <td style="padding-left: 20px;">Ali</td><td style="text-align: right;">550 (1)</td><td></td></tr> <tr> <td style="padding-left: 20px;">Sai</td><td style="text-align: right;">800 (1)</td><td style="text-align: right;">1 350</td></tr> <tr> <td></td><td style="border-top: 1px solid black;"></td><td style="border-top: 1px solid black; text-align: right;">43 550</td></tr> <tr> <td>Less Interest on capital</td><td></td><td></td></tr> <tr> <td style="padding-left: 20px;">Ali</td><td style="text-align: right;">3 600 (1)</td><td></td></tr> <tr> <td style="padding-left: 20px;">Sai</td><td style="text-align: right;">2 400 (1)</td><td></td></tr> <tr> <td></td><td style="border-top: 1px solid black; text-align: right;">6 000</td><td></td></tr> <tr> <td style="padding-left: 40px;">Salary</td><td style="text-align: right;">10 050 (1)</td><td style="text-align: right;">16 050</td></tr> <tr> <td>Residual profit</td><td></td><td style="border-top: 1px solid black; text-align: right;">27 500</td></tr> <tr> <td>Profit share</td><td></td><td></td></tr> <tr> <td style="padding-left: 20px;">Ali</td><td style="text-align: right;">16 500 }(1)OF</td><td></td></tr> <tr> <td style="padding-left: 20px;">Sai</td><td style="text-align: right;">11 000</td><td style="border-top: 1px solid black; text-align: right;">27 500</td></tr> </table>		\$	\$	Profit for the year (42 700 (1) – 500 (1))		42 200	Add Interest on drawings			Ali	550 (1)		Sai	800 (1)	1 350			43 550	Less Interest on capital			Ali	3 600 (1)		Sai	2 400 (1)			6 000		Salary	10 050 (1)	16 050	Residual profit		27 500	Profit share			Ali	16 500 }(1)OF		Sai	11 000	27 500	8
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2(c)	<p>Profits have to be shared among the partners Decisions must be recognised by all partners Decisions may take longer to put into effect One partner's actions on behalf of the business are binding on all partners Disagreements can occur All partners are responsible for the debts of the business Accept other valid advantages Any 2 disadvantages (1) each</p>	2																																										

Question	Answer				Marks
2(d)	Ali and Sai Journal				2
	Date	Details	Debit \$	Credit \$	
		Interest on loan Bank	(1) (1) 500	500	