

# PARTNERSHIPS

The following is a list of balances of 'Jack and Jill', who trade in partnership, as at the 31<sup>st</sup>. March 2008.

	£
Capital Account balances at 1 <sup>st</sup> . April 2007:-- Jack	15,000
Jill	5,000
Current Account balances at 1 <sup>st</sup> . April 2007:-- Jack (cr)	1,500
Jill (cr)	2,500
Sales	75,000
Stock as at 1 <sup>st</sup> . April 2007.	15,000
Wages	7,250
Rent	2,500
Expenses	1,500
Heat and light	600
Debtors	7,000
Creditors	5,750
Delivery costs	2,650
Drawings:-- Jack.	3,500
Jill.	4,500
Cash	2,250
Fixed Assets	3,000
Purchases	55,000

## Notes:

- (1). Closing stock as at 31<sup>st</sup>. March 2008 was valued at £20,000.
- (2). Depreciation at 25% pa, straight-line method, is to be written off the fixed assets.
- (3). At the 31<sup>st</sup>. March 2008 wages accrued amounted to £250 and rent was prepaid by £500.
- (4). On the 1<sup>st</sup>. February 2008 the business ordered and paid for goods costing £350. These were recorded as purchases but were never received as they were lost by the carrier responsible for their delivery. The carrier accepted liability for the loss during March 08 and agreed to pay full compensation in April 08. No entries had been made in the books in respect of this loss or claim.
- (5). Jack took goods, which had cost the business £170, for his own use during the year.
- (6). The 'partnership agreement' provided that profits and losses should be shared equally between the partners after:--
  - (a). Allowing annual salaries of £1,000 to Jack and £2,000 to Jill.
  - (b). Allowing interest of 5% pa on the balance of each partner's Capital Account.
  - (c). Charging Jack £100 and Jill £150 interest on drawings.All adjustments should be recorded in the partner's Current Accounts.

## Prepare:

- (1). Journal entries to record the adjustments (1) to (5) above.
- (2). The ETB to determine the Net Profit and ensure that the Balance Sheet agrees.
- (3). The Partnership Appropriation Account and the partner's Current Accounts.
- (4). The Balance Sheet in accounting format.