

ILLUSTRATION 1

Gwagwa and Jiwa are in partnership showing profit and loss in the ratio 3:2. The following is the trial balance as 31st December 2016.

	Dr (#)	Cr (#)
Capital : Gwagwa		100,000
Jiwa		50,000
Drawings: Gwagwa	6000	
Jiwa	5000	
Purchases	120,000	
Sales		200,000
Sales returns	4000	
Purchases Returns		2000
Stock at 1 st January 2016	10,000	
Carriage inwards	1,200	
Salaries and wages	15,000	
Bad debts	1000	
Office Expenses	2,400	
Loan – Okafor		14,000
Provision for doubtful debts		300
Discounts allowed	1,150	
Discount received		1100
Building at cost	30,000	
Machinery at cost	109,100	
Cash at bank	8000	
Motor Van at cost	50,000	
Electricity	50	
Provision for depreciation on mv	10,000	
Debtors	20,000	
Creditors		10,000
Bills Payable	9000	
Bills Receivable	17,500	
Carriage outwards	500	
Current account : Gwagwa		1500
Jiwa		3000
	400,000	400,000

Additional information :

1. Stock at close #15,000 260,080
2. Salaries and wages accrued #1000
3. Electricity Prepaid #20

4. Interest on capital at 10%
5. Interest on drawings at 5%
6. Depreciate motor van 10% on cost
7. Partnership salary : Gwagwa #2000
8. Provision for doubtful debts to be reduced to #200
9. Gwagwa withdrew #7000 goods for own use

You are required to :

- a. Prepare trading, profit and loss account for the year ended 31st December 2016
- b. Appropriation account
- c. Partners capital account
- d. Balance sheet as at 31st December 2016

Solution

Workings	#
1. Salaries	15,000
Owing	1000
P & L	16,000
2. Depreciation : Motor Van	
10% * 50,000	
= 5,000	

Acc : dep = 10,000 + 5000 = 15,000

3. Provision for bad debts :	
Old Prov	300
New Prov	<u>200</u>
P & L	<u>100</u>
4. Electricity = 50	
Prepaid = 20	
P & L	30

Trading, Profit & Loss Account For Gwagwa and Jiwa For the year ended 31st December 2016

	#	#		#	#
Opening Stock		10,000	Sales	200,000	
Add : Purchases	120,000		Less : Sales Returns	<u>4,000</u>	
Add : Carriage inwards	<u>1200</u>				196,000
	121,200				
Less : Purchases Returns	2000				
	119,200				
Less Goods for own use	7000	112,200			
Cost of good available for sale		122,200			
Less : Closing stock		15,000			
Cost of good sold	107,200	107,200			
Gross Profit		88,800			
		196,000			196,000

<u>Expenses :</u>		Gross Profit b/d	88,800
Salaries & wages	16,000	Discount Received	1,100
Electricity	30	Bill for bad debts	100
Bad debts	1000		
Discount Allowed	1150		
Carriage outwards	500		
Office Expenses	2,400		
Dep : motor van	5000		
Net Profit	<u>63,920</u>		
	<u>90,000</u>		<u>90,000</u>

Appropriation account

	#	#		#	#
Partner Salary :			Net profit b/d		63,920
Gwagwa		2000	Int on drawings :		
Int on Capital :			Gwagwa	300	
Gwagwa	10,000		Jiwa	250	550
Jiwa	5000	15,000			
Share of profit :					
Gwagwa	20,682				
Jiwa	13,788	44,470			
		<u>64,470</u>			<u>64,470</u>

Workings

Interest on drawings :

$$\text{Gwagwa} = 5\% \text{ of } 6000 = 300$$

$$\text{Jiwa} = 5\% \text{ of } 5000 = 250$$

Interest on capital

$$\text{Gwagwa} = 10\% \text{ of } 100,000 = 10,000$$

$$\text{Jiwa} = 10\% \text{ of } 50,000 = 5000$$

Share of profit = 3:2