

- 3 Adam, Bilal and Chan operate a partnership providing secretarial services. The partners have no formal partnership agreement.

The following balances are extracted from the trial balance at 31 December 2018.

	Debit	Credit
	\$	\$
Fees revenue received		152 000
Business operating costs	76 000	
Capital accounts		
Adam		30 000
Bilal		20 000
Chan		10 000
Current accounts		
Adam		36 000
Bilal	4 000	
Chan		12 000
Trade receivables	27 000	
Loan account: Bilal		80 000
Motor vehicles at net book value	96 000	

REQUIRED

- (a) Calculate the profit for the year ended 31 December 2018 before appropriation.

.....

.....

.....

.....

..... [1]

- (b) Calculate the share of profit appropriated to Bilal for the year ended 31 December 2018.

.....

.....

.....

.....

..... [1]

Additional information

On 1 January 2019, Bilal decided to retire from the partnership. The partners agreed the following.

- 1 Bilal was to retain one motor vehicle. The net book value of the motor vehicle was \$36 000 but it was agreed to transfer it to Bilal at a value of \$30 000.
- 2 The remaining motor vehicles were to be revalued upwards by 5%.
- 3 An irrecoverable debt of \$2000 was to be written off and a provision for doubtful debts of 4% was to be made.
- 4 Goodwill was to be valued at \$24 000.
- 5 Bilal agreed to leave \$45 000 in the partnership as a loan at 8% per annum interest. The remaining balance due to Bilal was to be paid from the partnership bank account.

REQUIRED

(c) Prepare the revaluation account at 1 January 2019.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[4]

- [3]

Additional information

Adam and Chan are to continue in partnership after Bilal's retirement and plan to draw up a formal partnership agreement to include the following:

profit-sharing ratio

rate of interest on capital

rate of interest on drawings.

REQUIRED

(e) State **two** reasons why partners may agree to provide interest on capital.

- 1
.....
.....
- 2
.....
..... [2]

(f) State **two** reasons why partners may agree to charge interest on drawings.

- 1
.....
.....
- 2
.....
..... [2]

(g) State **two** further terms that may appear in a partnership agreement.

- 1
.....
- 2
..... [2]