

- 3 Bipin, Feroz and Neeru have been in partnership for many years sharing profits and losses in the ratio 3 : 1 : 2 respectively.

Feroz decided to retire from the partnership with effect from 1 January 2022. On this date the statement of financial position was available.

Statement of financial position

	\$	\$
Assets		
Non-current assets at net book value		132 000
Current assets		
Inventory	17 560	
Trade receivables	10 540	
Cash at bank	<u>18 490</u>	
		<u>46 590</u>
Total assets		<u>178 590</u>
Capital and liabilities		
Capital accounts		
Bipin	72 000	
Feroz	44 300	
Neeru	<u>57 000</u>	
		173 300
Current accounts		
Bipin	4 240	
Feroz	(1 980)	
Neeru	<u>(2 750)</u>	
		<u>(490)</u>
Total capital		<u>172 810</u>
Current liabilities		
Trade payables		<u>5 780</u>
Total capital and liabilities		<u>178 590</u>

The following information is also available.

- 1 Non-current assets were revalued at \$155 000 and inventory was revalued at \$13 160.
- 2 Goodwill was valued at \$39 000. It was agreed that a goodwill account was **not** to be maintained in the books of the partnership.
- 3 Bipin and Neeru agreed to remain in partnership sharing profits and losses equally.
- 4 On his retirement, Feroz agreed to take a non-current asset at its valuation of \$15 000. He agreed to leave the remaining amount due to him as a loan to the partnership.

REQUIRED

- (a) Prepare, on the **next page**, the partners' capital accounts to record the retirement of Feroz.

Capital accounts

	Bipin \$	Feroz \$	Neeru \$		Bipin \$	Feroz \$	Neeru \$

Additional information

Bipin and Neeru have agreed the following for the new partnership.

- 1 They will no longer use current accounts. Each partner's current account balance is to be transferred to the partner's capital account.
- 2 The opening balances of their capital accounts are to reflect their new profit and loss sharing ratio.
Neeru was to introduce or withdraw funds in order to achieve this.

REQUIRED

- (b) Calculate the amount Neeru should introduce or withdraw.

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- (c) Explain **one** reason for valuing goodwill when a partner retires.

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(d) State **two** reasons why it is usual **not** to maintain a goodwill account in the books of a partnership.

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