3 Paul and Angela are in partnership sharing profits and losses in the ratio of 3:2 respectively. No separate current accounts are maintained.

On 1 May 2017, Rachael was admitted into the partnership.

(a) **(i)** State **two** advantages to existing partners of introducing a new partner.

1 ....

....

2 ....

....

[2]

(ii) State **two** disadvantages to existing partners of introducing a new partner.

1 ....

....

2 ....

....

[2]

A summarised statement of financial position at 30 April 2017 before the admission of Rachael is as follows:

	$
Non-current assets	225 000
Cash and cash equivalents	7 450
Other current assets	61 500
	293 950
Capital accounts:	
Paul	145 000
Angela	95 000
Current liabilities	53 950
	293 950

The following information is available:

1 Rachael paid $75 000 as capital into the partnership bank account.

2 Goodwill was valued at $50 000. No goodwill account was to be maintained in the books of account.

3 Non-current assets were revalued at $270 000.

4 Current assets (excluding cash and cash equivalents) were revalued at $40 500.

5 Current liabilities were revalued at $45 950.

6 Paul, Angela and Rachael will share profits and losses in the ratio 5:3:2 respectively.

REQUIRED

(b) Calculate the profit or loss from revaluation on 1 May 2017 when Rachael was admitted. Show how this is divided between the partners.

Profit or loss from revaluation ....

....

....

....

Division between partners ....

....

....

....

[2]

(c) Prepare, on the **next** page, the partners' capital accounts on 1 May 2017 after the admission of Rachael.

Capital Accounts

	Paul $	Angela $	Rachael $		Paul $	Angela $	Rachael $

[5]

(d) Explain why an adjustment for goodwill may be made when a new partner joins a business.

....

....

....

....

.... [2]

(e) State **two** factors that may result in the creation of goodwill for a business.

1 ....

....

2 ....

.... [2]