3 Maria and Rio have been in partnership for a number of years. They are considering admitting a new partner.

REQUIRED

(a) State **three** disadvantages to the existing partners when a new partner is admitted.

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[3]

Additional information

The partnership year end is 31 December. the period 1 January to 30 September 2021, Maria and Rio did not have a partnership agreement.

The following information is available for the year ended 31 December 2021.

The balances on the partners' accounts on 1 January 2021 were:

	$
Capital accounts	
Maria	52000
Rio	38000
Loan account: Rio	6000

On 1 October 2021 they admitted Sarah as a partner. Sarah introduced capital of $45000 from her personal savings. The partners agreed to make no adjustments for goodwill or the revaluation of the partnership assets.

From 1 October 2021 a formal partnership agreement was prepared as follows:

1 Rio to be given interest on his loan at 8% per annum.

2 Interest to be given at 6% per annum on fixed capitals.

3 Rio to be given a partnership salary of $15 000 per annum.

4 Profits to be shared in the ratio Maria : Rio : Sarah, 2 : 1 : 2 respectively.

During the year ended 31 December 2021, the partnership made a profit of $82 500 before taking into account interest on Rio's loan. It was assumed that the profit before interest on Rio's loan had accrued evenly throughout the year.

REQUIRED

(b) Prepare the appropriation account for the year ended 31 December 2021.

Maria, Rio and Sarah
Appropriation account for the year ended 31 December 2021

	Maria and Rio 1 Jan–30 Sept $	Maria, Rio and Sarah 1 Oct–31 Dec $
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Additional information

Before Sarah had been admitted as a partner, she had been earning a salary of $18 000 per annum. She had also received interest of 8% per annum on her personal savings.

REQUIRED

(c) Compare Sarah's income as a partner with the total income she would have otherwise received in the three months ended 31 December 2021. Support your answer with calculations.

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