3 Miguel and Bernard are in partnership, sharing profits and losses in the ratio 2 : 3 respectively.

The statement of financial position for the business at 31 May 2018 has been provided.

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Non-current assets	175 000
Current assets	
Inventory	60 000
Trade receivables	48 000
	108 000
Total assets	283 000
Capital and liabilities	
Capital accounts	
Miguel	100 000
Bernard	145 000
	245 000
Current liabilities	
Bank overdraft	12 000
Trade payables	26 000
	38 000
Total capital and liabilities	283 000

The partners admitted Eddy to the business on 1 June 2018. The following information is also available.

1 Eddy introduced non-current assets valued at $40 000 and cash of $50 000.

2 The new profit-sharing ratio will be 5 : 3 : 2 for Miguel, Bernard and Eddy respectively.

3 Goodwill was valued at $40 000 and will not be retained in the books of account.

4 Non-current assets at 31 May 2018 were revalued at $210 000.

5 Inventory at 31 May 2018 had a net realisable value of $45 000.

6 A provision for irrecoverable debts of 5% of trade receivables at 31 May 2018 was made.

REQUIRED

(a) Prepare, on the **next page**, the partners' capital accounts on 1 June 2018 following the admission of Eddy.

Capital accounts

	Miguel	Bernard	Eddy		Miguel	Bernard	Eddy
	$	$	$		$	$	$

Workings:

[6]

Additional information

On 1 October 2018 the following changes in the terms of the partnership were agreed by the partners.

1 All the cash introduced by Eddy was converted to a loan at an interest rate of 6% per annum.

2 Eddy would also receive a salary of $12 000 per annum.

3 The profit-sharing ratio was changed to 2 : 2 : 1 for Miguel, Bernard and Eddy respectively.

It was agreed that no adjustment for goodwill was required.

The draft profit for the year ended 31 May 2019, before interest on loan, was $39 000. This had accrued evenly throughout the year.

REQUIRED

(b) Prepare the appropriation account for the year ended 31 May 2019.

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.... [5]

(c) Explain **two** reasons why a partnership might keep separate current and capital accounts.

1 ....

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2 ....

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.... [4]