

- 1 Hamza and Noor are in partnership. They own a service business.

The following information has been extracted from the partnership's books of account for the year ended 31 December 2019.

	\$
Administrative expenses	18 270
Equipment at 1 January 2019	
Cost	11 000
Provision for depreciation	3 300
Loan account (Hamza)	10 000
Motor vehicle at 1 January 2019	
Cost	20 000
Provision for depreciation	7 200
Revenue	45 400
Wages of assistant	15 540

The following information is also available.

- 1 Administrative expenses include \$1800 insurance for the three months ended 29 February 2020.
- 2 The assistant works a 5-day week and is paid a weekly wage of \$350. At 31 December 2019 three days' wages were due but unpaid.
- 3 Hamza's loan was provided on 1 April 2019. He is entitled to interest of 8% per annum. Loan interest has not yet been paid to Hamza.
- 4 The depreciation policy is:

Equipment	15% per annum	straight-line method
Motor vehicle	20% per annum	reducing balance method
A full year's depreciation is charged in the year of purchase but none in the year of disposal.		

- 5 An item of equipment was sold for \$480 on 3 August 2019. This equipment had been purchased on 1 January 2017 for \$2000.

REQUIRED

- (a) State how profits and losses are shared in a partnership where there is no agreement.

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..... [1]

- (b) Explain **two** reasons why you would recommend partners to have a written agreement, other than stating a ratio for sharing profits and losses.

1
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2
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[4]

(c) Prepare the income statement for the year ended 31 December 2019.

Hamza and Noor
Income Statement for the year ended 31 December 2019

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Workings:

Additional information

Hamza and Noor have an agreement about sharing profits and losses. Their agreement is as follows.

- 1 Noor is to be given a salary of \$11 000.
- 2 Partners are allowed to have drawings of \$14 000 per annum. Interest of 10% is charged on any drawings in excess of this amount.
- 3 Remaining profits and losses are to be shared in the ratio Hamza : Noor, 3 : 2.

The following balances were available.

	\$	
Current account balances at 1 January 2019		
Hamza	1 290	Debit
Noor	4 350	Credit
Drawings for the year ended 31 December 2019		
Hamza	16 900	
Noor	13 200	

REQUIRED

- (d)** Prepare the appropriation account for the year ended 31 December 2019.

Hamza and Noor
Appropriation account for the year ended 31 December 2019

[4]

[5]

Option 1: admit a new partner
Option 2: apply for a bank loan

REQUIRED

[5]