

- 2 The following statement of financial position of Mhairi, a sole trader, was drawn up at 30 April 2012.

Statement of Financial Position at 30 April 2012

	\$	\$	\$
Non-current assets			
Equipment			232 000
Fixtures and fittings			<u>160 000</u>
			392 000
Current assets			
Inventory	86 000		
Trade receivables	<u>16 000</u>	102 000	
Current liabilities			
Trade payables	38 000		
Bank	<u>14 000</u>	<u>52 000</u>	
Net current assets			<u>50 000</u>
			<u>442 000</u>
Financed by			
Capital			400 000
Add Profit for the year			<u>86 000</u>
			486 000
Less Drawings			<u>44 000</u>
			<u>442 000</u>

Additional information:

- 1 On 1 May 2012 Mhairi admitted Aiden as a partner.
- 2 The profit sharing ratio between Mhairi and Aiden was agreed at 3:2.
- 3 Aiden agreed to pay a cheque to the partnership for \$200 000 and bring in vehicles valued at \$94 000 and inventory valued at \$26 000.
- 4 It was agreed that goodwill be valued at 2 times the average net profit earned over the past 4 years. Goodwill is not to be retained in the books.

The following figures were available:

Year ended 30 April	Net sales income \$	Net profit percentage %
2009	200 000	6
2010	400 000	8
2011	500 000	8
2012	860 000	10

REQUIRED

(a) Calculate the value of the goodwill.

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(b) Prepare the capital accounts of Mhairi and Aiden after the admission of Aiden as a partner.

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(d) Outline **four** advantages to Mhairi of forming a partnership with Aiden.

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