2 Alec and Jean were in partnership with capitals of $90 000 and $60 000 respectively.

On 1 June 2012 Alec had a debit balance on his current account of $2900 and Jean had a credit balance on her current account of $3100.

On 31 May 2013 Alec had a credit balance on his current account of $3000 and Jean had a credit balance on her current account of $340.

The partnership agreement stated:

1 Interest on capital is payable at 5% per annum.

2 Interest on drawings is charged at 8% per annum.

3 Annual partnership salaries were Alec $14 000 and Jean $12 000.

4 Profits and losses are to be shared in the ratio of capital invested.

Alec withdrew $20 000 and Jean $22 000 during the year.

REQUIRED

(a) Prepare the current account of **each** partner for the year ended 31 May 2013.

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(b) Calculate the profit for the year ended 31 May 2013 before appropriation.

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(c) Explain the term goodwill.

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On 1 June 2013 Alec and Jean agreed to admit Chris as a new partner. It was agreed that Chris would pay cash into the business for goodwill.

Goodwill was valued at $36 000.
In addition Chris also introduced a motor vehicle valued at $12 150 and inventory of $5850.
The partners agreed that profits and losses are to be shared between Alec, Jean and Chris in the ratio of 3:2:1. No goodwill account is to be maintained on the books.

REQUIRED

(d) Prepare the capital accounts of Alec, Jean and Chris after Chris's admission to the partnership.

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