

- 1 Interest is payable to the partners on their loan accounts at 10% per annum.
- 2 Interest on capital is allowed at the rate of 5% per annum.
- 3 Barry is entitled to a salary of \$6000 per annum.
- 4 Interest on drawings is charged at the rate of 4% on the annual drawings.
- 5 Profits and losses are shared in the ratio of 3:1.

	Alex		Barry	
	\$		\$	
Capital account	90 000		60 000	
Current account	14 000	Cr	12 500	Dr
Loan account	15 000		16 000	

After the deduction of loan interest, the draft profit for the year ended 31 May 2015 was \$90 000.

(a) Prepare the partnership appropriation account for the year ended 31 May 2015.

[illegible]

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(b) Prepare the current accounts of Alex and Barry for the year ended 31 May 2015.

Current accounts					
Details	Alex \$	Barry \$	Details	Alex \$	Barry \$
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Additional information

The partners agreed that it would be beneficial to admit another partner and on 1 June 2015 Cesar joined the partnership.

REQUIRED

(c) State **two** possible advantages to Alex and Barry of the admission of a new partner.

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Additional information

Cesar joined the partnership on 1 June 2015 and paid \$100 000 into the partnership bank account as his capital.

It was agreed that the goodwill was to be valued at \$60 000 and that no goodwill account would remain in the books of account.

The new profit sharing ratio for Alex, Barry and Cesar from 1 June 2015 was to be 3:2:1.

REQUIRED

(d) Prepare the capital accounts of Alex, Barry and Cesar to show the admission of Cesar on 1 June 2015.

Capital accounts

Details	Alex \$	Barry \$	Cesar \$	Details	Alex \$	Barry \$	Cesar \$
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Additional information

When the books of account were finally checked the following errors were discovered.

- 1 The sales day book had been undercast by \$20 000.
- 2 Closing inventory valued at cost of \$5000 had a net realisable value of \$3000.
- 3 Repairs to motor vehicles of \$7000 had been wrongly debited to the motor vehicles at cost account. (Ignore any depreciation.)
- 4 A purchase invoice of \$4000 had been wrongly entered in the books as \$400.

REQUIRED

- (e) Prepare a statement to show the corrected profit for the year ended 31 May 2015.

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