

- 3 Rahman, Silva and Thierry have been in partnership for a number of years sharing profits and losses in the ratio 3 : 2 : 1 respectively. The following draft statement of financial position was drawn up at 30 June 2017:

	\$	\$
Non-current assets at net book value		
Freehold property	120 000	
Plant and machinery	56 000	
Motor vehicles	<u>38 000</u>	214 000
Current assets		
Inventory	42 000	
Trade receivables	19 400	
Cash and cash equivalents	<u>2 300</u>	<u>63 700</u>
Total assets		<u>277 700</u>
Capital and liabilities		
Capital accounts		
Rahman	90 000	
Silva	60 000	
Thierry	<u>30 000</u>	180 000
Current accounts		
Rahman	42 300	
Silva	18 600	
Thierry	<u>(4 400)</u>	56 500
Non-current liabilities		
Loan account - Thierry		30 000
Current liabilities		
Trade payables		<u>11 200</u>
Total capital and liabilities		<u>277 700</u>

Thierry decided to retire from the partnership on 30 June 2017 and the following information was available:

- 1 Rahman and Silva were to continue in partnership sharing profits and losses in the ratio 3 : 2 respectively.
- 2 Goodwill was to be valued at \$48 000. No goodwill account was to be maintained in the books of account.
- 3 Thierry was to take over one of the motor vehicles at an agreed value of \$12 000. The remaining motor vehicles were to be valued at \$22 000.
- 4 The value of inventory was to be written down by \$3000.
- 5 An irrecoverable debt of \$200 was to be written off.
- 6 Thierry agreed not to ask for repayment of his loan to the partnership when he retired.

REQUIRED

- (a)** Prepare the revaluation account at 30 June 2017.

[4]

- (b)** Prepare the journal entry to account for goodwill at 30 June 2017. A narrative is **not** required.

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- (c) Prepare a statement to show the **total** amount due to Thierry on his retirement from the partnership.

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- (d) State **three** items that may appear in a partnership agreement.

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- (e) Explain the difference between a realisation account and a revaluation account.

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