2 The following is the draft statement of financial position of George Grosz, a sole trader, at 30 June 2012.

Statement of Financial Position at 30 June 2012

	$	$	$
Non-current assets			
Buildings at valuation			108 000
Equipment at net book value			7 000
Motor vehicles at net book value			35 000
			150 000
Current assets			
Inventory	21 000		
Trade receivables	18 000		
Cash and cash equivalents	8 000		
Other receivables	13 000	60 000	
Current liabilities			
Trade payables		42 000	
			18 000
			168 000
Non-current liabilities			
Loan			50 000
			118 000
Capital at 1 July 2011			90 000
Add Draft profit for the year			30 000
			120 000
Less Drawings			2 000
			118 000

Additional information:

1 Provision for depreciation on motor vehicles for the year ended 30 June 2012 had not yet been charged. Depreciation is charged at 10% on the net book value at the year end.

2 Items included in inventory and valued at their cost price of $9500 were damaged and had an estimated net realisable value of $2000.

3 A purchase invoice for goods valued at $2000 had been omitted from the books.

4 Sales invoices for goods valued at $4000 had been omitted from the books.

5 The loan was received at 1 March 2012. Loan interest of 6% due at the year end had not yet been paid.

REQUIRED

(a) Prepare a statement to show the corrected profit for the year ended 30 June 2012.

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(b) Calculate Grosz's capital at 30 June 2012.

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Grosz decided to form a partnership with Omar Kayal with effect from 1 July 2012, sharing the profits and losses in the ratio of 3:2 respectively.

Goodwill was to be valued at double the amount of the corrected profit for the year. Kayal was to contribute cash of $30 000, inventory of $24 000 and equipment of $60 000.

(c) State **two** reasons why goodwill has arisen.

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(d) Prepare the capital accounts of Grosz and Kayal immediately after the formation of the partnership.

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The following conditions were included in the partnership agreement:

1. A partnership salary of $10 500 is payable to Kayal.
2. Maximum drawings permitted each year – Grosz $20 000; Kayal $10 000.
3. Interest is to be charged on drawings at 10% per annum.
4. Interest on capital is payable at the rate of 5% per annum.
5. The first 40% of any residual profits is to be shared equally and transferred to the partners' capital accounts.

In the first year of the partnership the profit for the year was $88 600.
Grosz and Kayal both withdrew the maximum amount allowable during the year.

REQUIRED

(e) Prepare the appropriation account for the year ended 30 June 2013.

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