

- 3 Aisha, Bilal and Cao have been in partnership for many years sharing profits and losses in the ratio 2 : 2 : 1.

Bilal decided to retire from the partnership at 31 January 2018.

Their statement of financial position at 31 January 2018 before any adjustments was as follows:

| Aisha, Bilal and Cao                               |               |                |
|--|---------------|----------------|
| Statement of financial position at 31 January 2018 |               |                |
|  | \$            | \$             |
| <b>Assets</b>                                      |               |                |
| Non-current assets                                 |               |                |
| Premises   | 85 000        |                |
| Motor vehicles                                     | 32 000        |                |
| Fixtures and fittings                              | <u>7 500</u>  | 124 500        |
| Current assets                                     |               |                |
| Inventory  | 16 200        |                |
| Trade and other receivables                        | <u>4 800</u>  | <u>21 000</u>  |
| Total assets                                       |               | <u>145 500</u> |
| <b>Capital and liabilities</b>                     |               |                |
| Capital accounts                                   |               |                |
| Aisha  | 48 000        |                |
| Bilal  | 48 000        |                |
| Cao  | <u>24 000</u> | 120 000        |
| Current accounts                                   |               |                |
| Aisha  | 8 400         |                |
| Bilal  | (1 200)       |                |
| Cao  | <u>6 400</u>  | 13 600         |
| Current liabilities                                |               |                |
| Trade and other payables                           | 5 600         |                |
| Bank overdraft                                     | <u>6 300</u>  | <u>11 900</u>  |
| Total capital and liabilities                      |               | <u>145 500</u> |

The following information is available.

- The partners agreed that the value of goodwill at that date was \$85 000.
- It was also agreed that certain assets should be revalued to the following amounts.

|           | \$      |
|-----------|---------|
| Premises  | 114 000 |
| Inventory | 15 000  |

- As part of the final settlement, Bilal was entitled to retain one of the motor vehicles at its net book value of \$11 400.
- It was agreed that of the final settlement due to Bilal, \$20 000 would be paid immediately by cheque and the balance would remain in the business as a loan.

## REQUIRED

(a) Prepare a statement to calculate the profit or loss on revaluation at 31 January 2018.

.....

.....

.....

.....

.....

.....

.....

..... [3]

(b) Prepare Bilal's capital account on his retirement from the partnership.

.....

.....

.....

.....

.....

.....

.....

.....

..... [6]

(c) Identify **three** ways, other than using bank finance, in which a partnership could raise funds to purchase a non-current asset.

1 .....

2 .....

3 ..... [3]

(d) State **three** items that may be included in the appropriation account before the division of residual profit.

1 .....

2 .....

3 ..... [3]