

- 2 Darius and Ewan are in partnership sharing profits and losses in the ratio 5:3.

The following balances were extracted from the partnership books of account at 31 July 2022.

	\$
Bank overdraft	12 700
Capital accounts	
Darius	94 300
Ewan	68 300
Fixtures and fittings	44 000
Inventory	36 200
Property at valuation	127 000
Bank loan (2025)	24 000
Trade payables	14 200
Trade receivables	6 300

On 1 August 2022, the partners agreed to admit Karim into the partnership on the following terms.

- 1 Karim was to introduce total capital of \$48 000. This consisted of fixtures and fittings valued at \$9 500 with the balance to be introduced into the partnership bank account.
- 2 Future profits and losses were to be shared between Darius, Ewan and Karim in the ratio 5:3:2.
- 3 Goodwill was to be valued at \$36 800. Goodwill was not to be retained in the books of account.
- 4 Property was to be revalued to \$135 000.
- 5 Obsolete inventory of \$2 000 was to be written off.

REQUIRED

- (a) Prepare, on **page 9**, the partners' capital accounts on 1 August 2022 following the admission of Karim.

Capital accounts

	Darius	Ewan	Karim		Darius	Ewan	Karim
	\$	\$	\$		\$	\$	\$

Workings:

- (b)** Prepare the partnership statement of financial position at 1 August 2022 following the admission of Karim. Use the space provided on **page 11** for your workings.

Darius, Ewan and Karim

Statement of financial position at 1 August 2022

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Workings:

[6]

Additional information

Partners may allow interest on capital and charge interest on drawings.

REQUIRED

(c) State **one** advantage of allowing interest on capital to a:

partner

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partnership

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[2]

(d) Explain **one** reason why a partnership may charge interest on drawings.

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