

- 4 Tadeen and Yadid are lawyers who have been in partnership for many years. The partners provided the following trial balance at 30 April 2024.

Tadeen and Yadid  
Trial balance at 30 April 2024

	\$	\$
Revenue		236 350
Salaries	79 800	
Rates and insurance	17 320	
Advertising	16 730	
Office expenses	6 150	
Interest on loan from Tadeen	1 200	
Premises at cost	180 000	
Fittings and equipment at cost	70 000	
Provision for depreciation of fittings and equipment		31 500
Receivables	24 200	
Cash at bank	19 335	
Cash in hand	1 375	
Loan from Tadeen		20 000
Capital accounts		
Tadeen		125 000
Yadid		85 000
Current accounts		
Tadeen		3 300
Yadid	4 240	
Drawings		
Tadeen	34 300	
Yadid	46 500	
	<u>501 150</u>	<u>501 150</u>

Additional information

- 1 Rates and insurance include an amount of \$1920 for the year 1 March 2024 to 28 February 2025.
- 2 At 30 April 2024, \$1800 for salaries was due but unpaid.
- 3 Irrecoverable receivables of \$670 are to be written off.
- 4 Depreciation on fittings and equipment is to be charged at 15% per annum using the straight-line method.
- 5 The partnership agreement provides for
  - interest on partner's loan of 6% per annum
  - interest on drawings of 5%
  - interest on capital of 3% per annum
  - a salary to Yadid of \$10 000 per annum
  - residual profits and losses are to be shared 60% to Tadeen and 40% to Yadid.

Tadeen and Yadid  
Income Statement for the year ended 30 April 2024

[illegible]

**[Turn over**



**(d)** Advise Tadeen and Yadid whether or not they should offer Raim a partnership. Justify your answer by providing points for and against offering Raim a partnership.

[5]

**[Turn over**

Question	Answer	Marks																																				
4(a)	<div><div>Tadeen and Yadid</div><div>Income Statement for the year ended 30 April 2024</div><table><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Revenue</td><td></td><td>236 350</td></tr><tr><td>Expenses</td><td></td><td></td></tr><tr><td>Salaries (79 800 + 1 800)</td><td>81 600 (1)</td><td></td></tr><tr><td>Rates and insurance (17 320 – (10/12 × 1 920)=1 600)</td><td>15 720 (2) / (1)OF</td><td></td></tr><tr><td>Advertising</td><td>16 730 }</td><td></td></tr><tr><td>Office expenses</td><td>6 150 }(1)</td><td></td></tr><tr><td>Depreciation of fittings and equipment (15% × 70 000)</td><td>10 500 (1)</td><td></td></tr><tr><td>Irrecoverable receivables</td><td><u>670 (1)</u></td><td><u>131 370</u></td></tr><tr><td>Profit from operations</td><td></td><td>104 980</td></tr><tr><td>Loan interest</td><td></td><td><u>1 200 (1)</u></td></tr><tr><td>Profit for the year</td><td></td><td><u>103 780 (1)OF</u></td></tr></table></div>		\$	\$	Revenue		236 350	Expenses			Salaries (79 800 + 1 800)	81 600 (1)		Rates and insurance (17 320 – (10/12 × 1 920)=1 600)	15 720 (2) / (1)OF		Advertising	16 730 }		Office expenses	6 150 }(1)		Depreciation of fittings and equipment (15% × 70 000)	10 500 (1)		Irrecoverable receivables	<u>670 (1)</u>	<u>131 370</u>	Profit from operations		104 980	Loan interest		<u>1 200 (1)</u>	Profit for the year		<u>103 780 (1)OF</u>	8
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4(b)	<div>Tadeen and Yadid</div> <div>Appropriation account for the year ended 30 April 2024</div> <table><tr><td></td><td></td><td>\$</td><td></td><td>\$</td><td></td></tr><tr><td>Profit for the year</td><td></td><td></td><td></td><td>103 780</td><td>OF</td></tr><tr><td>Add interest on drawings</td><td>Tadeen</td><td>1 715</td><td>}</td><td></td><td></td></tr><tr><td></td><td>Yadid</td><td>2 325</td><td>}(1)</td><td>4 040</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>107 820</td><td></td></tr><tr><td>Less</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Interest on capital</td><td>Tadeen</td><td>3 750</td><td>}</td><td></td><td></td></tr><tr><td></td><td>Yadid</td><td>2 550</td><td>}(1)</td><td></td><td></td></tr><tr><td></td><td></td><td>6 300</td><td></td><td></td><td></td></tr><tr><td>Salary Yadid</td><td></td><td>10 000</td><td>(1)</td><td>16 300</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td>91 520</td><td></td></tr><tr><td>Profit share</td><td>Tadeen</td><td>54 912</td><td>(1) OF</td><td></td><td></td></tr><tr><td></td><td>Yadid</td><td>36 608</td><td>(1) OF</td><td>91 520</td><td></td></tr></table>			\$		\$		Profit for the year				103 780	OF	Add interest on drawings	Tadeen	1 715	}				Yadid	2 325	}(1)	4 040						107 820		Less						Interest on capital	Tadeen	3 750	}				Yadid	2 550	}(1)					6 300				Salary Yadid		10 000	(1)	16 300						91 520		Profit share	Tadeen	54 912	(1) OF				Yadid	36 608	(1) OF	91 520		5
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4(c)(i)	<div>To avoid a debit balance on their current account (1)</div> <div>To keep cash in the business / to benefit the business / less profits / making loss (1)</div> <div>To reduce interest charged on drawings (1)</div> <div>Accept other valid points</div> <div>Max (1)</div>	1																																																																														
4(c)(ii)	Going concern (1)	1																																																																														

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4(d)	<p><b>For</b></p> <p>The business will benefit from the skills and experience of Raim (1)</p> <p>Raim may contribute towards increased revenue and profit / attract more customers (1)</p> <p>Raim would share workload (1)</p> <p>Raim would share the risks / responsibilities / losses (1)</p> <p>They could require Raim to introduce capital (1)</p> <p>They may need to spend less on advertising as Raim is well known in the area (1)</p> <p><b>Accept other valid points</b></p> <p><b>Max (3)</b></p> <p><b>Against</b></p> <p>The profits would need to be shared with Raim (1)</p> <p>Raim's profit share would be greater than an employee's salary (1)</p> <p>Raim's profit share will significantly reduce the profit available for the existing partners (1)</p> <p>They would need to take account of Raim's views / there may be disagreements (1)</p> <p>They would be liable for the actions of Raim (1)</p> <p><b>Accept other valid points</b></p> <p><b>Max (3)</b></p> <p><b>Max (4)</b></p> <p><b>Recommendation (1)</b></p>	<b>5</b>