3 Yasmin and Zafran are in partnership. They prepare their financial statements to 31 March each year.

The annual rent expense for the partnership is $8400.

During the year ended 31 March 2026, rent of $6300 was paid.

At 1 April 2025, there was a prepayment of rent of $700.

REQUIRED

(a) Prepare the rent expense account for the year ended 31 March 2026. Balance the account and bring down the balance at 1 April 2026.

Yasmin and Zafran
Rent expense account

date	details	$	date	details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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Yasmin and Zafran are considering obtaining a long-term loan to buy the storeroom which they are now renting.

REQUIRED

(b) Advise the partners whether or not they should take out a long-term loan in order to buy the storeroom. Justify your answer by providing points both for **and** against doing this.

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The partnership agreement provides for:

- interest on partners' loans of 7.5% per annum
- interest on drawings of 5% per annum
- interest on capital of 3% per annum
- a salary to Yasmin of $8000 per annum
- residual profits and losses to be shared equally.

The residual profit for the year ended 31 March 2026, after the income statement and the appropriation account had been prepared, was $22 400.

The partners provided the following information.

	$	
Yasmin's capital account balance at 1 April 2025	42 000	
Yasmin's current account balance at 1 April 2025	2 900	credit
Yasmin's drawings for the year ended 31 March 2026	18 000	

On 1 April 2025, Yasmin made a loan of $30 000 to the business. The loan interest recorded in the income statement has not yet been paid.

REQUIRED

(c) Prepare Yasmin's current account for the year ended 31 March 2026. Balance the account and bring down the balance at 1 April 2026.

Yasmin
Current account

date	details	$	date	details	$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
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The **credit** balances on Zafran's accounts at 31 March 2026 were:

	$
capital account	35 000
current account	5 600

REQUIRED

(d) Prepare an extract from the statement of financial position showing the capital section (closing balances **only**) at 31 March 2026.

Yasmin and Zafran
Statement of financial position (extract) at 31 March 2026

	$	$	$
.....	.....	.....	.....
.....	.....	.....	.....
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Question	Answer	Marks
3(a)	Yasmin and Zafran Rent expense account	**4**

Date	Details		$	Date	Details		$
2025				2026			
Apr 1	Balance b/d	**(1)**	700	Mar 31	Income statement	**(1)**	8 400
2026							
Mar 31	Bank/Cash	**(1)**	6 300				
	Balance c/d		1 400				
			8 400				8 400
				2026			
				Apr 1	Balance b/d	**(1)OF**	1 400

Guidance
- For marking purposes, dates have been ignored and the relationship between figures has been given importance.
- 'Cash', 'Bank', 'Cash/bank' are acceptable labels but 'Cash book' is not an acceptable label
- **OF** Balance b/d can be on either side
- If the closing balance b/d is 700 (instead of being shown as opening balance), **(1) OF** is awarded but if both balances are the same, mark only for the opening item is awarded

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Question	Answer	Marks
3(b)	**Points for** No more rent would need to be paid / may be cheaper than renting **(1)** The business will own the property **(1)** No further liability after loan repaid **(1)** The business would not be subject to rent increases **(1)** **Accept other valid points** **Max (3)** **Points against** Loan has to be repaid **(1)** Interest will be charged **(1)** Lender may require security **(1)** Lender may refuse to grant the loan **(1)** **Accept other valid points** **Max (3)** **Max (4)** **Recommendation (1)**	**5**
	Guidance • Need one point for and one against to be awarded the mark for recommendation • Converse comments are awarded max **(1)** not **(2)** marks	

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Question	Answer	Marks
3(c)	Yasmin and Zafran Yasmin current account	**7**

Date	Details		$	Date	Details		$
2026				2025			
Mar 31	Drawings	**(1)**	18 000	Apr 1	Balance b/d		2 900
	Interest on drawings	**(1)**	900	2026			
	Balance c/d		6 710	Mar 31	Interest on loan	**(1)**	2 250
					Interest on capital	**(1)**	1 260
					Salary		8 000
					Profit share	**(1)**	11 200
			25 610				25 610
				2026			
				Apr 1	Balance b/d	**(1)OF**	6 710

(1) Dates

Guidance
- 'Profit' or 'profit for the year' are acceptable labels for 'profit share'
- **OF** Balance b/d can be on either side
- No **OF** balance mark is awarded if there are extraneous items included in the account
- The figures 2900 and 8000 should be included in the account to get the **OF** balance mark

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Question	Answer	Marks
3(d)	Yazmin and Zafran Statement of Financial Position (extract) as at 31 March 2026 **Either** Yasmin $ / Zafran $ / Total $ Capital accounts 42 000 **(1)** / 35 000 **}(1)** / 77 000 6 710 **(1)OF** / 5 600 **}** / 12 310 Current account 48 710 / 40 600 / 89 310 **(1)OF** **Or** $ / $ Yasmin Capital account 42 000 **(1)** Current account 6 710 **(1)OF** / 48 710 Zafran Capital account 35 000 **}(1)** Current account 5 600 **}** / 40 600 89 310 **(1)OF** **Or** $ / $ Capital account Yasmin 42 000 **(1)** Zafran 35 000 ***** / 77 000 Current account Yasmin 6 710 **(1)OF** Zafran 5 600 ***(1)both** / 12 310 89 310 **(1)OF**	**4**
	Guidance • No **OF** mark is awarded for total if there are extraneous items in the account • The account must have two distinct accounts for each partner • If there are no names of the partners, only award a mark for the **OF** total provided it shows a capital a/c and current a/c for each partner. Extraneous items should not be included. • Initials instead of names of partners are acceptable for marking purposes	

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