



Subject: Year 13 Accounting Worksheet 22 Name: _____

Strand 2	Partnership Formation or Amalgamation
Sub strand 2.2	Conceptual framework and Accounting Bodies
Content Learning Outcome	Prepare journal entries for formation of partnership

QUESTION 1 ACCOUNTING FOR PARTNERSHIP

Steffanie and Ravikesh, who were operating sole –trading businesses, decided to amalgamate their businesses on 1 January, 2018 to form a partnership and trade as Steffanie and Ravikesh Traders.

At the date of the amalgamation, the financial position of their businesses was as follow:

Balance Sheet of Steffanie Enterprises as at 31 December, 2017

Assets	\$	\$	Equities	\$
Cash at bank		7 500	Accounts payable	4 800
Accounts receivable	6 500		Accrued expenses	100
Less provision for doubtful debts	100	6 400	Mortgage	13 000
Inventories		10 000		
Building	85 000		Capital- Steffanie	81 000
Less accumulated depreciation	10 000	75 000		
		<u>\$ 98 900</u>		<u>\$ 98 900</u>

Balance Sheet of Ravikesh Enterprises as at 31 December, 2017

Assets	\$	\$	Equities	\$
Accounts receivable		8 900	Bank overdraft	3 000
Inventories		7 000	Accounts payable	8 400
Accrued revenue		500		
Furniture	14 000		Capital – Ravikesh	85 000
Less accumulated depreciation	4 000	10 000		
Land		70 000		
		<u>\$ 96 400</u>		<u>\$ 96 400</u>

For the purpose of amalgamation, the following fair values were agreed upon in the books of Stefannie and Ravikesh Enterprises. The remaining assets and liabilities are to be taken over at book value.

	Stefannie Enterprises (\$)	Ravikesh Enterprises (\$)
Accounts receivable	6 300	8 600
Inventories	11 000	6 500
Land	-	80 000
Building	73 000	-
Agreed value of the business	87 000	95 000

Required:

Prepare the journal entries to record the **formation** of the partnership business.
Narrations are not required.