

Year 13 Accounting Worksheet 1

Partnership Formation

(10 marks)

John Tee and Jonah Vee, who were operating a sole trading businesses, decided to amalgamate their businesses on 1 January, 2020 to form a partnership and trade as John and Jonah Traders. At the date of the amalgamation, the financial position of their businesses were as follows:

Balance Sheet of John Tee Enterprises as at 31 December, 2019

Assets	\$	Equities	\$
Cash at bank	7 500	Accounts payable	4 800
Accts receivables 6 500		Accrued expenses	100
Less prov. for d/debts <u>100</u>	6 000	Mortgage	13 000
Inventories			
Building 85 000		Capital - John	81 000
Less accumulate dep. <u>10 000</u>	<u>75 000</u>		
	<u>\$98 900</u>		<u>\$98 900</u>

Balance Sheet of Jonah Vee Enterprises as at 31 December, 2019

Assets	\$	Equities	\$
Accounts Receivables	8 900	Bank overdraft	3 000
Inventories	7 000	Accounts payable	8 400
Revenue due	500		
Furniture 14 000		Capital - Jonah	85 000
Less accumulated dep. <u>4 000</u>	10 000		
Land	<u>70 000</u>		
	<u>\$96 000</u>		<u>\$96 000</u>

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

	John Tee Enterprises	Jonah Enterprises
	\$	\$
Accounts Receivables	6 300	8 600
Inventories	11 000	6 500
Land		80 000
Building	73 000	
Agreed value of the business	87 000	93 000

Required:

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