a) Explain two reasons why two sole traders may decide to amalgamate their business

b) Explain why a sole trader should value his goodwill before amalgamating with another sole trader

Jamil and Sadia are sole traders. They agreed to amalgamate their businesses on 1June 2016. On that date their assets and liabilities were as follows:

|  |  |  |
| --- | --- | --- |
|  |  Jamil $  |  Sadia $  |
|  Furniture and fixtures |  15000 |  10000  |
| Trade receivables  |  3940 |  2870 |
| Trade payable |  950 |  580 |
| Office equipment  |  3300 |  2800 |
| Other receivables |   |  50 |
| Other payables |  40 |  |
| Motor vehicles  |  15500 |   |
| Bank  |  (1750) |  2860 |
| Goodwill(Intangible asset) |  9000 |  6000 |

They agreed that all assets and liabilities should be taken over by the new business at the above values

c)Prepare the opening general entries in the books of partnership, a narrative is required.

d) Prepare the opening balance sheet of the partnership at 1 June 2016