

5. (a) List **two** ways in which a partnership has an advantage over a sole-trader business.

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(2 marks)

Kavindra and Devesh are brothers who decided to go into a partnership and run a furniture store together. At the end of their second year of trading, the following information is made available:

Current accounts:

Kavindra	\$11 200 Dr
Devesh	\$ 9 600 Dr

Capital accounts:

Kavindra	\$100 000
Devesh	\$ 80 000

Drawings:

Kavindra (Jan–June)	\$4 000
Devesh (Oct–Dec)	\$2 500

Additional information:

- Net income for the year      \$150 000
- Salary: Devesh                 \$ 30 000
- Interest on capital is 4% per annum.
- Interest on drawings is 8% per annum.
- Profits are shared at a ratio of 3 : 2, respectively.

(b) Prepare the appropriation account for Kavindra and Devesh for the year ending 31 December 2018.

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**(10 marks)**

(c) Using the information from (b), prepare the partners' current account in columnar style.

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**(7 marks)**

(d) What does the credit brought down balance on the partners' current account mean?

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**(1 mark)**

**(Total 24 marks)**