

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

(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.

(10 marks)

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

(7 marks)

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

(1 mark)

(Total 24 marks)