1 Henry and Robin are in partnership with capitals of $120 000 and $80 000 respectively.

On 1 June 2010 Henry had a debit balance on his current account of $6 600 and Robin had a credit balance on his current account of $1 000.

On 31 May 2011 Henry had a credit balance on his current account of $10 400.

The partnership agreement stated:

1 Interest on capital is payable at 8% per annum.

2 The maximum drawings permitted in any one year is 10% of capital invested.

3 Interest on drawings is charged at 5% on total drawings for the year.

4 Annual partnership salaries were Henry: $5 000 and Robin: $4 000.

5 Profits and losses are to be shared in the ratio of capital invested.

Both partners withdrew the maximum amount permitted during the year.

REQUIRED

(a) Prepare the current account of each partner for the year ended 31 May 2011.

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(b) Calculate the profit for the year (net profit) made by the partnership for the year ended 31 May 2011.

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(c) Before forming a partnership both Henry and Robin were sole traders.

State **four** advantages of a partnership compared to a sole trader.

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