1A James and Gemma are in partnership. They have provided the following information.

A balance sheet extract at 31 December 2008 showed the following balances:

	$
Capital Accounts	
James	90 000
Gemma	60 000
Current Accounts	
James	12 000 (Cr)
Gemma	9 000 (Cr)
Inventory (stock)	6 300
Non-current (fixed) assets at cost	204 000
Loan	45 000

The partnership agreement provides for:

Interest on capital at 8% per annum.
No interest on drawings
A salary to Gemma of $6000 a year
Profits and losses to be shared equally

On 1 July 2009 James introduced a further $25 000 to increase his fixed capital. This money was used to purchase additional non-current (fixed) assets on that date.

At 31 December 2009 the following information was available for the partnership.

	$
Revenue (sales) 1 January 2009 – 30 June 2009	90 000
Revenue (sales) 1 July 2009 – 31 December 2009	150 000
Ordinary goods purchased (purchases) 1 January 2009 – 30 June 2009	70 000
Ordinary goods purchased (purchases) 1 July 2009 – 31 December 2009	104 000

Additional information

1 Mark up was 50% on cost.

2 Total expenses for the year were $25 525.
These included depreciation on non-current (fixed) assets at 5% per annum (charged on cost for each proportion of the year) and the interest on the loan at 6% per annum.

The remaining expenses were split equally for each half of the year.

3 There are no accruals or prepayments at the end of the year.

4 Drawings for the year were:

	$
James	15 200
Gemma	18 300

REQUIRED

(a) Assuming each month is of equal length prepare the income statement (profit and loss account) and appropriation account for

(i) the six month period ended 30 June 2009.

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(ii) the six month period ended 31 December 2009.

[7]

(b) Prepare the current accounts in columnar form for both partners for the year ended 31 December 2009.

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(c) State **three** advantages for James and Gemma of trading as a partnership rather than as sole traders.

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