1 Killim and Jaro are in partnership sharing profits in the ratio of 2 : 1 respectively. Interest of 5 % per annum is allowed on capital and 4 % is charged on total drawings for the year.

The following are the partnership balances at 30 September 2007, after completion of the trading account.

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Gross profit	61 400
General expenses	9 100
Rent, rates and insurance	1 215
Discount allowed	2 010
Discount received	1 910
Wages	14 150
Bank interest (Cr)	1 320
Premises at cost	73 500
Fixtures at valuation	13 100
Debtors	20 200
Creditors	27 842
Bank deposit account	60 000
Bank current account (Cr)	1 400
Stock at 30 September 2007	51 200
Drawings – Killim	12 200
Drawings – Jaro	14 100
Capital account – Killim	120 000
Capital account – Jaro	55 000
Current account – Killim (Cr)	3 050
Current account – Jaro (Dr)	1 147

Additional information at 30 September 2007:

Depreciation on fixtures is provided for at 25 % per annum using the reducing balance method. Jaro is credited with a salary of $20 000 per annum.
Wages prepaid amounted to $450.
Insurance accrued amounted to $300.

REQUIRED

(a) Prepare a profit and loss and appropriation account for the year ended 30 September 2007.

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(b) Prepare Jaro's current account for the year ended 30 September 2007.

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The partnership has recently purchased new premises and needs new equipment costing over $100 000.

REQUIRED

(c) Identify **two** methods of raising extra finance and state **one** advantage and **one** disadvantage of each method.

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