1 Tom and Jerry are in partnership. They do not have a formal partnership agreement.

The following information is available for the partnership for the year ended 30 November 2015:

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Capital account balances at 30 November 2015		
Tom	90 000	
Jerry	54 000	
Current account balances at 1 December 2014		
Tom	18 000	Credit
Jerry	10 800	Debit
Drawings for the year		
Tom	8 000	
Jerry	2 800	
Profit from operations	12 600	
Loan from partner account		
Tom	24 000	

Tom made the loan to the partnership on 1 December 2014.

Profits had accrued evenly and drawings had been taken evenly throughout the year.

Additional information

Tom and Jerry prepared a formal partnership agreement to take effect from 1 September 2015. The terms of the agreement were:

1 Interest on capital was to be at a rate of 8% per annum.

2 Interest on drawings was to be at a rate of 3% per annum based on the annual drawings.

3 Tom was to be paid a salary of $16 216 per annum.

4 Profits and losses were to be shared in the ratio 3 : 2 respectively.

5 Loan interest was to be paid at a rate of 4% per annum.

REQUIRED

(a) Calculate the profit before appropriation for the nine months ended 31 August 2015 and the three months ended 30 November 2015.

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(b) Prepare the appropriation account for the nine months ended 31 August 2015 and the three months ended 30 November 2015.

Appropriation Account

	9 months	3 months
	$	$

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(c) Prepare the current accounts for Tom and Jerry for the year ended 30 November 2015.

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Additional information

The partnership is considering expansion and will need to purchase additional non-current assets at a cost of $60 000.

REQUIRED

(d) State the difference between capital and revenue expenditure.

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(e) Identify and explain **one** accounting concept relating to depreciation.

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(f) (i) Discuss **two** possible sources of finance which could be used to fund the purchase of the additional non-current assets.

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(ii) Recommend the most appropriate source of finance for the partnership. Justify your answer.

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