CHAPTER 4

Summary

A partnership is a legal agreement between two or more persons (partners) but not more than 20.
The owners in a partnership are called Partners.
Partners form a partnership by drawing up a Partnership Agreement.
The advantage of a partnership is that there are more capital and less administrative expenses.
The disadvantage is that the partners are jointly and severally liable for the debts of the business.
The capital contribution is reflected as a ratio.
Each of the owners has a CAPITAL, DRAWINGS and a CURRENT account.

Reversal of accounts at beginning of the next financial year

	Account debited	Account credited
Consumable stores on hand	Specific expenses, for example, STATIONERY	CONSUMABLE STORES ON HAND (asset)
Prepaid expenses	Specific expenses, for example, WATER AND ELECTRICITY	PREPAID EXPENSE (asset)
Accrued expenses	ACCRUED EXPENSES (liability)	Specific expense
Income received in advance	INCOME RECEIVED IN ADVANCE (liability)	Specific income
Accrued income	Specific income	ACCRUED INCOME