Partnerships In Class Assignments Student Version

Exercise 12-3

Journalizing partnership formation P2

Angela Moss and Autumn Barber organize a partnership on January 1. Moss's initial net investment is $75,000, consisting of cash ($17,500), equipment ($82,500), and a note payable reflecting a bank loan for the new business ($25,000). Barber's initial investment is cash of $31,250. These amounts are the values agreed on by both partners. Prepare journal entries to record (1) Moss's investment and (2) Barber's investment.

QS 12-3

Partnership income allocation P2

Ann Stolton and Susie Bright are partners in a business they started two years ago. The partnership agreement states that Stolton should receive a salary allowance of $15,000 and that Bright should receive a $20,000 salary allowance. Any remaining income or loss is to be shared equally. Determine each partner's share of the current year's net income of $52,000.

QS 12-4

Partnership income allocation P2

Blake and Matthew are partners who agree that Blake will receive a $100,000 salary allowance and that any remaining income or loss will be shared equally. If Matthew's capital account is credited for $2,000 as his share of the net income in a given period, how much net income did the partnership earn in that period?

Exercise 12-4

Income allocation in a partnership P2

Kramer and Knox began a partnership by investing $60,000 and $80,000, respectively. During its first year, the partnership earned $160,000. Prepare calculations showing how the $160,000 income should be allocated to the partners under each of the following three separate plans for sharing income and loss: (1) the partners failed to agree on a method to share income; (2) the partners agreed to share income and loss in proportion to their initial investments (round amounts to the nearest dollar); and (3) the partners agreed to share income by granting a $50,000 per year salary allowance to Kramer, a $40,000 per year salary allowance to Knox, 10% interest on their initial capital investments, and the remaining balance shared equally.

Check  Plan 3, Kramer, $84,000

Exercise 12-5

Income allocation in a partnership P2

Kramer and Knox began a partnership by investing $60,000 and $80,000, respectively. The partners agreed to share net income and loss by granting annual salary allowances of $50,000 to Kramer and $40,000 to Knox, 10% interest allowances on their investments, and any remaining balance shared equally.

1. Determine the partners' shares of Kramer and Knox given a first-year net income of $98,800.
2. Determine the partners' shares of Kramer and Knox given a first-year net loss of $16,800.

Check  (2) Kramer, $(4,400)

QS 12-5

Admission of a partner P3

Jules and Johnson are partners, each with $40,000 in their partnership capital accounts. Kwon is admitted to the partnership by investing $40,000 cash. Make the entry to show Kwon's admission to the partnership.

Exercise 12-8

Admission of new partner P3

The Struter Partnership has total partners' equity of $510,000, which is made up of Main, Capital, $400,000, and Frist, Capital, $110,000. The partners share net income and loss in a ratio of 80% to Main and 20% to Frist. On November 1, Madison is admitted to the partnership and given a 15% interest in equity and a 15% share in any income and loss. Prepare the journal entry to record the admission of Madison under each of the following separate assumptions: Madison invests cash of (1) $90,000; (2) $120,000; and (3) $80,000.

QS 12-6

Partner admission through purchase of interest P3

Stein agrees to pay Choi and Amal $10,000 each for a one-third (331⁄3%) interest in the Choi and Amal partnership. Immediately prior to Stein's admission, each partner had a $30,000 capital balance. Make the journal entry to record Stein's purchase of the partners' interest.

Exercise 12-7

Sale of partnership interest P3

The partners in the Biz Partnership have agreed that partner Mandy may sell her $100,000 equity in the partnership to Brittney, for which Brittney will pay Mandy $85,000. Present the partnership's journal entry to record the sale of Mandy's interest to Brittney on September 30.

Exercise 12-9

Retirement of partner P3

Hunter, Folgers, and Tulip have been partners while sharing net income and loss in a 5:3:2 ratio. On January 31, the date Tulip retires from the partnership, the equities of the partners are Hunter, $150,000; Folgers, $90,000; and Tulip, $60,000. Present journal entries to record Tulip's retirement under each of the following separate assumptions: Tulip is paid for her equity using partnership cash of (1) $60,000; (2) $80,000; and (3) $30,000.

QS 12-7

Liquidation of partnership P4

The Field, Brown & Snow partnership was begun with investments by the partners as follows: Field, $131,250; Brown, $165,000; and Snow, $153,750. The operations did not go well, and the partners eventually decided to liquidate the partnership, sharing all losses equally. On May 31, after all assets were converted to cash and all creditors were paid, only $45,000 in partnership cash remained.

1. Compute the capital account balance of each partner after the liquidation of assets and the payment of creditors.
2. Assume that any partner with a deficit agrees to pay cash to the partnership to cover the deficit. Present the journal entries on May 31 to record (*a*) the cash receipt from the deficient partner(s) and (*b*) the final disbursement of cash to the partners.
3. Assume that any partner with a deficit is not able to reimburse the partnership. Present journal entries (*a*) to transfer the deficit of any deficient partners to the other partners and (*b*) to record the final disbursement of cash to the partners.

Check  (1) Field, $(3,750)

Exercise 12-10

Liquidation of partnership P4

Turner, Roth, and Lowe are partners who share income and loss in a 1:4:5 ratio. After lengthy disagreements among the partners and several unprofitable periods, the partners decide to liquidate the partnership. Immediately before liquidation, the partnership balance sheet shows total assets, $126,000; total liabilities, $78,000; Turner, Capital, $2,500; Roth, Capital, $14,000; and Lowe, Capital, $31,500. The cash proceeds from selling the assets were sufficient to repay all but $28,000 to the creditors.

1. Calculate the loss from selling the assets.
2. Allocate the loss from part *a* to the partners.
3. Determine how much, if any, each partner should contribute to the partnership to cover any remaining capital deficiency.

Check  (*b*) Lowe, Capital after allocation, $(6,500)