

Name \_\_\_\_\_ Date \_\_\_\_\_ B

Discussion Section \_\_\_\_\_ Row \_\_\_\_ Seat \_\_\_\_

**PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II**

Chapter 12 -- Partnerships

Spring 2012

- 1-2 Balla and Bigham are partners who share in net income equally and have capital balances of \$60,000 and \$30,000 respectively. Balla, with the consent of Bigham, sells one half of her interest to Buck. What entry is required by the partnership if the sales price is \$40,000?


- 3-5 Key and Luper form a partnership with investments of \$20,000 and \$50,000 respectively. Journalize the entry necessary to close the Income Summary account at the end of the year when net income was \$30,000. The partnership agreement did not indicate how to divide profit and loss.


- 6-8 Pearson and Roundtree, with capital balances of \$32,500 and \$54,000 respectively, decide to liquidate their partnership. After selling the noncash assets and paying the liabilities, there is \$60,000 of cash remaining. Give the journal entry required to distribute the available cash if the partners share income and losses equally.


- 9-10 Literas and Niles are partners with capital balances of \$60,000 and \$25,000 respectively at the beginning of the year. If net income for the year is \$33,100, determine the amount allocated to each partner if the partnership agreement stated: salary allowances of \$15,000 to Literas and \$8,000 to Niles; interest on their capital at the beginning of the year at 6%; remainder in a ratio of 3:2. Show and label your work in good form (for partial credit).


When you have finished, please put you paper face down at the end of the row to your left.

**PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II**Chapter 13 -- Partnerships

Spring 2012

- 1-2 Balla and Bigham are partners who share in net income equally and have capital balances of \$60,000 and \$30,000 respectively. Balla, with the consent of Bigham, sells one half of his interest to Buck. What entry is required by the partnership if the sales price is \$40,000?

Balla, Capital (60,000 x ½)	30,000	
Buck, Capital		30,000

- 3-5 Key and Luper form a partnership with investments of \$20,000 and \$50,000 respectively. Journalize the entry necessary to close the Income Summary account at the end of the year when net income was \$30,000. The partnership agreement did not indicate how to divide profit and loss.

Income Summary	30,000	
Key, Capital		15,000
Luper, Capital		15,000

- 6-8 Pearson and Roundtree, with capital balances of \$32,500 and \$54,000 respectively, decide to liquidate their partnership. After selling the noncash assets and paying the liabilities, there is \$60,000 of cash remaining. Give the journal entry required to distribute the available cash if the partners share income and losses equally. (Click here for an explanation of calculations necessary to determine the amounts.)

Pearson, Capital	19,250	
Roundtree, Capital	40,750	
Cash		60,000

- 9-10 Literas and Niles are partners with capital balances of \$60,000 and \$25,000 respectively at the beginning of the year. If net income for the year is \$33,100, determine the amount allocated to each partner if the partnership agreement stated: salary allowances of \$15,000 to Literas and \$8,000 to Niles; interest on their capital at the beginning of the year at 6%; remainder in a ratio of 3:2. Show and label your work in good form (for partial credit).

	<u>Literas</u>	<u>Niles</u>	<u>Total</u>
"Salary"	15,000	8,000	23,000
"Interest"	3,600	1,500	5,100
Remainder	<u>3,000</u>	<u>2,000</u>	<u>5,000</u>
Totals	<u>21,600</u>	<u>11,500</u>	<u>33,100</u>