

PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II

Partnerships

Overview (major topics today and this week):



1. Characteristics _____
2. _____
3. Division of Income and Loss _____
4. _____
5. Withdrawal _____
6. _____



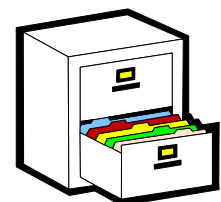
Characteristics

1. responsible for acts of other partners _____
2. _____
3. agreement is a contract _____
4. _____
5. capital and drawing accounts _____
6. _____
7. reward is share of profits — not an employee _____



Investments

1. _____
2. _____
- _____
- _____



Division of Income and Loss

1. when there is no
2. agreement sometimes provides for:



original (ratio or "interest")
time ("salary")

Admitting a New Partner

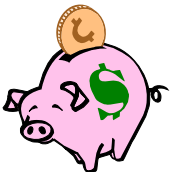
1. when transaction is outside the partnership, the partnership accounts are NOT affected
2. capital account could be equal to amount invested, there could be a " _____ " to the OLD partners, or there could be a " _____ " to the new partner



Withdrawal of a Partner

1. when the partner takes _____ than the capital account balance
2. when the partner takes _____ than the capital account balance

Liquidation



1. a. Convert non-cash assets _____ .
b. Distribute any _____ to partners according to their _____ .
2. _____ .
3. Distribute _____ to partners according to their _____ (evidenced by their _____ balances) .

Exercise -- Division of Income

Chip and Dale have capital balances of \$60,000 and \$40,000, respectively. The partnership income sharing agreement provides for (1) interest at 10% on their capital balances, (2) salaries of \$15,000 and \$20,000, (3) and the remainder divided in a 2:1 ratio.

- (a) Prepare a schedule showing the division of net income, assuming net income is \$60,000.

"Interest"			
"Salary"			
Totals			\$60,000

Based on this information the closing entry would be:

- (b) Prepare a schedule showing the division of net income, assuming net income is \$18,000.

	<u>Chip</u>	<u>Dale</u>	<u>Total</u>
"Interest"			\$10,000
"Salary"	15,000	20,000	
Remainder			
Total	\$ 3,000	\$15,000	\$18,000