

II. WITHDRAWING A PARTNER

On January 20 of Year 5, Robert Jones withdrew from the partnership and was bought out for \$100,000. Because of interest and bonuses, his original capital had grown to \$80,000.

Jan. 20

III. LIQUIDATION

Time passed, and both stores were less profitable. The partnership was liquidated on Feb. 3 of Year 6. Capital Ratios had been maintained at .8 and .2 or 4:1. While \$30,000 was lost on the sale of \$320,000 of inventory, other assets valued at \$150,000 were sold for \$170,000. Liabilities of \$50,000 were paid, and all proceeds were distributed to the partners. Make the Journal Entries necessary to liquidate the partnership.

BALANCE SHEET BEFORE LIQUIDATION SALE

DR. CR.

Feb. 3

ASSETS

Cash	\$110,000
Merchandise Inventory	320,000
Various Assets	<u>150,000</u>
Total Assets	<u>\$580,000</u>

LIABILITIES AND OWNER'S EQUITY

Accounts Payable	\$ 50,000
Capital, Smith	424,000
Capital, Perry	<u>106,000</u>
Total Liabilities and Owner's Equity	<u>\$580,000</u>

BALANCE SHEET AFTER LIQUIDATION SALE

ASSETS

Cash	<u>\$520,000</u>
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OWNER'S EQUITY

Capital, Linda Smith	\$416,000
Capital, Mary Perry	<u>104,000</u>
Total	<u>\$520,000</u>