New Partner Receives a Bonus

On January 4 of Year 3 a new store opened, the capital for which had been provided by Robert Jones, who invested $40,000 for a 30% interest in the company. Linda Smith and Mary Perry had capital balances on January 4 of Year 3 of $104,000 and $26,000 respectively. Make the Journal Entry necessary to record the admission of Robert Jones into the partnership.

Capital, Linda Smith $104,000
Capital, Mary Perry 26,000
Additional Capital 40,000
Total Capital $170,000

Robert Jones receives (.30)($170,000) = $51,000
Linda Smith gives up (.8)($11,000) = 8,800
Mary Perry gives up (.2)($11,000) = 2,200

Jan. 4 Cash 40,000
Capital, Linda Smith 8,800
Capital, Mary Perry 2,200
Capital, Robert Jones 51,000

Division of Year Three's Income

Year three's income of $150,000 would be distributed as follows: Linda and Mary would receive salaries of $50,000 and $30,000 respectively. All partners would receive 10% interest on their beginning capital balances. Linda, Mary, and Robert had beginning capital balances of $99,200, $23,800, and $51,000 respectively. Robert Jones was to receive a bonus of all income earned over $50,000 after salaries and interest had been distributed of up to $10,000. Robert was a silent partner and as a result, any remaining balance would be shared by Linda and Mary according to their beginning capital ratios of 4:1. Make the Journal Entry necessary to read the distribution of Year 3's income.

<table>
<thead>
<tr>
<th>To Linda Smith</th>
<th>To Mary Perry</th>
<th>To Robert Jones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Distribution</td>
<td>$50,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>10% Interest to All Partners</td>
<td>9,520</td>
<td>2,380</td>
</tr>
<tr>
<td>Total</td>
<td>$99,520</td>
<td>$42,380</td>
</tr>
</tbody>
</table>

Hint: Robert's bonus was only $3,000.