

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	Capital, Robert Jones	80,000	
	Capital, Linda Smith (\$20,000) (.8)	16,000	
	Capital, Mary Perry (\$20,000) (.2)	4,000	
	Cash		100,000

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.
ASSETS				
	Feb. 3	Cash	290,000	
		Gain or Loss on Liquidation	30,000	
		Merchandise Inventory		320,000
Cash		\$110,000		
Merchandise Inventory		320,000		
Various Assets		<u>150,000</u>		
Total Assets		<u>\$580,000</u>		
LIABILITIES AND OWNER'S EQUITY				
	Feb. 3	Capital, Linda Smith	8,000	
		Capital, Mary Perry	2,000	
		Gain or Loss on Liquidation		10,000
Accounts Payable		\$ 50,000		
Capital, Smith		424,000		
Capital, Perry		<u>106,000</u>		
Total Liabilities and Owner's Equity		<u>\$580,000</u>		
	Feb. 3	Accounts Payable	50,000	
		Cash		50,000
	Feb. 3	Capital, Linda Smith	416,000	
		Capital, Mary Perry	104,000	
		Cash		520,000

BALANCE SHEET AFTER LIQUIDATION SALE

ASSETS	
Cash	<u>\$520,000</u>

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