

## Partnerships

The following is information for Edwards Consulting, a partnership. Financial results for this year are listed below.

<b>Revenue</b>	2,860,000
<b>Expenses</b>	700,000

On January 1st of this year, Edwards takes on a new partner.

Existing partners

	<b>Capital</b>	<b>Drawings</b>
<b>Partner A</b>	240,000	20,000
<b>Partner B</b>	450,000	10,000

Assets as of January 1st      990,000

The following information relates to the new partner(s).

	<b>brought to</b>	<b>Equity</b>	<b>Drawings</b>
<b>Partner C</b>	810,000	50.0%	16,000

NOTE: Any bonus or penalty to the new partner(s) is distributed equally among the old partners

Profit or loss is distributed according to the following formula:

	<b>Partner A</b>	<b>Partner B</b>	<b>Partner C</b>
<b>Salaries to Partners</b>	3,000	20,500	10,500
<b>Interest on Beginning Capital</b>	7%	7%	7%
<b>Division of what's leftover</b>	60.0%	30.0%	10.0%

### Instructions:

Using the information above,

- a) Journalize the entry of the new partner(s).
- b) Show the calculation of the division of net income.
- c) Journalize the closing entries on December 31st of this year.

	Date	Particulars	P.R.	Debit	Credit	
1						1
2	Jan	1	Various Asset Accounts	810,000.00		2
3			Partner A, Capital		30,000.00	3
4			Partner A, Capital		30,000.00	4
5			Partner C, Capital		750,000.00	5
6						6
7						7
8						8
9	Dec	31	Revenue	2,860,000.00		9
10			Income Summary		2,860,000.00	10
11						11
12						12
13		31	Income Summary	700,000.00		13
14			Expenses		700,000.00	14
15						15
16						16
17		31	Income Summary	2,160,000.00		17
18			Partner A, Capital		1,234,500.00	18
19			Partner B, Capital		660,400.00	19
20			Partner C, Capital		265,100.00	20
21						21
22						22
23						23
24		31	Partner A, Capital	20,000.00		24
25			Partner A, Drawings		20,000.00	25
26						26
27		31	Partner B, Capital	10,000.00		27
28			Partner B, Drawings		10,000.00	28
29						29
30		31	Partner C, Capital	16,000.00		30
31			Partner C, Drawings		16,000.00	31
32						32
33						33
34						34
35						35

	Partner A	Partner B	Partner C
Salaries to Parters	3,000	20,500	10,500
Interest on Beginning Capital	7%	7%	7%
Division of what's leftover	60%	30%	10%
Salaries to Parters	3,000	20,500	10,500
Interest on Beginning Capital	18,900	33,600	52,500
Division of what's leftover	1,212,600	606,300	202,100
<b>Total Net Income</b>	<b>1,234,500</b>	<b>660,400</b>	<b>265,100</b>

	Partner A	Partner B	Partner C
Old Beginning Capital	240,000	450,000	
Bonus	30,000	30,000	
Penalty			
<b>New Beginning Capital</b>	<b>270,000</b>	<b>480,000</b>	<b>750,000</b>
Stake	50.0%		
Actually brought	54.0%		

Using the information above,

b) Show the calculation of the division of net income.