PARTNERSHIP ACCOUNTS

CHANGE IN THE PARTNERSHIP

RETIREMENT OF A PARTNER

QUESTION

A summary balance sheet for the Singh, Deonarine, and Maharaj partnership on December 31, 2011 is shown below. Partners Singh, Deonarine, and Maharaj allocate profit and loss in their respective ratios of 3:2:1. The partnership agreed to pay partner Deonarine $500,000 for his partnership interest upon his retirement from the partnership on January 1, 2012. The partnership financials on January 1, 2012 are:

Assets

Cash $ 70,000

Marketable securities 190,000

Inventory 360,000

Land 110,000

Building-net 570,000

Total assets $1,300,000

Equities

Singh, capital $630,000

Deonarine, capital 420,000

Maharaj, capital 250,000

Total equities $1,300,000

**Required:**

Prepare the journal entry to reflect Deonarine's retirement from the partnership:

1. Assuming a bonus to Deonarine. 7 marks

2. Assuming a revaluation of total partnership capital based on excess payment. 10 marks

3. Assuming goodwill equal to the excess payment is recorded. 8 marks