for the year ended June 30, 2002, using the following selected data on partner capital balances from Hunt Sports Enterprises LP:

	Soccer LP	Football LP	Total
Balance at 6/30/01	$189,000	$ 758,000	$ 947,000
Annual net income	22,134	445,898	468,032
Cash distribution	—	(50,000)	(50,000)
Balance at 6/30/02	$211,134	$1,153,898	$1,365,032

PROBLEM SET A

Problem 13-1A
Allocating partnership income

P2 G

Check (3) Simms, Capital, $97,800

Kim Ries, Tere Bax, and Kurt Simms invested $80,000, $112,000, and $128,000, respectively, in a partnership. During its first year, the firm earned $249,000.

Required

Prepare the entry to close the firm's Income Summary account as of its December 31 year-end and to allocate the $249,000 net income to the partners under each of the following separate assumptions: The partners (1) have no agreement on the method of sharing income and loss; (2) agreed to share income and loss in the ratio of their beginning capital investments; and (3) agreed to share income and loss by providing annual salary allowances of $66,000 to Ries, $56,000 to Bax, and $80,000 to Simms; granting 10% interest on the partners' beginning capital investments; and sharing the remainder equally.

Problem 13-2A
Allocating partnership income and loss; sequential years

P2

Sid Braun and Ty Parnow are forming a partnership to which Braun will devote one-half time and Parnow will devote full time. They have discussed the following alternative plans for sharing income and loss: (a) in the ratio of their initial capital investments, which they have agreed will be $42,000 for Braun and $63,000 for Parnow; (b) in proportion to the time devoted to the business; (c) a salary allowance of $6,000 per month to Parnow and the balance in accordance with the ratio of their initial capital investments; or (d) a salary allowance of $6,000 per month to Parnow, 10% interest on their initial capital investments, and the balance shared equally. The partners expect the business to perform as follows: Year 1, $36,000 net loss; Year 2, $90,000 net income; and Year 3, $150,000 net income.

Required

Prepare three tables with the following column headings:

Income (Loss) Sharing Plan	Year____ Calculations	Braun	Parnow

Check Plan (d), Year 1, Parnow's share, $19,050

Complete the tables, one for each of the first three years, by showing how to allocate partnership income or loss to the partners under each of the four plans being considered. (Round answers to the nearest whole dollar.)

Problem 13-3A
Partnership income allocation, statement of changes in partners' equity, and closing entries

P2

Trey Wiltse, Ron Buck, and Esther Ray formed the WBR Partnership by making capital contributions of $367,500, $262,500, and $420,000, respectively. They predict annual partnership net income of $450,000 and are considering the following alternative plans of sharing income and loss: (a) equally; (b) in the ratio of their initial capital investments; or (c) salary allowances of $80,000 to Wiltse, $60,000 to Buck, and $90,000 to Ray; interest allowances of 10% on their initial capital investments; and the balance shared equally.

Required

1. Prepare a table with the following column headings:

Income (Loss) Sharing Plan	Calculations	Wiltse	Buck	Ray	Total

Use the table to show how to distribute net income of $450,000 for the calendar year under each of the alternative plans being considered. (Round answers to the nearest whole dollar.)

2. Prepare a statement of changes in partners' equity showing the allocation of income to the partners assuming they agree to use plan (c), that income earned is $209,000, and that Wiltse, Buck, and Ray withdraw $34,000, $48,000, and $64,000, respectively, at year-end.

Check (2) Ray, Ending Capital, $446,000

3. Prepare the December 31 journal entry to close Income Summary assuming they agree to use plan (c) and that net income is $209,000. Also close the withdrawals accounts.

Problem 13-4A
Withdrawal of a partner

P3

Part 1. Goering, Gore, and Schmit are partners with capital balances as follows: Goering, $168,000; Gore, $138,000; and Schmit, $294,000. The partners share income and loss in a 3:2:5 ratio. Gore decides to withdraw from the partnership, and the partners agree to not have the assets revalued upon his retirement. Prepare journal entries to record Gore's February 1 withdrawal from the partnership under each of the following separate assumptions: Gore (a) sells his interest to Getz for $160,000 after Goering and Schmit approve the entry of Getz as a partner; (b) gives his interest to a son-in-law, Swanson, and thereafter Goering and Schmit accept Swanson as a partner; (c) is paid $138,000 in partnership cash for his equity; (d) is paid $214,000 in partnership cash for his equity; and (e) is paid $30,000 in partnership cash plus equipment recorded on the partnership books at $70,000 less its accumulated depreciation of $23,200.

Check (e) Cr. Schmit, Capital, $38,250

Part 2. Assume that Gore does not retire from the partnership described in Part (1). Instead, Ford is admitted to the partnership on February 1 with a 25% equity. Prepare journal entries to record Ford's entry into the partnership under each of the following separate assumptions: Ford invests (a) $200,000; (b) $145,000; and (c) $262,000.

Problem 13-5A
Liquidation of a partnership

P4

Quick, Drake, and Sage plan to liquidate their partnership. They share income and loss in a 3:2:1 ratio. On the day of liquidation their balance sheet appears as follows:

QUICK, DRAKE, AND SAGE
Balance Sheet
May 31

Assets		Liabilities and Equity	
Cash	$180,800	Accounts payable	$245,500
Inventory	537,200	Quick, Capital	93,000
		Drake, Capital	212,500
		Sage, Capital	167,000
Total assets	$718,000	Total liabilities and equity	$718,000

Required

Prepare the journal entries for the sale of inventory, the allocation of its gain or loss, and the distribution of cash in each of the following separate cases: Inventory is sold for (1) $600,000; (2) $500,000; (3) $320,000 and any partners with capital deficits pay in the amount of their deficits; and (4) $250,000 and the partners have no assets other than those invested in the partnership.

Check (4) Cash distribution, Sage, $102,266.67

PROBLEM SET B

Problem 13-1B
Allocating partnership income

P2

Kelli Cook, Ryan Moore, and Seth Davis invested $164,000, $98,400, and $65,600, respectively, in a partnership. During its first year, the firm earned $270,000.

Required

Prepare the entry to close the firm's Income Summary account as of its December 31 year-end and to allocate the $270,000 net income to the partners under each of the following separate assumptions. (Round answers to whole dollars.) The partners (1) have no agreement on the method of sharing income and loss; (2) agreed to share income and loss in the ratio of their beginning capital investments; and (3) agreed to share income and loss by providing annual salary allowances of $96,000 to Cook, $72,000 to Moore, and $50,000 to Davis; granting 10% interest on the partners' beginning capital investments; and sharing the remainder equally.

Check (3) Davis, Capital, $62,960