#### Division of Partnership Income

Yount and Lance have a partnership agreement which includes the following provisions regarding sharing net income and net loss:

1. Since Yount will work only part time in the partnership, he will be allocated a salary allowance that is one half the salary allowance allocated to Lance. Lance's salary allowance will be 10% of sales.

2. Both partners will be given an interest allowance of 10% on their beginning-of-the-year capital account balances.

3. The remaining income and loss is to be divided 40% to Yount and 60% to Lance.

The capital account balances on January 1, 2010, for Yount and Lance were $80,000 and $140,000, respectively. During 2010, the Yount and Lance partnership had sales of $800,000, cost of goods sold of $370,000, and operating expenses of $210,000.

**Instructions**

Prepare a schedule which clearly sets out the division of income or loss to the partners for 2010.

#### Plant Asset Disposal Entries

Prepare the necessary journal entries to record the following transactions in 2010 for Drake Company.

March 1 Exchanged old store equipment and $80,000 cash for new store equipment. The old store equipment originally cost $96,000 and had a book value of $64,000 on the date of exchange. The old store equipment had a fair market value of $76,000 on the date of exchange. Assume depreciation on the old equipment has already been recorded for the current year. The exchange had commercial substance.

July 31 Exchanged a delivery truck and $100,000 cash for a new delivery truck. The old delivery truck originally cost $108,000 and had accumulated depreciation of $76,000 on the date of exchange. The fair market value of the old delivery truck on the date of exchange was $24,000. Assume the depreciation on the truck has already been recorded for the current year. The exchange had commercial substance.

Aug. 31 Equipment with a 4-year useful life was purchased on January 1, 2007, for $60,000 and was sold for $36,000. The equipment had been depreciated using the straight-line method with an estimated salvage value of $12,000. Depreciation Expense was last recorded on December 31, 2009.

#### Payroll Accounting

Ray Company has three employees whose monthly salaries and accumulated year-to-date wages at October 31, 2010 are as follows:

Accumulated

Employee Wages 10/31/10 Monthly Salary

Agee $60,000 $6,000

Bates 95,000 9,500

Eaton 6,000 4,500

The following payroll taxes are applicable:

FICA tax on first $100,000 8%

FUTA tax on first $7,000 6.2%\*

SUTA tax on first $7,000 5.4%

\*Less a credit equal to the state unemployment tax rate.

The amount of federal income tax withholding for the November payroll is $900, $1,800, and $800 for Agee, Bates, and Eaton, respectively.

**Instructions**

Prepare the journal entries to record the November payroll and the employer's payroll tax expense for the month of November.

#### Depreciation Methods

The following information is available for Richards Company, which has an accounting year-end on December 31, 2010.

1. A delivery truck was purchased on June 1, 2008, for $80,000. It was estimated to have an $8,000 salvage value after being driven 120,000 miles. During 2010, the truck was driven 20,000 miles. The units-of-activity method of depreciation is used.

2. A building was purchased on January 1, 1983, for $3,000,000. It is estimated to have a $30,000 salvage value at the end of its 40-year useful life. The straight-line method of depreciation is being used.

3. Store equipment was purchased on January 1, 2009, for $180,000. It was estimated that the store equipment would have an $18,000 salvage value at the end of its 5-year useful life. The double-declining-balance method of depreciation is being used.

**Instructions**

Complete the table shown below by filling in the appropriate amounts.

———————————————————————————————————————————

Accumulated Depreciation

Depreciation Expense for Book Value at

Assets 1/1/10 2010 12/31/10

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Delivery truck $ 31,200 $ $

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Building $2,004,750 $ $

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Store equipment $ 72,000 $ $

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#### Partnership Liquidation

The balance sheet of the ABC partnership just prior to liquidation appears below:

ABC PARTNERSHIP

Balance Sheet

December 31, 2010

Assets Liabilities and Owners' Equity

Cash $ 70,000 Liabilities $120,000

Noncash assets 190,000 Agler, Capital 20,000

Bell, Capital 80,000

Colaw, Capital 40,000

$260,000 $260,000

Other information:

1. The partners Agler, Bell, and Colaw share profits and losses in the ratio of 6:3:1.

2. The noncash assets are sold for $140,000.

3. The liabilities are paid in full.

4. The remaining assets are distributed to the partners. Assume that if any partner has a capital deficiency, he will not be able to pay the amount owed to the partnership.

**Instructions**

Prepare the entries to record the liquidation of the ABC partnership.