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| **Partner** | **Capital Balance** | **Income Ratio** |
| J. Fagan | $60,000 | 50% |
| P. Ames |   40,000 | 30% |
| K. Durham |   26,000 | 20% |

On December 31, the capital balances and income ratios in FAD Company are as follows.

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| Journalize the withdrawal of Durham under each of the following assumptions. Each of the continuing partners agrees to pay $18,000 in cash from personal funds to purchase Durham's ownership equity. Each receives 50% of Durham's equity. 1. Ames agrees to purchase Durham's ownership interest for $25,000 cash.
2. Durham is paid $34,000 from partnership assets, which includes a bonus to the retiring partner.
3. Durham is paid $22,000 from partnership assets, and bonuses to the remaining partners are recognized.
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|   | **Account/Description** | **Debit** | **Credit**  |
| **1.** |  |  |   |
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|   |          |   |  |
| **2.** |  |  |   |
|   |          |   |  |
| **3.** |  |  |   |
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|   |          |   |  |
| **4.** |  |  |   |
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|   |          |   |  |
|   |          |   |  |

**A.**

**B.** If Ames's capital balance after Durham's withdrawal is $42,400 what were (1) the total bonus to the remaining partners and (2) the cash paid by the partnership to Durham?

|  |  |
| --- | --- |
| Total bonus | $ |
| Cash paid to Durham | $ |