143325635970 87720497252 8541069895 26598923.82 3154990.4736842 1229886592 134468965152 36204483312 99109857864 110328277.46667 27161312.507463 7421618352 1359622194 4209963.745098 29240762076 25722574.595238 39015989533 88082715361 57693683245 31190082.45 43071910080 38313633665 54951853.3 11673949200 21786018.755102 64637736837 20562424052 144700087500 103095229696

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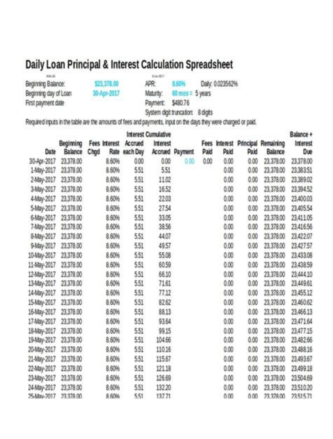
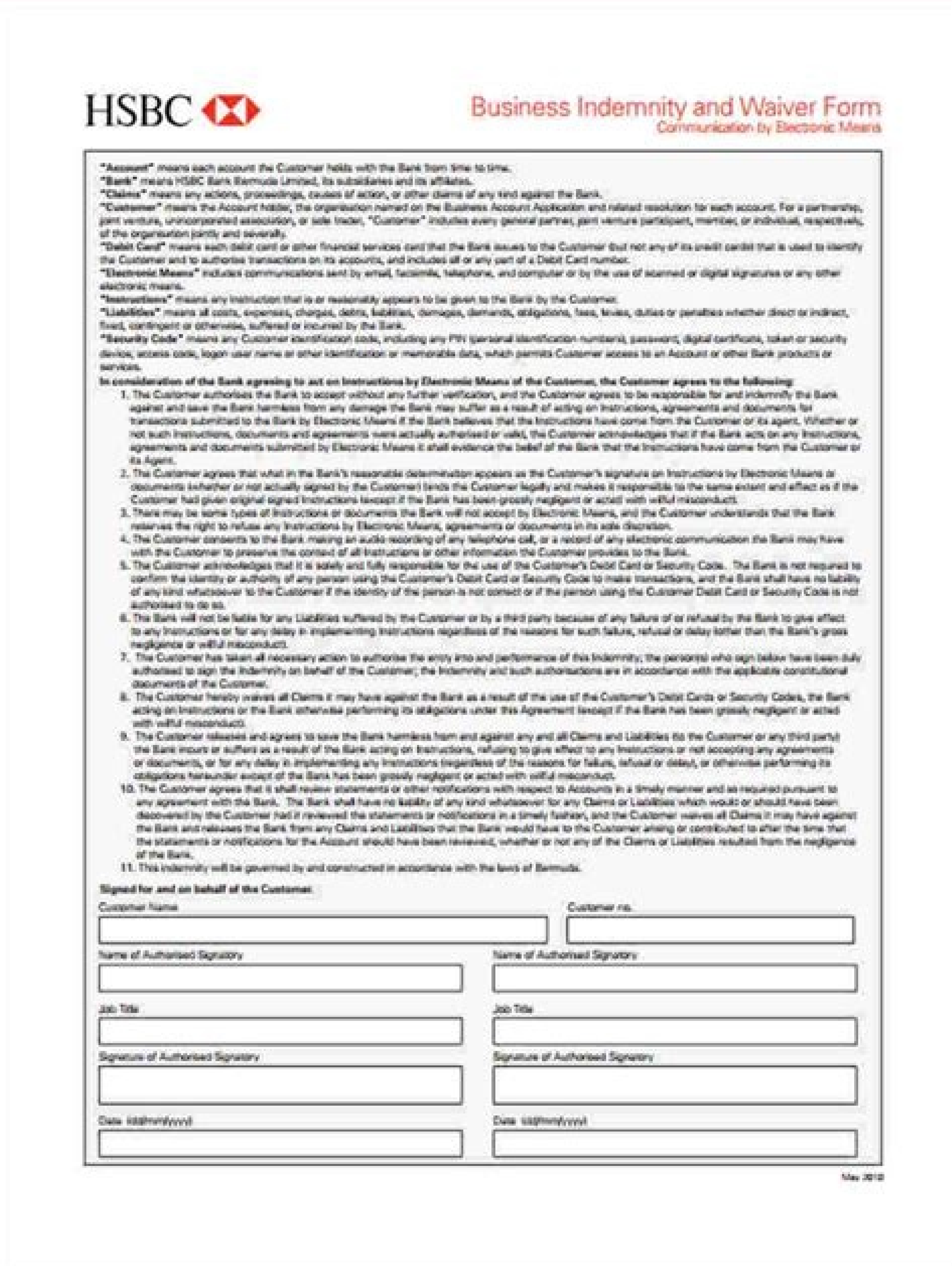




HSBC

Business Indemnity and Waiver Form
Communication by Electronic Means

"Account" means each account the Customer holds with the Bank from time to time.
"Bank" means HSBC Bank Bermuda Limited, its subsidiaries and its affiliates.
"Claims" means any actions, proceedings, causes of action, or other claims of any kind against the Bank.
"Customer" means the Account holder, the organisation named on the Business Account Application and related resolution for each account. For a partnership, joint venture, unincorporated association, or sole trader, "Customer" includes every general partner, joint venture participant, member, or individual, respectively, of the organisation jointly and severally.
"Debit Card" means each debit card or other financial services card that the Bank issues to the Customer (but not any of its credit cards) that is used to identify the Customer and to authorise transactions on its accounts, and includes all or any part of a Debit Card number.
"Electronic Means" includes communications sent by email, facsimile, telephone, and computer or by the use of scanned or digital signatures or any other electronic means.
"Instructions" means any instruction that is or reasonably appears to be given to the Bank by the Customer.
"Liabilities" means all costs, expenses, charges, debts, liabilities, damages, demands, obligations, fees, levies, duties or penalties whether direct or indirect, fixed, contingent or otherwise, suffered or incurred by the Bank.
"Security Code" means any Customer identification code, including any PIN (personal identification numbers), password, digital certificate, token or security device, access code, logon user name or other identification or memorable data, which permits Customer access to an Account or other Bank products or services.

In consideration of the Bank agreeing to act on Instructions by Electronic Means of the Customer, the Customer agrees to the following:

1. The Customer authorises the Bank to accept without any further verification, and the Customer agrees to be responsible for and indemnify the Bank against and save the Bank harmless from any damage the Bank may suffer as a result of acting on Instructions, agreements and documents for transactions submitted to the Bank by Electronic Means if the Bank believes that the Instructions have come from the Customer or its agent. Whether or not such Instructions, documents and agreements were actually authorised or valid, the Customer acknowledges that if the Bank acts on any Instructions, agreements and documents submitted by Electronic Means it shall evidence the belief of the Bank that the Instructions have come from the Customer or its Agent.
2. The Customer agrees that what in the Bank's reasonable determination appears as the Customer's signature on Instructions by Electronic Means or documents (whether or not actually signed by the Customer) binds the Customer legally and makes it responsible to the same extent and effect as if the Customer had given original signed Instructions (except if the Bank has been grossly negligent or acted with wilful misconduct).
3. There may be some types of Instructions or documents the Bank will not accept by Electronic Means, and the Customer understands that the Bank reserves the right to refuse any Instructions by Electronic Means, agreements or documents in its sole discretion.
4. The Customer consents to the Bank making an audio recording of any telephone call, or a record of any electronic communication the Bank may have with the Customer to preserve the content of all Instructions or other information the Customer provides to the Bank.
5. The Customer acknowledges that it is solely and fully responsible for the use of the Customer's Debit Card or Security Code. The Bank is not required to confirm the identity or authority of any person using the Customer's Debit Card or Security Code to make transactions, and the Bank shall have no liability of any kind whatsoever to the Customer if the identity of the person is not correct or if the person using the Customer Debit Card or Security Code is not authorised to do so.
6. The Bank will not be liable for any Liabilities suffered by the Customer or by a third party because of any failure of or refusal by the Bank to give effect to any Instructions or for any delay in implementing Instructions regardless of the reasons for such failure, refusal or delay (other than the Bank's gross negligence or wilful misconduct).
7. The Customer has taken all necessary action to authorise the entry into and performance of this Indemnity; the person(s) who sign below have been duly authorised to sign the Indemnity on behalf of the Customer; the Indemnity and such authorisations are in accordance with the applicable constitutional documents of the Customer.
8. The Customer hereby waives all Claims it may have against the Bank as a result of the use of the Customer's Debit Cards or Security Codes, the Bank acting on Instructions or the Bank otherwise performing its obligations under this Agreement (except if the Bank has been grossly negligent or acted with wilful misconduct).
9. The Customer releases and agrees to save the Bank harmless from and against any and all Claims and Liabilities (to the Customer or any third party) the Bank incurs or suffers as a result of the Bank acting on Instructions, refusing to give effect to any Instructions or not accepting any agreements or documents, or for any delay in implementing any Instructions (regardless of the reasons for failure, refusal or delay), or otherwise performing its obligations hereunder except of the Bank has been grossly negligent or acted with wilful misconduct.
10. The Customer agrees that it shall review statements or other notifications with respect to Accounts in a timely manner and as required pursuant to any agreement with the Bank. The Bank shall have no liability of any kind whatsoever for any Claims or Liabilities which would or should have been discovered by the Customer had it reviewed the statements or notifications in a timely fashion, and the Customer waives all Claims it may have against the Bank and releases the Bank from any Claims and Liabilities that the Bank would have to the Customer arising or contributed to after the time that the statements or notifications for the Account should have been reviewed, whether or not any of the Claims or Liabilities resulted from the negligence of the Bank.
11. This Indemnity will be governed by and constructed in accordance with the laws of Bermuda.

Signed for and on behalf of the Customer:

Customer Name

Customer no.

Name of Authorised Signatory

Name of Authorised Signatory

Job Title

Job Title

Signature of Authorised Signatory

Signature of Authorised Signatory

Date (dd/mm/yyyy)

Date (dd/mm/yyyy)

May 2012

Olivia Miller

Accounting Assistant

ADDRESS	1515 Pacific Ave, Los Angeles, CA 90291, United States	PHONE	(541) 754-3010
EMAIL	email@email.com	PLACE OF BIRTH	San Antonio
NATIONALITY	American	DRIVING LICENSE	Full
LINKS	Twitter, Linkedin		

01 PROFILE

An experienced accounting assistant with advanced Excel skills and extensive knowledge of tax regulations global accepted accounting practices. Detail orientated and efficient with a proven track record of compiling error-free journals and financial reports. Competent is accounting automation software such as Quickbooks, Acepac, and Sage.

02 EMPLOYMENT HISTORY

Jan 2019 – Present

Indian Trail

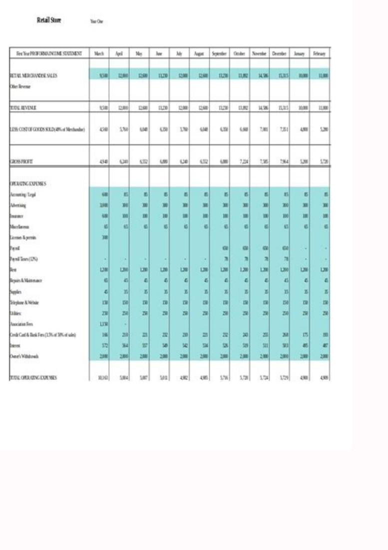
Accounting Assistant III at Fischer & Price Auditors

Developed a cross-check functionality in excel to pick up on any human errors relating to manual data entry resulting in marginal error rates decreasing from 25% to only 3%.

- Complete complex calculations and reconcile problematic accounts
- Process group accounts and draft group statements by reconciling departmental income statements, balance sheets, management accounts, and cash flow reports
- Oversee and approve payments, wire transfers and intercompany transfers to international subsidiaries
- Compile budgets and forecasts for headquarters reports
- Facilitate and coordinate the filing process for quarterly and annual taxation submissions
- Establish internal controls for the preparation of monthly statements such as cash flow, cash disbursements, and income and expenses
- Compare projected budgeting reports with actual monthly income and expenses statements
- Responsible for all payruns and transfer of salaries, commission, and reimbursements to staff members

Jan 2018 – Dec 2018

Accounting Assistant II at Mica Hardware Group



Partnership accounting software. Partnership agreement example pdf. Partnership income statement example.

E F G H Account balances 18,900 56,000 9,000 18,000 22,930 15,780 9,190 Possible future loss 56,000* 28,000* 11,200* 11,200* 5,600* Cash holdbacks: For future expenses 5,100* 2,550* 1,020* 1,020* 510* For liabilities 9,000 9,000* Balances 4, ,550** 10,710 3,560 3,080 Allocate E s debit balance 12,550* 5,020* 5,020* 2,510* Balances in capital 0 5,690 1,460** 570 Allocate G s debit balance 973* 1,460* 487* Safe payment 4, , * Deduct. The partners feel that the assets cannot be individually reassessed, but they want to revalue the partnership and record goodwill based on Yvonne s payment. During the year, the cash withdrawals made by each partner are debited to the drawings accounts. A new partner could be admitted through the acquisition of a portion of the interests of the existing partners, or through the investment of additional net assets into the partnership. A further investment in the partnership is required from a partner who has a debit balance in capital. Exhibit 15.2 SCHEDULE OF PARTNERSHIP LIQUIDATION Month of April, Year 6 Cash Assets Liab. REVIEW QUESTIONS 1. In this chapter the examples used will assume that there is sufficient cash to pay all creditors; we are basically concerned with determining the amount to pay each partner. It seems that he had declared bankruptcy and lost his house in the process. Because Sleet is entitled to 30 percent of all net asset changes, total assets should increase by $20,000 (6, percent) as part of the recording of the $6,000 increase to Sleet s capital. Because of this, any additional losses will have to be shared by F, G, and H in the ratio 4:4:2. Therefore, total capital is $75,000 (15,000 20%), and the capital balances of Rain and Sleet total $60,000 (80% 75,000). They have agreed to admit Jan Snow as a partner in the company as at January 1, Year 6; after that date a new profit and loss sharing ratio will be established. * Prepared by Peter Secord, Saint Mary s University. What is the right of offset, and how is it used in a partnership liquidation? Plan of Cash Distribution to Partners It should be noted from Exhibit 15.3 that one safe-payment calculation was necessary for two instalment payments to partners. $625,000 d. In this example the interest was based on the opening capital. In both situations the business usually carries on, but legally the old partnership is dissolved and a new partnership is formed. Prior to the admission of Snow, Rain and Sleet shared profits and losses in the ration 7:3. Why should the partnership agreement be specific in its description of the calculation of interest on capital balances? This latter provision is satisfied by making a safe payment calculation. May, Year 6 Cash 14,600 E capital 20,700 F capital 8,280 G capital 8,280 H capital 4,140 Miscellaneous assets 46,000 Goodwill 10,000 Sale of assets, write-off of goodwill, and distribution of resulting loss to partners Liabilities 9,000 Cash 9,000 Payment of balance of liabilities E capital 2,100 F capital 840 G capital 840 H capital 420 Cash 4,200 Allocation and payment of liquidation expenses F capital 1,920 G capital 1,920 H capital 960 E capital 4,800 Allocation of partner E s debit balance F capital 7,173 G capital 4,740 H capital 3,587 Cash 15,500 Final payment to partners 20 20 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS Compare the two payments from Exhibit 15.3 with the single payment made in Exhibit 15.2: the total paid to each partner is identical. Now the three partners must agree on a new ratio. But Snow is investing $22,000, so the total capital has to be at least $102,000 (80, ,000). 4. Other accountants feel that since accounting principles do not allow the revaluation of the net assets of a corporation 3 An exception would be the situation where there has been such a change in control that pushdown accounting would be permitted. Note that the amounts are identical to those from Exhibit 15.3.22 22 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS April Opening cash $ 6,500 Proceeds from asset sale 16,400 22,900 Liabilities paid 4,000 18,900 Cash held back for: Liabilities 9,000 Expenses 5,100 14,100 Paid to partners as follows $ 4,800 E F G H First $ 4,550 0 $4, Balance into next layer Total paid $ 4,800 0 $4,717 0 $83 May Opening cash $14,100 Proceeds from asset sale 14,600 28,700 Payments: Liabilities 9,000 Expenses 4,200 13,200 Paid to partners as follows $15,500 Balance of second layer $ 3,650 0 $2,433 0 $1,217 Balance into next layer 11, ,740 4,740 2,370 Total paid $15,500 0 $7,173 $4,740 $3,587 SUMMARY In general, the accounting principles used by partnerships are the same as those used for other forms of business organization. $610,000 b. Partners capital accounts with debit balances, partners with loan accounts, and cash instalment payments made to partners during the liquidation period can all complicate the process. Method A The simplest method available to record the admission of the new partner is to transfer one-half of Sleet s existing capital balance to Snow as follows: Sleet capital 15,000 Snow capital 15,000 Most accountants would probably give their approval to this method because it is similar to the accounting used for corporations when the composition of the owners changes in a transaction that doesn t involve the company. Our future references to the acts will refer to these similar provisions mentioned. a. Partner H is the next to be eliminated if a further loss of $3,900 occurs. With G eliminated, any additional losses will be allocated two-thirds to partner F and one-third to partner H. In preparing a schedule of liquidation, this right of offset should be assumed and the amount shown in each partner s column should be a combination of that partner s capital and loan accounts. All of the above transactions are recorded by the following journal entries: Cash 30,000 A capital 30,000 Cash 20,000 B capital 20,000 Inventory 5,000 Land 22,000 Buildings 23,000 C capital 50,000 These three entries, which record the initial investment made by each partner, are prepared as at January 1. Before discussing the accounting for partnerships, we will briefly describe this form of organization and some of its advantages and disadvantages. This left a loss of $5,000 to be allocated in the profit and loss ratio. Partners M and O will have to absorb the debit balance of L in the ratio of 6:4, after which they can individually take legal action against L for 15 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 15 recovery of their share of the loss. This concept has to be modified in situations where a particular partner s capital account has a debit balance, and the partnership also has a liability to this partner. $292,400 d. When a partnership is liquidated, noncash assets are sold, losses or gains are allocated to partners equities, liabilities to outside creditors are paid, and any remaining cash is distributed to the partners in accordance with their capital23 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 23 balances. Example The following balance sheet of the EFGH partnership was prepared as at March 31, Year 6. The balance sheet after the retirement of Rain is shown below: BADWEATHER COMPANY BALANCE SHEET December 29, Year 10 Assets (misc.) $140,000 Liabilities $ 90,000 Goodwill 45,000 Sleet capital 48,500 Snow capital 46,500 95,000 $185,000 $185,000 Partnership Liquidation We will now examine the accounting involved when the partners have decided to wind up their business by selling the partnership assets. If specific assets cannot be identified as undervalued, the usual procedure is to record goodwill on the books of the company before recording the transfer of capital. If there were any losses greater than $41,600, E would have a debit balance that we are assuming would have to be allocated to the remaining partners with credit balances. During April, Year 6, the sale of all of the miscellaneous assets yielded cash of $31,000, and the amount owing to outside creditors was paid in full. There is a capital bonus of $1,600 from Snow to Rain and Sleet. If specific assets or liabilities cannot be identified for revaluation, goodwill is recognized in the existing partnership as follows: Goodwill 8,000 Rain capital (70% 8,000) 5,600 Sleet capital (30% 8,000) 2,400 The entry to record the admission of Snow with an investment of $22,000 for 20 percent of capital is as follows: Cash 22,000 Snow capital 22,000 In this particular situation, a solution cannot be obtained by using column 1. The partner involved has an obligation to pay an amount of cash into the partnership equal to the amount of the debit balance because he or she has not maintained a capital balance sufficiently large to absorb losses in accordance with the partnership agreement. $800, On December 31, Year 5, Len retires. Admission of a New Partner The admission of a new partner requires the unanimous consent of the existing partners. Then Rain s capital balance will equal the cash that she is withdrawing. Let us now assume that the partnership agreement provides for 10 percent interest on opening capital balances, and for salary allowances of $25,000 to A and $20,000 each to B and C, with any balance to be distributed in the ratio of 3:2:5. Unlimited Liability In case of insolvency, each partner is individually responsible for the liabilities of the partnership, regardless of the amount of equity that the partner has in the partnership. Obviously, it does not make sense to pay out cash to discharge the liability to a partner and to then request an investment by the partner to cover the debit balance. We deduct the $41,600 loss that would reduce E s equity to zero from total equity and allocate it to the individual partners in their profit and loss ratio. 8 8 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS Existing New Potential capital investment capital (1) + (2) = (3) A solution can always be reached by using the amounts from columns 2 and 3. This loss is allocated to F, G, and H in their relative profit and loss ratios. Because the total proceeds from the sale of assets ($31,000) are the same as in the previous example, the total cash distributed to the partners over the two-month period should be identical to the previous single distribution. During the liquidation process, is it possible for partners without loan accounts to receive cash payments before payments are made to partners with loan accounts? We assume that the partners share profits and losses in the ratio 4:3:3. Prepare a cash distribution plan prior to the commencement of the partnership liquidation. Jill Rain and Cathy Sleet are partners in the Badweather Company and share profits and losses in the ratio of 7:3. Income Tax Aspects Partnerships are not taxed as separate entities; rather, each partner is taxed on his or her share of the yearly net income whether it has been distributed or not. Is it possible for a partner to have been allocated a loss from partnership operations in a year when the partnership itself had a net income? A partner s loan account would be used to record amounts borrowed from or loaned to the partner. If this cash is not paid into the partnership, the remaining partners with credit balances in capital will have to absorb this debit balance in their relative profit and loss sharing ratios. Ownership Changes In this section we look at the accounting involved when ownership in the partnership changes either because of the admission of a new partner or because of the retirement of an existing partner. Instead, these components appear as an allocation of the yearly net income at the bottom of the income statement, as follows: ABC PARTNERSHIP INCOME STATEMENT for the Year Ended December 31, Year 1 Revenues $ XXX Expenses XXX Net income $70,000 Allocated as follows: A B C Total Salaries $25,000 $20,000 $20,000 $65,000 Salaries $25,000 $20,000 $20,000 $65,000 Interest on capital 3,000 2,000 5,000 10,000 Residual income in profit and loss ratio (1,500) (1,000) (2,500) (5,000) $26,500 $21,000 $22,500 $70,000 It should be noted that the allocations are made regardless of the size of net income. After this loss is allocated, the only partner left with equity is F. 9. Therefore, a feasible solution cannot be arrived at by using column 1. 14 14 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS The journal entries to record the November events are reproduced below: Cash 48,000 W capital (50% 12,000) 6,000 X capital (20% 12,000) 2,400 Y capital (20% 12,000) 2,400 Z capital (10% 12,000) 1,200 Miscellaneous assets 60,000 Sale of assets and distribution of $12,000 loss to partners Liabilities 10,000 Cash 10,000 Payment made to creditors W capital 10,000 X capital 16,100 Y capital 10,600 Z capital 6,300 Cash 43,000 Cash distribution to partners This example has illustrated the basic concepts behind the liquidation of a partnership. If the capital of the existing partnership ($80,000) represents 80 percent of total capital, the total capital must be $100,000 (80, percent). Another acceptable accounting method is to revalue the net assets by such an amount that Rain s capital ends up with a balance of $80,000. E F G H Balance before liquidation 6,500 78,000 13,000 20,800 24,050 16,900 9,750 Balance before liquidation 6,500 78,000 13,000 20,800 24,050 16,900 9,750 Sale of assets and distribution of loss 31,000 78,000* 23,500* 9,400* 9,400* 4,700* Payment of liabilities 13,000* 13,000* Payment of expenses 4,200* 2,100* 840* 840* 420* 20, ,800** 13,810 6,660 4,630 Allocate E s debit balance 4,800* 1,920* 1,920* 960* Balances 20, ,890 4,740 3,670 Final payment to partners 20,300* 0 11,890* 4,740* 3,670* Balances * Deduct. 8. Which of the following would be reported as Len s capital account immediately after the admission of Yvonne into the partnership? If the result is a credit balance in capital, this amount is paid to the partner. However, as mentioned previously, the entry should make sense, and if the partners feel that the net assets of the existing partnership are properly valued at $80,000, this method should not be used. This account is similar to the dividend account used by corporations and is closed to the partners capital accounts at the end of the accounting period. The basic concepts involved with the preparation of this schedule are the same as those used in Exhibit The only new procedure is the safe payment calculation made at the end of April, which is shown in Exhibit 15.3A. 7. On January 1, Year 2, Jeanette, Barry, and Len decided to form a partnership to produce and market Jeanette s newest invention. What will be the balance in Jeanette s capital account immediately after the admission of Yvonne into the partnership? If the result is a smaller debit balance in capital, this amount is allocated to the remaining partners (assuming that no further investment is made by the partner with the deficiency in capital). What advice can you give Mike with respect to future business ventures? What basic assumption must be made in order to make an instalment payment to partners during a liquidation?24 24 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS MULTIPLE CHOICE Use the following information for questions 1 to 5. Having determined the rank orderings, we now proceed to step 2. After a cash sum has been set aside to discharge all obligations to outside creditors and any estimated future expenses, payments to partners can be made as follows: E F G H First $ 4, % 0 0 Next 3, Next 21, Above 29, Remember that the basic idea behind partnership liquidation is to arrive at a situation where cash to be distributed is equal to the credit balances of the partner s equity accounts. Apply the three accounting methods available to record the admission of a new partner, and evaluate the strengths and weaknesses of each method. The journal entries to record the asset revaluation and the payment to Rain are as follows: Goodwill 45,000 Rain capital (40% 45,000) 18,000 Sleet capital (30% 45,000) 13,500 Snow capital (30% 45,000) 13,500 Rain capital 80,000 Cash 80,000 In this example, goodwill was created under the assumption that no other assets can be identified as undervalued. $173,600 d. 5. Partner G is next in the rank order, and so we make a calculation that indicates that a further loss of $21,450 (8,580.4) would eliminate G s equity balance. It can be implied that Sleet s capital should be $36,000, and therefore should be increased by $6,000. In this situation, $15,000 (the cash invested by Snow) represents 20 percent of total capital. The result indicates each partner s ability to absorb Exhibit 15.4 EFGH COMPANY PLAN OF CASH DISTRIBUTION TO PARTNERS March 31, Year 6 Step 1 Partners Profit and Ability capital loss to absorb Rank and loans ratio losses order E 20,800.5 = 41,600 1 F 24,050.2 = 120,250 4 G 16,900.2 = 84,500 2 H 9,750.1 = 97, ,500 Step 2 Individual Equity Balances Total equity E F G H Balance before liquidation 71,500 20,800 24,050 16,900 9,750 Loss to eliminate E 41,600 20,800 8,320 8,320 4,160 Balance 29, ,730 8,580 5,590 New ratio Loss to eliminate G 21,450 8,580 8,580 4,290 Balance 8,450 7, ,300 New ratio 2 1 Loss to eliminate H 3,900 2,600 1,300 Balance 4,550 4,550 0 21 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 21 future losses. Mutual Agency Each partner co-owns the assets and liabilities of the partnership. Mike had thought no more of the relationship and proceeded to take on a few jobs in his own name to supplement his income. What alternative methods can be used to record the admission of a new partner? 4 4 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS A drawing 12,000 B drawing 15,000 C drawing 30,000 Cash 57,000 At the end of Year 1, the revenues and expenses are closed to an income summary account. The journal entry for the admittance of Snow on January 1, Year 6, is as follows: Cash 15,000 Rain capital (70% 4,000) 2,800 Sleet capital (30% 4,000) 1,200 Snow capital 19,000 The balance sheet of the partnership after the admittance of Snow is as follows: BADWEATHER COMPANY BALANCE SHEET January 1, Year 6 Cash $ 15,000 Liabilities $ 20,000 Assets (misc.) 100,000 Rain capital 47,200 Sleet capital 28,800 Snow capital 19,000 95,000 $115,000 $115,000 Asset revaluation methods. Example We will use the following example to illustrate the accounting that could be used when a new partner is admitted. The $80,000 represents 80 percent of total capital. 6. For example, Partner E could only absorb a loss of $41,600, while partner F could absorb a loss of $120,250. Which of the following is the amount that would be reported for Jeanette s capital account at December 31, Year 2? $612,500 c. This is credited to their capital accounts in accordance with their profit and loss sharing ratio in the following entry: Cash 22,000 Rain capital (70% 1,600) 1,120 Sleet capital (30% 1,600) 480 Snow capital 20,400 Asset revaluation methods. At the end of May, the remaining creditors were paid, the actual liquidation expenses turned out to be $4,200, and the cash on hand was distributed to the partners. Total capital in this case is $95,000; thus, Snow s capital $19,000 (20% 95,000). Limited Life A partnership legally ceases to exist upon the withdrawal or death of an existing partner, the admission of a new partner, or the voluntary dissolution of the entity. The goodwill is considered to be worthless. Required: In your role as Mike s friend and occasional advisor, explain to Mike what happened in terms of how the characteristics of the partnership form of organization may have led to the difficulties he faced. Each would complete any jobs they had entered into as if they were individuals. In some situations, a third solution can be reached from the amount in column 1. Since Snow is investing $15,000 in assets, there is an implication that Snow is bringing in goodwill of $5,000. A and B contribute cash of $30,000 and $20,000 respectively, while C contributes assets with the following fair values: Inventory $ 5,000 Land 22,000 Buildings 23,000 $50,000 The partners agree on a profit and loss sharing ratio of 3:2:5. Example Partners W, X, Y, and Z have conducted business together for a number of years; they divide all profits and losses in the ratio 5:2:2:1. Example Let us now return to the EFGH Company example to illustrate these concepts. If Rain s capital must increase by $18,000, and Rain is entitled to 40 percent of any asset increases, the total undervaluation of the company s assets is implied to be $45,000 (18, percent). The bonus method is popular with accountants because net assets are not revalued, so a transfer of capital balances between partners is all that is involved. Situation 1 Assume that Snow will invest $15,000 for 20 percent of capital. We prepare a column for total equity (capital plus loan balances) and a column for the equity of each partner; we then proceed in the order of the rankings determined from step 1. The partners agreed to the following terms: Contributions Salaries Profit sharing ratio Jeanette 250,000 35,000 40% Barry 150,000 25,000 30% Len 200,000 30,000 30% Interest was to be accrued at 7% on opening capital balances each year. We can always arrive at a feasible solution by using column 2. What is the purpose of having salary and interest allowances in the profit and loss agreement? Using column 3, total capital is $102,000, and Snow s capital balance is $20,400 (20% 102,000). This plan of cash distribution to partners is described next using the EFGH Company as the example (see page 589). Journal entries must be made for each event depicted on the schedule. The account balances on the first line of this calculation are carried forward from Exhibit The possible future losses from asset sales and liquidation expenses are allocated to the partners, and cash equal to the liabilities is held back. $500,000 b. A solution to this is to transfer $18,000 in capital to Rain from Sleet and Snow in proportion to their profit and loss sharing ratio, one to the other. There are two methods that could be used to record this event. A summarized balance sheet of the partnership on this date is shown below: WXYZ COMPANY BALANCE SHEET October 31, Year 15 Cash $ 5,000 Liabilities $10,000 Misc. Then Joe took ill. 10. The schedule of liquidation prepared at the end of the month is shown in Exhibit The following points about this schedule bear mentioning: The amount for partner E is made up of the summation of E s capital ($800) and loan ($20,000) accounts. 31, Year 1 $39,000 $19,000 $55,000 $113,000 Note that while the capital balances ratio was equal to the profit and loss ratio on the date of formation, these ratios are not equal at the end of Year 1, because both A and C withdrew amounts that were less than their share of the year s net income, while B withdrew $1,000 more than her share of net income. If the proceeds from the sale of assets are insufficient to discharge the liabilities, we have an insolvency situation similar to the one that was discussed in Chapter 11. The partners wish to use the bonus method to record Yvonne s interest. In such a situation, the partners capital balances would be aligned in accordance with their profit and loss ratio. We will look at three situations that vary the amount of cash that Snow invests for this 20 percent interest. 6 6 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS every time the composition of the shareholders changes, 3 the accounting for a partnership should be the same. 5 After the liabilities have been paid in full, any remaining cash balance is equal to the credit balances in the partners capital accounts. With these concepts established, we now turn our attention to certain situations where this relatively simple process becomes more complicated. Facing a judgment large enough that his salary would have been garnished by court order for up to ten years, Mike took his lawyer s advice and voluntarily declared bankruptcy. Our examples will assume that the profit and loss sharing ratio used for operating profits is also used to allocate losses or gains from liquidation. This major disadvantage of unlimited liability can be circumvented by the formation of a limited partnership, but the acts that allow this type of partnership require that at least one partner be a general partner and that the partnership name not contain any of the names of the limited partners. ** Debit balance in capital account. What will be the balance in Barry s capital account immediately after the retirement? Even though partner E had a loan account of $20,000, no cash was distributed to this partner, because this partner s share of the losses and expenses was greater than the combined loan and capital accounts. The balance sheet after the assets of the existing partnership have been revalued and Snow has been admitted is as follows: BADWEATHER COMPANY BALANCE SHEET January 1, Year 6 Cash $ 15,000 Liabilities $ 20,000 Assets (misc.) 80,000 Rain capital 36,000 Sleet capital 24,000 Snow capital 15,000 75,000 $ 95,000 $ 95,000 In certain situations a second asset revaluation method can evolve from the use of the amount from column 1. The partnership agreement should clearly specify how interest is to be calculated. 17 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 17 There is no problem with making instalment payments to partners provided that (a) all creditors have been paid in full or enough cash has been set aside to fully cover all liabilities, and (b) the payments to partners are calculated in such a way that no partner will later be asked to return a payment received because, in retrospect, it should not have been made. It is credited initially with the fair market value of the assets contributed by the partner at the time of formation of the partnership; subsequent changes reflect the partner s share of net income earned, additional assets invested, and assets withdrawn. Explain. Debit Balances in Capital Accounts If a partner s capital account is not large enough to absorb his or her share of the loss from the sale of assets, the account ends up with a debit balance. Next, each partner is rank ordered as least able to absorb losses. The distribution of net income to the partners equity accounts is made in accordance with the partnership agreement. If done correctly, these methods will yield identical results. In addition, it is often prudent to assume that there will probably be some future expenses involved with the liquidation, or that there are unrecorded liabilities, and enough cash should be held back to cover these items. After expenses incurred in the liquidation process of $4,200 were paid, the remaining cash of $20,300 was distributed to the partners. There are two basic steps involved with a cash distribution plan. Is there a federal partnership act that applies to all partnerships in Canada? The second method involves calculating payments to partners before the liquidation process commences. Exhibit 15.3 shows details of the liquidation events for April and May. The income summary account is then closed and the net income allocated in accordance with the profit and loss sharing ratio by the following entry: Income summary 70,000 A capital (30% 70,000) 21,000 B capital (20% 70,000) 14,000 C capital (50% 70,000) 35,000 Finally, the drawing accounts are closed as follows: A capital 12,000 B capital 15,000 C capital 30,000 A drawing 12,000 B drawing 15,000 C drawing 30,000 The Year 1 financial statements consist of a balance sheet, an income statement, and a statement of partner s capital, which could be prepared as follows: ABC PARTNERSHIP STATEMENT OF PARTNERS CAPITALS for the Year Ended December 31, Year 1 A B C Total capital capital capital capital Initial investment $30,000 $20,000 $50,000 $100,000 Add net income 21,000 14,000 35,000 70,000 51,000 34,000 85, ,000 Deduct drawings 12,000 15,000 30,000 57,000 Balance, Dec. The journal entry is as follows: Cash 15,000 Goodwill 5,000 Snow capital 20,000 The balance sheet after the new partner is admitted is as follows: BADWEATHER COMPANY BALANCE SHEET January 1, Year 6 Cash $ 15,000 Liabilities $ 20,000 Assets (misc.) 100,000 Rain capital 50,000 Goodwill 5,000 Sleet capital 30,000 Snow capital 20, ,000 $120,000 $120,000 10 10 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS Situation 2 In this case we will assume that Snow invests $22,000 for 20 percent of capital. 19 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 19 Exhibit 15.3A EFGH COMPANY SAFE PAYMENT CALCULATION April 30, Year 6 Cash Assets Liab. Prepare a schedule of the liquidation of a partnership where instalment payments to partners are made as cash becomes available. E F G H Balance before liquidation 6,500 78,000 13,000 20,800 24,050 16,900 9,750 April transactions: Sale of assets and distribution of loss 16,400 22,000* 2,800* 1,120* 1,120* 560* Payment of liabilities 4,000* 4,000* Balances before payment 18,900 56,000 9,000 18,000 22,930 15,780 9,190 Safe payment to partners (see Exhibit 15.3A) 4,800* 4,717* 83* Balances, end of April 14,100 56,000 9,000 18,000 18,213 15,780 9,107 May transactions: Sale of assets and distribution of loss 14,600 56,000* 20,700* 8,280* 8,280* 4,140* Payment of liabilities 9,000* 9,000* Payment of expenses 4,200* 2,100* 840* 840* 420* 15, ,800** 9,093 6,660 4,547 Allocate E s debit balance 4,800* 1,920* 1,920* 960* Balances 15, ,173 4,740 3,587 Final payment to partners 15,500* 0 7,173* 4,740* 3,587* Balances * Deduct. Some other important characteristics of partnerships are briefly discussed next. Situation 3 In this last situation we assume that Snow invests $20,000 for 20 percent of capital. The partners agree that he should be paid $575,000, and the remaining partners wish to use the asset revaluation method and record goodwill upon Len s retirement. assets 68,000 E loan 20,000 Goodwill 10,000 Partner s equity E capital 800 F capital 24,050 G capital 16,900 H capital 9,750 51,500 $84,500 $84,500 16 16 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS The four partners, who share profits and losses in the ratio of 5:2:2:1, have decided to wind up their business and sell the assets on a piecemeal basis. We use the net assets being invested by the existing partners ($80,000) to revalue the assets invested by the new partner. The balance sheets after the admission of Snow have not been presented in this situation, but readers should verify that after each journal entry presented, Snow s capital balance is 20 percent of total capital, and the capital balances of Rain and Sleet are 80 percent of total capital. April, Year 6 Cash 16,400 E capital 2,800 F capital 1,120 G capital 1,120 H capital 560 Miscellaneous assets (in detail) 22,000 Sale of assets and distribution of loss to partners Liabilities 4,000 Cash 4,000 Partial payment of liabilities F capital 4,717 H capital 83 Cash 4,800 Instalment payment to partners Exhibit 15.3 EFGH COMPANY SCHEDULE OF PARTNERSHIP LIQUIDATION Months of April and May, Year 6 Cash Assets Liab. These steps are shown in Exhibit In step 1, each partner s ability to absorb future losses is evaluated. Each partner may act as an agent for the partnership and legally enter into contracts on its behalf. Another difference exists in the presentation of partners salaries; these are usually considered to be distributions of income rather than determinants of income. The net assets (i.e., capital balances) of the existing partnership are $80,000; this analysis implies that the assets are overvalued by $20,000. On January 1, Year 6, Yvonne purchases one-half of Jeanette s interest in the partnership for $400,000. Example Let us return to the Badweather Company and assume that on December 31, Year 10, Rain retires. In a straightforward liquidation, the assets are sold and any gains or losses are distributed to the partners in their profit and loss sharing ratio. For example, consider the following trial balance of a partnership after all assets have been sold and all liabilities have been paid. 2. The company s balance sheet after the admission of Snow is shown below: 7 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 7 BADWEATHER COMPANY BALANCE SHEET January 1, Year 6 Assets (misc.) $100,000 Liabilities $ 20,000 Rain capital 50,000 Sleet capital 15,000 Snow capital 15,000 80,000 $100,000 $100,000 Method B As an alternative, the net assets of the company could be revalued on the basis of the $18,000 paid for one-half of Sleet s capital. In other words, after the outside creditors have received full payment, partners loans must be paid in full before any cash can be distributed to partners on behalf of their capital. If this investment is not made, the partner s debit balance is allocated to the other partners in accordance with their relative profit and loss ratios. 5 CHAPTER 15 ACCOUNTING FOR PARTNERSHIPS 5 Variation In the last illustration, A, B, and C shared profits and losses in the ratio of 3:2:5. Here, $22,000 represents 20 percent of total capital, which amounts to $110,000 (22, percent). A year before, Mike had had enthusiastic reports of having entered a partnership with Joe to take on residential and commercial plumbing contracts on a larger scale. The accounting principles involved have been in use for many years; they are a prime example of principles that are not the subject of professional pronouncements, but rather are generally accepted by virtue of their use by similar organizations over time. Therefore, it can be implied from the $18,000 price paid by Snow that the net assets of the company are undervalued by $20,000. Instead, the legal doctrine of the right of offset applies so that a loan account is [illegible]

Partnership Agreement Examples . Download 663 KB #10. Download 67 KB #11. Download ... Therefore, you must dictate important activities such as keeping books, corporate minutes, accounting details, dealing with customers, negotiating with suppliers and supervising employees in the agreement. ... you will be able to find several sample ... The Partnership Agreement. The partnership agreement states you will each own 50% of the business and will divide profits equally. You are responsible ... Thus the above-mentioned examples are some of the examples of monopoly in the different industries. There are various other examples as well which shows that a monopoly exists in various different markets or areas. Recommended Articles. This ...

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