

Quick Question On Admitting A New Partner

The capital balances of XYZ Company are as follows: X has \$30,000, Y has \$15,000, and Z has \$105,000. New partner A joins the partnership under each of the following independent situations. Make the necessary Journal Entries.

- (1) A pays Z \$75,000 for half of Z's interest.
- (2) A invests \$50,000 for a 1/4 interest in the partnership.
- (3) A invests \$100,000 for a 1/2 interest in the partnership.
- (4) A invests \$120,000 for a 1/3 interest in the partnership.

DATA SUMMARY:

Existing Capital
 X Capital = \$ 30,000
 Y Capital = \$ 15,000
 Z Capital = \$105,000
 Total \$150,000

Existing Capital Ratios

X = $30/150 = 20\%$
 Y = $15/150 = 10\%$
 Z = $105/150 = 70\%$
 100%

Situation (2) $\$150,000 + \$50,000 = \$200,000$
 $(\$200,000)(.25) = \$50,000$
 No bonus

Situation (3) $\$150,000 + \$100,000 = \$250,000$
 $(\$250,000)(.5) = \$125,000$
 A receives a \$25,000 bonus

Situation (4) $\$150,000 + \$120,000 = \$270,000$
 A receives $(\$270,000)(1/3) = \$90,000$
 A pays a \$30,000 bonus

DATE	ACCOUNT TITLE AND DESCRIPTION	PR	DEBIT	CREDIT
1	Capital, Z (\$105,000) (.5)		52,500	
	Capital, A			52,500
2	Cash		50,000	
	Capital, A			50,000
3	Cash		100,000	
	Capital, X (\$25,000) (.2) = \$ 5,000		5,000	
	Capital, Y (\$25,000) (.1) = \$ 2,500		2,500	
	Capital, Z (\$25,000) (.7) = \$17,500		17,500	
	Capital, A			125,000
4	Cash		120,000	
	Capital, X (\$30,000) (.2) = \$ 6,000			6,000
	Capital, Y (\$30,000) (.1) = \$ 3,000			3,000
	Capital, Z (\$30,000) (.7) = \$21,000			21,000
	Capital, A			90,000