# *Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank*

SKU: 9781119786658-TEST-BANK

# CHAPTER 12

# ACCOUNTING FOR PARTNERSHIPS

## 20-MINUTE QUIZ #1

Circle the correct answer.

**True/False**

| | | |
|---|---|---|
| 1. An advantage of partnerships is mutual agency. | True | False |
| 2. In a limited partnership, all of the partners have limited liability for the debts of the firm. | True | False |
| 3. In a limited liability partnership, a partner can be held liable for the negligence of the people directly supervised by that partner. | True | False |
| 4. In a partnership where the division of profits and losses is based on salaries, interest, and a stated ratio, if the salary and interest allocation will exceed the profit, the profit is allocated only by the stated ratio instead. | True | False |
| 5. A partnership is considered an accounting entity for financial reporting purposes. | True | False |
| 6. When the partnership contract does not specify the manner in which profits and losses are to be divided, profits and losses are distributed based on the average capital balances of each partner during the year. | True | False |
| 7. The statement of partners' capital explains the changes in each partner's capital account and in total partnership capital during the year. | True | False |
| 8. Admission of a new partner to the partnership does not result in the legal dissolution of the existing partnership. | True | False |
| 9. If a partnership is admitting a new partner to the existing partnership and the existing partners are to receive a bonus, this bonus would be allocated on the basis of their | True | False |



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

profit and loss ratios before the admission of the new partner.

| | | |
|---|---|---|
| 10. Upon liquidation, once the assets have been sold and the creditors paid, the final cash is distributed equally among partners. | True | False |



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

## Multiple Choice

1. Which one of the following is **not** a feature of partnerships?
a) limited life
b) limited liability
c) mutual agency
d) co-ownership of property

2. B invests $60,000 for a 25% interest in a partnership that has total capital of $200,000 after admitting B. Which of the following is true?
a) B's capital is $60,000.
b) B's capital is $35,000.
c) B received a bonus of $10,000.
d) The original partners received a total bonus of $10,000.

3. Partners A and B receive a salary allowance of $12,000 and $18,000, respectively, and share the remainder equally. If the company earned $20,000 during the period, what is the effect on A's capital?
a) $12,000 increase
b) $7,000 decrease
c) $7,000 increase
d) $10,000 increase

4. After selling the assets and paying the creditors, the partnership had $90,000 cash remaining. A, B, and C had capital balances of $20,000, $30,000 and $40,000 respectively. Profit is shared on a ratio of 1:3:5, respectively. The cash to be received by partner C would be
a) $30,000.
b) $40,000.
c) $45,000.
d) $50,000.

5. Selling partnership assets and paying the proceeds to creditors and owners refers to
a) dissolution.
b) unlimited liability.
c) mutual agency.
d) liquidation.



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

# ANSWERS TO 20-MINUTE QUIZ #1

## True/False

1. False
2. False
3. True
4. False
5. True
6. False
7. True
8. False
9. True
10. False



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

## Multiple Choice

1. b

2. d

3. c

4. b

5. d



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

# 20-MINUTE QUIZ #2

## Question 1

Harmawell Partnership has a profit of $150,000 for the year ended December 31, 2022. The partnership agreement states that profit and losses are to be distributed using salary allowances, interest allowances, and a ratio for the remainder. Information about the agreement and the balance of the Drawings accounts is contained in the table below.

| | Harlos | Maxwell | Wellington |
|---|---|---|---|
| Salary allowance | $35,000 | $45,000 | $20,000 |
| Interest of 10% based upon their average capital balances, which are: | $85,000 | $65,000 | $50,000 |
| Remainder shared in this ratio | 2 | 2 | 1 |
| Dec. 31 balance of the Drawings accounts | $25,000 | $20,000 | $15,000 |

a) Prepare a detailed schedule to show how the profit would be allocated among the three partners.

b) Assume that the revenue and expense accounts have been closed. Prepare the remaining closing entries.

## Question 2

On April 1, the Bruce & Duval partnership agreed to admit Singh to the partnership. Singh will receive a 40% share of the business for a cash investment of $200,000. Information regarding the partnership records prior to the admission of Singh is located in the table.

| | Bruce | Duval |
|---|---|---|
| Capital balance | $125,000 | $75,000 |
| Profit sharing ratio | 3 | 2 |

Prepare the journal entry to admit Singh into the partnership. Show calculations.



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

# ANSWERS TO 20-MINUTE QUIZ #2

## Question 1

a)

| | Harlos | Maxwell | Wellington | Total |
|---|---|---|---|---|
| Profit | | | | $150,000 |
| Salary allowance | $35,000 | $45,000 | $20,000 | 100,000 |
| Remaining profit | | | | 50,000 |
| Interest allowance | 8,500 | 6,500 | 5,000 | 20,000 |
| Remaining profit | | | | 30,000 |
| Fixed ratio 2:2:1 | 12,000 | 12,000 | 6,000 | 30,000 |
| Remaining profit | | | | 0 |
| Profit allocated to the partners | $55,500 | $63,500 | $31,000 | $150,000 |

b)

| | | | |
|---|---|---|---|
| Dec. 31 | Income Summary | 150,000 | |
| | Harlos, Capital | | 55,500 |
| | Maxwell, Capital | | 63,500 |
| | Wellington, Capital | | 31,000 |
| | To close Income Summary. | | |
| 31 | Harlos, Capital | 25,000 | |
| | Maxwell, Capital | 20,000 | |
| | Wellington, Capital | 15,000 | |
| | Harlos, Drawings | | 25,000 |
| | Maxwell, Drawings | | 20,000 |
| | Wellington, Drawings | | 15,000 |
| | To close the Drawings accounts. | | |



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank

## Question 2

| | |
|---|---|
| Bruce, Capital | $125,000 |
| Duval, Capital | 75,000 |
| Singh's investment | 200,000 |
| Total | $400,000 |

| | |
|---|---|
| Singh's investment | $200,000 |
| Singh's capital (40% of $400,000) | 160,000 |
| Bonus to existing partners | $40,000 |

| | |
|---|---|
| Bruce's share (3/5 of $40,000) | $24,000 |
| Duval's share (2/5 of $40,000) | $16,000 |

| | | | |
|---|---|---|---|
| April 1 | Cash | 200,000 | |
| | Bruce, Capital | | 24,000 |
| | Duval, Capital | | 16,000 |
| | Singh, Capital | | 160,000 |
| | To record the admission of Singh. | | |



Copyright © 2022 John Wiley & Sons Canada, Ltd. Unauthorized copying, distribution, or transmission of this page is strictly prohibited.

Accounting Principles Volume 2 Enhanced (Canadian) 9th Edition 9th edition Weygandt Test Bank