QUIZ #1

NAME: ____________________
Question 1
Oak, Pine, and Maple are partners with present capital balances of $42,000, $39,000, and $90,000, respectively. The partners share profits and losses according to the following percentages: 20% for Oak, 20% for Pine, and 60% for Maple. The existing assets of the original partnership have market values equal to book values except for the following:

- Accounts Receivable: overvalued by $10,000
- Land: undervalued by $30,000.

Pine has agreed to sell her interest to the partnership for $45,000.

Required:
Calculate the capital balances for each individual in the new partnership, assuming use of:

a. Bonus Method
b. Goodwill Method (recognize the goodwill traceable to all partners)
Question 2

The partnership of A, B, and C has total assets and liabilities of $30,000 and $25,000, respectively. Information relating to the partners is as follows:

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total personal assets</td>
<td>90,000</td>
<td>20,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Total personal liabilities</td>
<td>60,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Partnership capital balance (deficit)</td>
<td>10,000</td>
<td>(2,000)</td>
<td>(3,000)</td>
</tr>
</tbody>
</table>

Required:

A. Assuming that the Uniform Partnership Act is applicable, indicate how the partners' personal assets would be distributed.
B. Assuming that federal bankruptcy laws are applicable, indicate how the partners' personal assets would be distributed.