

ADVANCED ACCOUNTING

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PERSEKUTUAN – LIKUIDASI

Chapter 17

Partnerships: Objectives

1. Memahami karakteristik hukum persekutuan/ kemitraan (*partnerships*)
2. Memahami penilaian dan pencatatan investasi awal.
3. Memahami sifat beragam keuntungan dan kerugian berbagi perjanjian dan perhitungannya.
4. *Nilai investasi sekutu baru dalam persekutuan yang sudah ada.*
5. *Nilai hak sekutu atas pensiun atau kematian.*
6. *Memahami karakteristik kemitraan Perseroan terbatas.*

Partnerships – Formation, Operations, and Changes in Ownership Interests

1: KARAKTERISTIK DARI PERSEKUTUAN

Partnerships

RUPA "*Revised Uniform Partnership Act*"

– Teori Entitas:

- Sekutu memiliki bagian mereka dari Persekutuan , tetapi tidak aset individu

– Disosiasi:

- Sekutu dapat memisahkan diritanpa pembubaran persekutuan

Sekutu memiliki

- Hak saling menjadi agen perusahaan (*Mutual agency*)
- Kewajiban tak terbatas

Kesepakatan (*Articles*) Persekutuan

1. Produk atau layanan, lini bisnis
2. Hak Sekutu & tanggung jawab
3. Investasi awal dan nilai yang diberikan untuk investasi nonkas
4. Kondisi tambahan investasi
5. Penarikan Aset
6. Pembagian laba dan rugi
7. Prosedur Pembubaran

Pelaporan Persekutuan

- Pelaporan keuangan harus menyediakan kebutuhan dari:
 - Mitra
 - Kreditor Persekutuan
 - IRS

Partnerships – Formation, Operations, and Changes in Ownership Interests

2: INVESTASI AWAL

Investasi awal

| | | |
|------------|-----|-----|
| Kas | XXX | - |
| Modal Amy | - | XXX |
| Kas | XXX | - |
| Modal Paul | - | XXX |

Persekutuan dimulai oleh Amy dan Paulus, masing-masing berinvestasi uang tunai.

Jika mereka menginvestasikan aset lainnya, nilai aset tersebut harus disepakati sebelumnya.

| | | |
|------------|-----|-----|
| Kas | XXX | - |
| Peralatan | XXX | - |
| Tanah | XXX | - |
| Modal Paul | - | XXX |

Investasi awal dengan Bonus atau Goodwill

Investasi awal mitra, pada nilai wajar, tidak akan mewakili kepemilikan mereka.

- Bakat individual
- Koneksi bisnis
- Basis pelanggan

Sekutu memilih metode

- Metode bonus
 - Penyesuaian dalam akun modal
- Metode Goodwill
 - Goodwill dicatatkan pada buku-buku besarnya

Investasi awal dengan Bonus

- Total nilai wajar yang diterima dipecah, sebagai yang diinginkan, antara mitra
- Cola berinvestasi tanah dan bangunan senilai \$10 dan \$40.
- Crown berinvestasi uang tunai dan persediaan pada \$7 dan \$35.
- Setuju untuk memiliki bagian yang sama:
 $(10 + 40 + 7 + 35) / 2 = \46 masing-masing

| | | |
|-------------|----|----|
| Kas | 7 | - |
| Persediaan | 35 | - |
| Tanah | 10 | - |
| Bangunan | 40 | - |
| Modal Cola | - | 46 |
| Modal Crown | - | 46 |

Investasi awal dengan Goodwill

If Cola and Crown agree to equal shares, use larger implied total value of firm.

$$\text{Cola's: } (10 + 40) / 50\% = \$100 \star$$

$$\text{Crown's: } (7 + 35) / 50\% = \$84$$

Implied value of firm \$100

| | | | |
|-----------------|-------------|------------------|-------------|
| Cola's 50%(100) | \$50 | Crown's 50%(100) | \$50 |
| He invests: | | He invests: | |
| Land | \$10 | Cash | \$7 |
| Building | <u>\$40</u> | Inventory | <u>\$35</u> |
| | \$50 | Goodwill | \$8 |

Jurnal awal dengan Goodwill

| | | |
|--|----|----|
| Land | 10 | - |
| Building | 40 | - |
| Modal Cola | - | 50 |
| <i>To record Cola's investment</i> | | |
| Cash | 7 | - |
| Inventory | 35 | - |
| Goodwill | 8 | - |
| Modal Crown | - | 50 |
| <i>To record Crown's investment and goodwill</i> | | |

Akun Sekutu

Setiap sekutu memiliki rekening mereka sendiri untuk:

- Modal
 - Prive/ Drawings (*periodik, seperti gaji, jumlah*)
 - Penarikan (*lain-lain, jumlah yang besar, yang tidak biasa*)
- Investasi meningkatkan Modal
 - Prive dan penarikan ditutup ke akun modal
 - Laba rugi atau Pendapatan dan biaya ditutup ke akunt modal.

Contoh Jurnal penutupan pada modal Sekutu

Prive dan penarikan ditutup ke akun modal individual.

| | | |
|---|--------|-----|
| Modal Amy | XXX | - |
| Amy Drawings | - | XX |
| Amy Withdrawals | - | XX |
| <i>Reduces Amy's capital for drawings and withdrawals</i> | | |
| Modal Paul | XXX | - |
| Paul Drawings | - | XXX |
| Income Summary | Profit | |
| Modal Amy | - | XXX |
| Modal Paul | - | XXX |
| <i>To share profits between Amy and Paul</i> | | |

Pendapatan dibagi antara sekutu. Kerugian akan menyebabkan masuk berkebalikkan dengan modal. Mungkin bagi beberapa sekutu memiliki kerugian sementara (defisit) yang lain memiliki keuntungan (saldo plus).

Laporan Modal Sekutu

RATCLIFFE AND YANCEY STATEMENT OF PARTNERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2008

| | 60% Ratcliffe | 40% Yancey | Total |
|------------------------------------|------------------|-----------------|-----------------|
| Capital balances January 1, 2008 | \$40,000 | \$35,000 | \$75,000 |
| Add: Additional investments | 5,000 | — | 5,000 |
| Deduct: Withdrawals | — | (3,000) | (3,000) |
| Deduct: Drawings | (6,000) | (9,000) | (15,000) |
| Net contributed capital | <u>39,000</u> | <u>23,000</u> | <u>62,000</u> |
| Add: Net income for 2008 | 20,700 | 13,800 | 34,500 |
| Capital balances December 31, 2008 | <u>\$59,700</u> | <u>\$36,800</u> | <u>\$96,500</u> |

Beginning capital + investments – drawings and/or withdrawals
+ income or – loss = ending capital

Partnerships – Formation, Operations, and Changes in Ownership Interests

3: BERBAGI KEUNTUNGAN DAN KERUGIAN

Perjanjian pembagian Laba / rugi

- Kesepakatan (*article*) Persekutuan harus dengan jelas menyatakan cara mendistribusikan keuntungan dan kerugian.
- Hal penting yang biasanya dipertimbangkan
 - Bonus allowance
 - Salary allowance
 - Interest allowance on capital invested
 - Berdasarkan rata-rata, saldo modal awal atau akhir
 - Pembagian jumlah sisa

Tunjangan Bonus dan Gaji

- Bonus tunjangan (*allowances*) sering didasarkan pada keuntungan persekutuan dan mungkin sebelum atau setelah:

(a) tunjangan gaji dan (b) bonus.

- Jika bonus setelah keduanya:

$$\text{Bonus} = b\% \times (NI - \text{Salary Allow} - \text{Bonus})$$

- Tunjangan Gaji umumnya ditentukan sebelumnya (*pre-determined amounts*)

Tunjangan Kepentingan dan modal

- Tunjangan kepentingan biasanya didasarkan pada ukuran modal sekutu:
 - Saldo modal awal tahun
 - Rata-rata* saldo modal untuk tahun ybs
Saldo rata-rata tertimbang
 - Saldo modal Akhir*
Saldo awal – penarikan + investasi
- * Pengambilan periodik sering diabaikan, Meskipun penarikan (*withdrawals*) sering dipertimbangkan

Mengalokasikan pendapatan

- Tunjangan Sekutu untuk bonus, gaji dan kepentingan dialokasikan kepada mereka, Apakah ada atau tidak ada keuntungan yang cukup.
- Sisa keuntungan (atau defisit) kemudian dibagi menurut proporsi disepakati.
- *Ini adalah prosedur umum. Kesepakatan persekutuan memberikan persyaratan tertentu.*

Contoh: Berbagi keuntungan

Tom dan Betty setuju untuk membagikan keuntungan dan kerugian:

- Tom dan Betty memiliki masing-masing \$60 dan \$30 tunjangan gaji
- Betty memiliki bonus 50% keuntungan jika lebih dari \$500
- Masing-masing memiliki tunjangan kepentingan sebesar 10% dari modal awal
 - Modal Tom, 1/1 \$400
 - Modal Betty, 1/1 \$350
- Sisa keuntungan atau kerugian dibagi Tom 60%, Betty 40%.
Keuntungan persekutuan adalah \$660 setahun.

Berbagi keuntungan sebesar \$660

| | Total | Tom | Betty |
|----------------------|--------------|--------------|--------------|
| Net income | \$660 | | |
| Salary allowance | (90) | \$60 | \$30 |
| Bonus allowance | (80) | 0 | 80 |
| Interest allowance | <u>(75)</u> | 40 | 35 |
| Subtotal | \$415 | | |
| Split 60:40 | <u>(415)</u> | <u>249</u> | <u>166</u> |
| Allocated net income | <u>\$0</u> | <u>\$349</u> | <u>\$311</u> |

$$\text{Bonus} = 50\%(660 - 500) = 80$$

$$\text{Kepentingan Tom} = 10\%(400) = 40$$

$$\text{Kepentingan Betty} = 10\%(350) = 35$$

$$60\%(415) = 249; 40\%(415) = 166$$

Berbagi keuntungan sebesar \$180

Asumkan bahwa pendapatan adalah hanya \$180.

| | Total | Tom | Betty |
|----------------------|-------------|-------------|-------------|
| Net income | \$120 | | |
| Salary allowance | (90) | \$60 | \$30 |
| Bonus allowance | 0 | 0 | 0 |
| Interest allowance | <u>(75)</u> | 40 | 35 |
| Subtotal, deficit | (\$45) | | |
| Split 60:40 | <u>45</u> | <u>(27)</u> | <u>(18)</u> |
| Allocated net income | <u>\$0</u> | <u>\$73</u> | <u>\$47</u> |

Bonus = nol, pendapatan tidak melebihi ambang batas (*threshold*)

Kepentingan Tom = $10\%(400) = 40$

Kepentingan Betty = $10\%(350) = 35$

$60\%(-45) = -27$; $40\%(-45) = -18$

Partnerships – Formation, Operations, and Changes in Ownership Interests

4: MASUKNYA SEKUTU BARU

Masuknya Sekutu Baru

1. Sekutu yang sekarang menetapkan kepentingan kepada sekutu baru.
2. Sekutu baru membeli kepentingan dari sekutu yang ada.
 - Metode Goodwill
 - Metode Bonus
3. Sekutu baru berinvestasi langsung ke dalam persekutuan.
 - Metode Goodwill
 - Metode Bonus

Assignment

- *Assignment* memberikan *assignee* hak untuk untuk suatu bagian dari laba mendatang dan bagian aset jika likuidasi
 - Bukan sekutu
 - Tidak ada bagian dalam manajemen

| | | |
|-----------------------|-----|-----|
| Modal sekutu lama | XXX | |
| Modal <i>Assignee</i> | | XXX |

Membeli dari Sekutu: sederhana

- Alfano dan Bailey memiliki saldo modal masing-masing \$50 dan masing-masing memiliki kepentingan dalam perusahaan 50%.
- Cobb membeli setengah kepentingan Alfano untuk \$25.

| | | |
|--------------|----|----|
| Modal Alfano | 25 | |
| Modal Cobb | | 25 |

| | Before | | After | |
|--------|--------------|-------|--------------|-------|
| | Capital | Share | Capital | Share |
| Alfano | \$50 | 50% | \$25 | 25% |
| Bailey | <u>50</u> | 50% | 50 | 50% |
| Cobb | | | <u>25</u> | 25% |
| Total | <u>\$100</u> | | <u>\$100</u> | |

Membeli dari Sekutu : Goodwill

- Don dan Ed memiliki modal \$50 dan \$40, dengan masing-masing kepentingan 50%.
- Fay akan membayar \$60 langsung ke para sekutu dan menerima 50% kepentingan di perusahaan. Don dan Ed masing-masing memiliki 25%. Aset dengan nilai wajar.

| | |
|---------------------------------------|-----------|
| Nilai perusahaan Tersirat, $\$60/.50$ | 120 |
| Modal lama, $\$50 + 40$ | <u>90</u> |
| Goodwill | <u>30</u> |

- Goodwill meningkatkan modal Don & Ed masing-masing sebesar \$15.

Goodwill merevaluasi modal

| | Before | Revaluation | After revaluation | Transfer | Final |
|-------|-------------|-------------|-------------------|----------|--------------|
| Don | \$50 | \$15 | \$65 | (\$35) | \$30 |
| Ed | <u>40</u> | 15 | <u>55</u> | (25) | 30 |
| Fay | | | | 60 | <u>60</u> |
| Total | <u>\$90</u> | | <u>\$120</u> | | <u>\$120</u> |

- Anggaphlah, Fay membayar \$35 pada Don dan \$25 pada Ed.
- Jika para sekutu tidak ingin menyetel kembali modalnya, modal Don dan Ed masing-masing akan berkurang dengan \$30 untuk mentransfer \$60 kepada Fay.

Membeli dari Sekutu: Bonus

- Jika Don dan Ed telah memutuskan untuk tidak revaluasi aset atau mencatat goodwill, berarti metode bonus digunakan.

| | Before | Transfer | Final |
|-------|-------------|----------|---------------|
| Don | \$50 | (\$27.5) | \$22.5 |
| Ed | <u>40</u> | (17.5) | 22.5 |
| Fay | | 45.0 | <u>45.0</u> |
| Total | <u>\$90</u> | | <u>\$90.0</u> |

- Modal Fay adalah $50\%(90) = \$45$.
- Akun modal Don dan Ed disesuaikan $25\%(90)$ saldo baru mereka = \$22,5

Jurnal untuk pembelian dari sekutu

- Entri untuk penerimaan Fay, di bawah metode goodwill dan bonus:

| | | |
|---|----|----|
| Goodwill | 30 | |
| Modal Don | | 15 |
| Modal Ed | | 15 |
| Modal Don | 35 | |
| Modal Ed | 25 | |
| Modal Fay | | 60 |
| <i>Metode Goodwill, menyelaraskan modal</i> | | |

| | | |
|--|------|----|
| Don Capital | 27.5 | |
| Ed Capital | 17.5 | |
| Fay Capital | | 45 |
| <i>Bonus method, aligning capital accounts</i> | | |

Investasi ke dalam perusahaan: Goodwill

- Andrew dan Boyles memiliki saldo modal \$40 dan \$40 dan berbagi sama dalam (laba) perusahaan.
- Criner akan diterima dengan investasi uang tunai \$50. Ketiganya akan memiliki bagian yang sama. Aset neto adalah dengan nilai wajar; Goodwill akan digunakan untuk pencatatan.

| | | |
|-------------------------------------|-----------|-------------|
| Implied value of firm, $\$50/(1/3)$ | | \$150 |
| Old capital, $\$40 + 40$ | \$80 | |
| Additional investment | <u>50</u> | <u>130</u> |
| Goodwill | | <u>\$20</u> |

*Criner: $\$130 * 1/3 = \43.3 , but he pays \$50 ... so goodwill goes to old partners.*

Implied firm value is based on Criner's investment.

Investasi dan goodwill menambah modal (Goodwill untuk Sekutu lama)

| | Before | Revalu- ation | After re- valuation | Investment | Final |
|--------|-------------|------------------|------------------------|------------|--------------|
| Andrew | \$40 | \$10 | \$50 | | \$50 |
| Boyles | <u>40</u> | 10 | <u>50</u> | | 50 |
| Criner | | | | \$50 | <u>50</u> |
| Total | <u>\$80</u> | | <u>\$100</u> | | <u>\$150</u> |

- Modal \$ 80 pada awal, meningkat dengan \$20 goodwill dan investasi kas \$50.

Investasi ke perusahaan: Goodwill

- Andrew dan Boyles memiliki saldo modal \$40 dan \$40 dan berbagi sama dalam (laba) perusahaan.
- Criner akan diterima dengan investasi uang tunai \$50. Criner akan diberikan 40% bagian; Andrew dan Boyles akan masing-masing memiliki 30% bagian. Aset neto adalah dengan nilai wajar; goodwill digunakan.

| | | |
|---------------------------------------|-----------|--------------|
| Implied value of firm, $\$80 / (.60)$ | | \$133.3 |
| Old capital, $\$40 + 40$ | \$80 | |
| Additional investment | <u>50</u> | <u>130.0</u> |
| Goodwill | | <u>\$3.3</u> |

*Criner: $\$130 * 40\% = \52 , but he pays \$50 ... so goodwill goes to new partner.
Implied firm value is based on old partners' capital and retained interest.*

Investasi dan goodwill menambah modal (Goodwill untuk Sekutu lama)

| | Before | Revalu- ation | After re- valuation | Investment | Final |
|--------|-------------|------------------|------------------------|------------|----------------|
| Andrew | \$40 | | \$40 | | \$40.0 |
| Boyles | <u>40</u> | | 40 | | 40.0 |
| Criner | | \$3.3 | <u>3.3</u> | \$50 | <u>53.3</u> |
| Total | <u>\$80</u> | | <u>\$83.3</u> | | <u>\$133.3</u> |

Modal \$ 80 pada awal, meningkat dengan \$3.3 goodwill dan investasi tunai \$50.

Investasi ke Perusahaan: Bonus

- Andrew dan Boyles memutuskan untuk tidak *revalue* aset perusahaan, dan Criner menginvestasikan \$50 kas dalam perusahaan untuk kepentingan 1/3.

| | Before | Investment | Bonus | Final |
|--------|-------------|------------|-------|--------------|
| Andrew | \$50 | | (\$1) | \$49 |
| Boyles | <u>40</u> | | (1) | 39 |
| Criner | | \$50 | 2 | <u>52</u> |
| Total | <u>\$90</u> | | | <u>\$130</u> |

- modal baru Criner = 1/3 dari total \$130. Karena ia berinvestasi pada \$50 kas untuk kepentingan \$52, \$2 bonus yang ditransfer dari sekutu lama.

Jurnal untuk investasi dalam perusahaan

- Entri untuk investasi Criner, di bawah metode goodwill dan bonus:

| | | |
|--|----|----|
| Goodwill | 20 | |
| Andrew Capital | | 10 |
| Boyles Capital | | 10 |
| Cash | 60 | |
| Criner Capital | | 60 |
| <i>Goodwill method, goodwill to old partners</i> | | |

| | | |
|---|----|----|
| Cash | 50 | |
| Andrew Capital | 1 | |
| Boyles Capital | 1 | |
| Criner Capital | | 52 |
| <i>Bonus method, bonus to new partner</i> | | |

*Partnerships – Formation, Operations, and
Changes in Ownership Interests*

5: Kematian dan Mundurnya Sekutu

Dissociation

Nilai perusahaan, menurut RUPA, yang lebih besar dari

- Nilai likuidasi
- Nilai penjualan sebagai keberlangsungan tanpa Sekutu yang dipisahkan

Pembayaran untuk Sekutu keluar

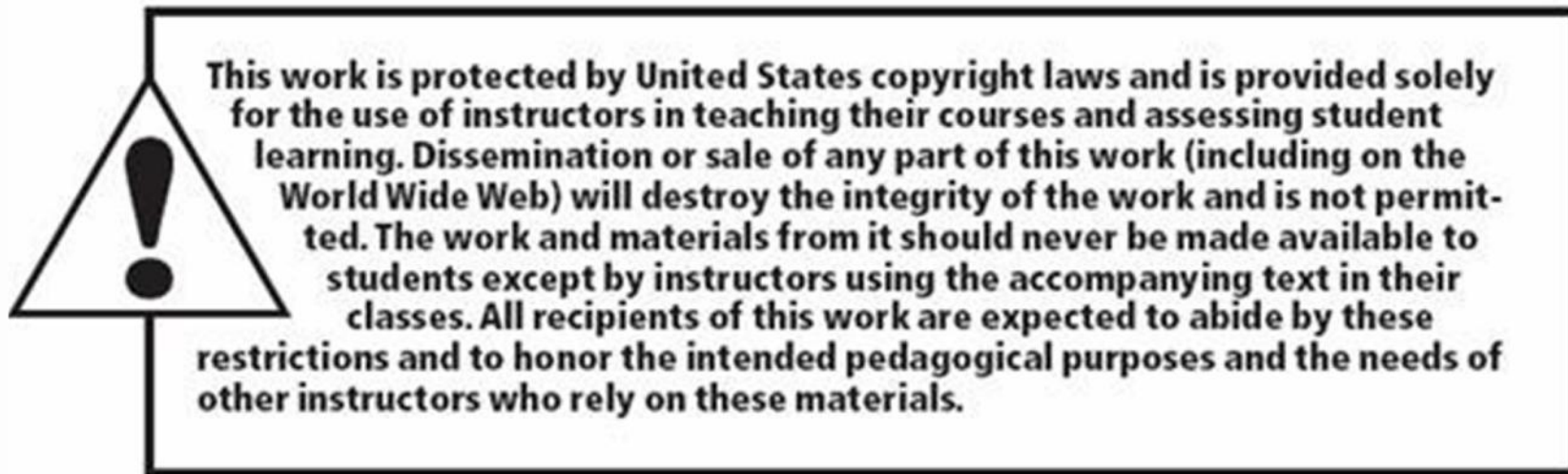
- Sama dengan modal ybs yang ada
- Lebih dari Modal yang ada
 - Goodwill tersirat atau bonus untuk Sekutu keluar
- Kurang dari Modal yang ada
 - Menurunkan aset dinilai terlalu tinggi, atau bonus untuk Sekutu yang bertahan

*Partnerships – Formation, Operations, and
Changes in Ownership Interests*

6: Limited Liability Partnership

Persekutuan Terbatas

- Persekutuan terbatas harus memiliki satu atau lebih Sekutu sebagai pimpinan (jenderalnya)
- Sekutu terbatas
 - Dikecualikan dari berpartisipasi dalam manajemen
 - Kewajiban terbatas
 - Perjanjian Persekutuan
 - Secara tertulis, ditandatangani dan diarsipkan



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Partnership Liquidation: Objectives

1. *Understand the legal aspects of partnership liquidation.*
2. *Apply simple partnership liquidation computations and accounting.*
3. *Perform safe payment computations.*
4. *Understand installment liquidations.*
5. *Learn about cash distribution plans for installment liquidations.*
6. *Comprehend liquidations when either the partnership or the partners are insolvent.*

Partnership Liquidation

1: LEGAL ASPECTS OF LIQUIDATION

Process of Liquidation

1. Convert noncash assets to cash
2. Recognize gains or losses and expenses
3. Settle all liabilities
4. Distribute cash to partners according to balances in capital accounts

Assumes

- Business is solvent
- Partners have equity in net assets
- No partner loans
- Assets are converted to cash before cash is distributed to partners

Order of Payment

RUPA provides the following rank ordering for payments in partnership liquidations

1. Amounts owed to creditors other than partners and amounts owed to partners other than for capital and profits
2. Amounts due to partners liquidating their capital balance upon conclusion of the liquidation of partnership assets and liabilities

Partnership Liquidation

2: SIMPLE LIQUIDATION

Simple Liquidation

- Converts all assets to cash
- Makes a single distribution to partners in final settlement
- Gains and losses on conversion of assets are distributed to partners
 - Use established profit and loss ratios
 - Ignore salary, bonus, interest allowances

Debit Capital in Solvent Firm

- One or more (not all) partners has a debit balance in capital
- Firm has sufficient cash and other assets of value to pay all creditors
- Partner with debit capital balance
 - Contribute that amount to the firm
 - If unable, the debit balance is absorbed by the remaining partners
 - Profit and loss ratios of remaining partners

Partnership Statement of Partnership Liquidation

HOLMES AND KAISER PARTNERSHIP STATEMENT OF PARTNERSHIP LIQUIDATION FOR THE PERIOD JANUARY 1, 2009, TO JANUARY 31, 2009 (IN THOUSANDS)

| | Cash | Noncash Assets | Priority Liabilities | Holmes Loan | Holmes Capital (70%) | Kaiser Capital (30%) |
|--------------------------------|-------------|----------------|----------------------|-------------|----------------------|----------------------|
| Balances January 1, 2009 | \$10 | \$100 | \$40 | \$10 | \$25 | \$35 |
| Sale of inventory | <u>25</u> | <u>(30)</u> | <u>—</u> | <u>—</u> | <u>(3.5)</u> | <u>(1.5)</u> |
| | 35 | 70 | 40 | 10 | 21.5 | 33.5 |
| Sale of plant assets | <u>30</u> | <u>(40)</u> | <u>—</u> | <u>—</u> | <u>(7)</u> | <u>(3)</u> |
| | 65 | 30 | 40 | 10 | 14.5 | 30.5 |
| Collection of receivables | <u>22</u> | <u>(30)</u> | <u>—</u> | <u>—</u> | <u>(5.6)</u> | <u>(2.4)</u> |
| | 87 | — | 40 | 10 | 8.9 | 28.1 |
| Payment of liabilities | <u>(40)</u> | | <u>(40)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | 47 | | — | 10 | 8.9 | 28.1 |
| Payment of Holmes loan | <u>(10)</u> | | | <u>(10)</u> | <u>—</u> | <u>—</u> |
| | 37 | | | — | 8.9 | 28.1 |
| Final distribution to partners | <u>(37)</u> | | | | <u>(8.9)</u> | <u>(28.1)</u> |

Beginning balances in cash, noncash assets, liabilities and partner accounts are adjusted as assets are converted to cash, and cash payments are made.

Partnership Liquidation

3: SAFE PAYMENTS

Safe Payments (*def.*)

Safe payments are distributions that can be made to partners with assurance that the amounts distributed will not need to be returned to the partnership at some later date to cover known liabilities or realign partner capital.

Assumptions:

- All partners are personally insolvent
- Noncash assets represent possible losses
- Additional cash may be needed for liquidation

What Safe Payments Do /Don't Do

- Safe payments schedules
 - Determine the amount of advance payment
 - Must be prepared for each cash distribution unless capital balances align with profit and loss ratios
- Don't
 - Change the capital balances
 - Affect the statement of partnership liquidation
 - Help project timing of distributions

Compute Safe Payments

- Begin with partner capital adjusted for outstanding loans
- Assume all noncash assets are losses
 - Distribute losses to partners
- Plan for other loss contingencies
 - Distribute contingent losses to partners
- Redistribute possible losses from partners
 - Adjust profit and loss ratio

Example of Safe Payments

BMN Partnership has the following balances:

| | | | |
|------------------|--------------|-----------------------|--------------|
| Cash | \$80 | Loan payable to Nancy | \$20 |
| Loan from Maxine | 10 | Buzz Capital (50%) | 50 |
| Land | 20 | Maxine Capital (30%) | 70 |
| Building, net | <u>140</u> | Nancy Capital (20%) | <u>110</u> |
| | <u>\$250</u> | | <u>\$250</u> |

Procedure:

- Net out partner loans/capital
- Assume noncash assets are losses

- Allow for other losses assume \$10

Safe Payment Calculations

| | Possible losses | Buzz (50%) | Maxine (30%) | Nancy (20%) |
|-----------------------|-----------------|---------------|-----------------|----------------|
| Equity (net of loans) | | \$50 | \$60 | \$130 |
| Assumed losses: | | | | |
| Loss on assets | (\$160) | (80) | (48) | (32) |
| Other losses | (10) | (5) | (3) | (2) |
| Subtotal | | (\$35) | \$9 | \$96 |
| Assume Buzz loss | | | | |
| New ratio 3:2 | | 35 | (21) | (14) |
| Subtotal | | \$0 | (\$12) | \$82 |
| Assume Maxine loss | | | 12 | (12) |
| Safe Payments | | \$0 | \$0 | \$70 |

Safe payments: Partner amounts are zero or positive.

Partnership Liquidation

4: INSTALLMENT LIQUIDATIONS

Installment Liquidations

- Involve distributions of cash to partners
 - As it is available
 - Before all gains and losses are realized
- Orderly liquidation of solvent partnership
 - Liabilities, other than those to partners, are paid first
 - Then, partners can receive distributions
 - Prepare a safe payment schedule for each distribution

Frequent Reports

- A Statement of Partnership Liquidation is prepared showing
 - Sale of noncash assets, distributions of P/L
 - Payment of creditors
 - Distributions to partners
- Safe Payment Schedule is prepared
 - Before distributions to partners
- An updated Statement of Partnership Liquidation is prepared

- New Safe Payment Schedule ...

Liquidation Statement, Jan. 31

DURO, KEMP, AND ROTH STATEMENT OF PARTNERSHIP LIQUIDATION FOR THE PERIOD JANUARY 1, 2009, TO FEBRUARY 1, 2009 (AMOUNTS IN THOUSANDS)

| | Cash | Noncash Assets | Priority Liabilities | 50% Duro Capital | Kemp Loan | 30% Kemp Capital | 20% Roth Capital |
|-------------------------------------|-------|----------------|----------------------|------------------|-----------|------------------|------------------|
| Balances January 1 | \$240 | \$1,160 | \$500 | \$340 | \$20 | \$340 | \$200 |
| Offset Roth loan | | (40) | | | | | (40) |
| Write-off of goodwill | | (40) | | (20) | | (12) | (8) |
| Collection of receivables | 200 | (200) | | | | | |
| Sale of inventory items | 200 | (160) | | 20 | | 12 | 8 |
| Predistribution balances January 31 | 640 | 720 | 500 | 340 | 20 | 340 | 160 |

Kemp's total investment is \$360

Duro, Kemp and Roth

At Jan. 31, there is \$640 in cash.

- Liabilities still due are \$500
- Can we give the \$140 to the partners, and if so, to whom?

The safe payment schedule answers this.

- Assume the remaining noncash assets are losses and allow for an extra \$20 loss

Safe Payment Schedule, Jan. 31

| | Possible Losses | 50% Duro Capital | 30% Kemp Capital and Loan | 20% Roth Capital |
|--|-----------------|----------------------|---------------------------|--------------------|
| Partners' equities January 31, 2009 (see statement of liquidation) | | \$340 | \$360 | \$160 |
| Possible loss on noncash assets (see statement of liquidation) | \$720 | <u>(360)</u> (20) | <u>(216)</u> 144 | <u>(144)</u> 16 |
| Possible loss on contingencies: cash withheld | 20 | <u>(10)</u> (30) | <u>(6)</u> 138 | <u>(4)</u> 12 |
| Possible loss from Duro: debit balance allocated 60:40 | | <u>30</u> — | <u>(18)</u> \$120 | <u>(12)</u> — |

Kemp can receive safe payments up to \$120.

Duro and Ross must agree.

Updating the Liquidation Statement

DURO, KEMP, AND ROTH STATEMENT OF PARTNERSHIP LIQUIDATION FOR THE PERIOD JANUARY 1, 2009, TO MARCH 1, 2009 (AMOUNTS IN THOUSANDS)

| | Cash | Noncash Assets | Priority Liabilities | Duro Capital (50%) | Kemp Loan | Kemp Capital (30%) | Roth Capital (20%) |
|---|-------|----------------|----------------------|--------------------|-----------|--------------------|--------------------|
| Balances January 1 | \$240 | \$1,160 | \$500 | \$340 | \$20 | \$340 | \$200 |
| Offset Roth loan | | (40) | | | | | (40) |
| Write-off of goodwill | | (40) | | (20) | | (12) | (8) |
| Collection of receivables | 200 | (200) | | | | | |
| Sale of inventory items | 200 | (160) | | 20 | | 12 | 8 |
| Predistribution balances | | | | | | | |
| January 31 | 640 | 720 | 500 | 340 | 20 | 340 | 160 |
| January distribution (see Exhibit 16-5) | | | | | | | |
| Creditors | (500) | | (500) | | | | |
| Kemp | (120) | | | | (20) | (100) | |
| Balances February 1 | 20 | 720 | 0 | 340 | 0 | 240 | 160 |
| Equipment sale | 60 | (80) | | (10) | | (6) | (4) |
| Sale of inventory items | 180 | (240) | | (30) | | (18) | (12) |
| Liquidation expenses | (4) | | | (2) | | (1.2) | (.8) |
| Liability discovered | | | 8 | (4) | | (2.4) | (1.6) |
| Predistribution balances | | | | | | | |
| February 28 | 256 | 400 | 8 | 294 | | 212.4 | 141.6 |

January Distributions

The liquidation schedule shows that

- The creditors were paid their \$500
- Kemp was paid \$20 on the loan and \$100 of capital (Maximum safe payment)

Cash of \$20 remained in the partnership

Partnership Liquidation

5: Cash Distribution Plans

Cash Distribution Plan

- *a.k.a.* Cash Pre-distribution Plan
 1. Rank the partners
 - Vulnerability to partnership losses
 - Most vulnerable to least
 2. Prepare a schedule of assumed loss absorption
 - Assume most vulnerable partner's equity loss first, then next, ...
 3. Prepare a cash distribution plan
 4. Then, a cash distribution schedule

1. Vulnerability Ranking

- Partners are ranked according to loss absorption potential

$$\text{Loss absorption potential} = \text{Partner equity} / \text{loss ratio}$$

Duro, Kemp and Roth have \$340, \$360 and \$160 equity with profit-loss ratios of 50%, 30%, and 20%

$$\text{Duro: } 340 / .5 = \$680$$

$$\text{Kemp: } 360 / .3 = \$1,200$$

$$\text{Roth: } 160 / .2 = \$800$$

2. Assume Loss Absorption

Assume partnership losses sufficient to wipe out Duro first, then additional losses to eliminate Roth.

| | Duro | Kemp | Roth | Total* |
|---------------------------|-------|-------|-------|--------|
| Equity (net of loans) | \$340 | \$360 | \$160 | \$860 |
| Assumed losses: | | | | (680) |
| Share 5:3:2 | (340) | (204) | (136) | |
| Subtotal | \$0 | \$156 | \$24 | |
| Assume additional losses: | | | | |
| New ratio 3:2 | | (36) | (24) | (60) |
| Subtotal | \$0 | \$120 | \$0 | \$120 |

\$680 is from Kemp's vulnerability ranking

\$60 = (800-680) x (30%+20%) additional loss for Roth.

3. Cash Distribution Plan

| DURO, KEMP, AND ROTH CASH DISTRIBUTION PLAN | | | | | |
|---|----------------------|-----------|------|------|------|
| | Priority Liabilities | Kemp Loan | Duro | Kemp | Roth |
| First \$500,000 | 100% | | | | |
| Next \$20,000 | | 100% | | | |
| Next \$100,000 | | | | 100% | |
| Next \$60,000 | | | | 60 | 40% |
| Remainder | | | 50% | 30 | 20 |

If the \$500 liabilities have not yet been paid, and two cash distributions are planned for \$550 and \$250, a cash distribution schedule is prepared.

4. Cash Distribution Schedule

| DURO, KEMP, AND ROTH CASH DISTRIBUTION SCHEDULE | | | | | | |
|---|------------------|----------------------|-------------|--------------|--------------|--------------|
| | Cash Distributed | Priority Liabilities | Kemp Loan | Duro Capital | Kemp Capital | Roth Capital |
| <i>First Installment</i> | | | | | | |
| Priority creditors | \$500 | \$500 | | | | |
| Kemp loan | 20 | | \$20 | | | |
| Kemp capital (remainder) | 30 | | | | \$ 30 | |
| | <u>\$550</u> | <u>\$500</u> | <u>\$20</u> | | <u>\$ 30</u> | |
| <i>Second Installment</i> | | | | | | |
| Kemp capital | \$ 70 | | | | \$ 70 | |
| Kemp and Roth (60:40) | 60 | | | | 36 | \$24 |
| Remainder (50:30:20) | 120 | | | \$60 | 36 | 24 |
| | <u>\$250</u> | | | <u>\$60</u> | <u>\$142</u> | <u>\$48</u> |

Partnership Liquidation

6: Insolvency

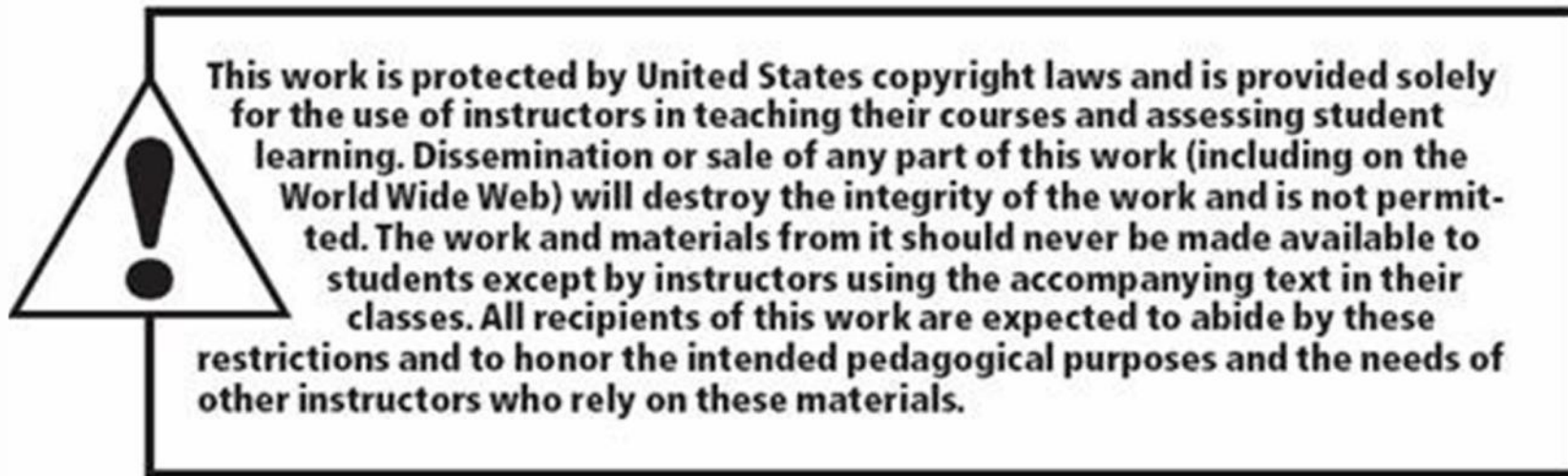
Insolvent Partnership

After all noncash assets are converted to cash

- Cash is insufficient to pay all creditors

Creditor options

- Accept only partial payment
- Look to partners for personal resources
 - May go to most solvent partners
 - RUPA requires partners to
 - Pay own share of unsatisfied liabilities



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