

Lone pine cafe essay sample



**ASSIGN
BUSTER**

A) Each of the partners contributed \$16000 cash to the partnership and agreed to share in their profits proportionally to what they had invested which amounts to 1/3rd of the total profit.

Therefore, each Owner's equity : \$16000 cash

They signed a one year lease at a nearby cafe called the Lone pine cafe and agreed to pay a rent of \$ 1500 every month.

The partners borrowed \$21000 from the bank . They used \$35000 out of their partnership money and loan from the bank to buy equipments worth \$53200 plus \$ 2800 for Inventory (food and beverages).

Also they paid additionally \$1428 for local operating license and \$ 1400 for a new cash register. Thus the money remaining from their partnership account is :

$$\$48000 - (\$35000 + \$1428 + \$1400) = \$10172$$

B) On March 31st , 2010, Mrs Antoine discovered that Mr Antoine and Mrs landers were missing.

She considered the partnership to be dissolved and thus brought in an accountant to resolve the matter.

Mr Antoine and Mrs landers had taken away the cash register plus \$311 cash in it.

Thus total equipment cost = \$(54600-1400)

= \$ 53200

Thus total loss= cost of cash register + cash in it

= \$(1400 + 311)

= \$ 1711

There fore,

Mr Antoine withdrawals= \$ 1711/2= 855. 50

Mrs landers withdrawals= \$ 1711/2= 855. 50

Checking account balance= \$1030

Ski instructor's payment= \$ 870

Total cash = \$ 1900

Mr Simpson (The accountant) calculated the depreciation on the equipment to be \$ 2445.

Net cost of equipment= \$(53200-2455)= \$ 50755

Lone Pine café owed suppliers = \$ 1583

Food and beverages on hand were estimated to be about \$2430.

Inventory = \$ 2430

The partnership had repaid \$2100 of the loan from Bank.

Thus loan remaining: \$(21000-2100)= \$ 18900

The prepaid local operating expense had been used for 5 months. Thus this should be subtracted from the remaining amount.

$$1428/12 = \$ 119 \text{ per month}$$

$$\text{For 5 months: } \$ 119 * 5 = \$ 595$$

$$\text{Amount remaining: } \$ (1428 - 595) = \$ 833$$

During the period of the operations, the partners withdrew agreed upon salaries and these payments were upto date.

Mr Antoine left behind his clothes which were estimated to be about \$750.

Mr Simpson thus prepared a balance sheet as of March 30th 2010. He listed the items they owned as of Mar 30th, listed the items they owed and the balance was divided among the three equally as equity.