# ACCT 4611 - Controllership I Dr. Hagan

**Partnership Tax Return Problem July 28, 2015**

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On May 1, 1989, Brendan McLeod and Duncan Ryan formed Angler Associates, a general partnership, to sell fishing tackle. Pertinent information regarding Angler is summarized as follows:

1. The business address is 3027 Woodland Ridge Blvd., Baton Rouge, Louisiana 70816.
2. The employer identification number is 75-3392543; the principal business activity code is 451110. The filing center is Memphis, Tennessee
3. Brendan and Duncan each own one-half interest of the partnership; they share equally in profits, losses and ownership of capital. Brendan is the Tax Matters Partner of the company. Both work full-time, and each receive a regular draw of $280,000 ($140,000 for each partner), an extra draw to cover estimated tax payments of $157,440 ($78,720 for each partner), and a year-end bonus of $80,000 ($40,000 for each partner). Brendan’s Social Security number is 145-26-2593. Duncan’s Social Security number is 287-43-4945.
4. The partnership uses the accrual method of accounting and reports on a calendar basis. Inventories are determined by using the lower of cost or market method. For book and tax purposes, the straight-line method of depreciation is used.

Selected portions of Angler’s profit and loss statement of 2013 reflect the following debits and credits:

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| **Account**  |  | **Debit** | **Credit** |
| Gross sales |  |  | $2,180,000  |
| Sales returns and allowances  |  | $70,000 |  |
| Cost of goods sold |  | 950,000 |  |
| Dividends received from stock investments in less than 20% owned U.S. corporations |  |  |  120,000 |
| Interest income |  |  |  |
|  State bonds |  | $14,000 |  |
|  Certificates of deposit |  |  10,000 |  24,000 |
| Premiums on term life insurance policies on the lives of Brendan  and Duncan; Angler Corporation is the designated beneficiary |  |  12,000 |  |
| Draws - Partners |  |  280,000 |  |
| Salaries-clerical and sales |  |  290,000 |  |
| Taxes (state, local, and payroll) |  |  40,000 |  |
| Repairs |  |  28,000 |  |
| Interest expense |  |  17,000 |  |
| Fines for dumping toxic waste |  |  8,000 |  |
| Advertising |  |  6,000 |  |
| Rental Expense |  |  39,000 |  |
| Depreciation |  |  40,000 |  |

A comparative balance sheet for Angler Associates reveals the following information:

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| **Assets** | **January 1, 2014** | **December 31, 2014** |
| Cash | $480,000 | $334,100 |
| Trade notes and accounts receivable | 808,200 | 1,065,600 |
| Inventories | 600,000 | 731,000 |
| Certificates of Deposit | 140,000 | 140,000 |
| State bonds | 160,000 | 160,000 |
| Prepaid Expenses | --- | 2,800 |
| Buildings and other depreciable assets | 240,000 | 240,000 |
| Accumulated depreciation | (88,800) | (128,800) |
| Land | 20,000 | 20,000 |
| Other assets | 3,600 | 1,000 |
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| Total assets | $2,363,000 | $2,565,700 |

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| **Liabilities and Equity**  |  |  |
| Accounts payable | $340,000 | $274,000 |
| Other current liabilities | 57,860 | 40,000 |
| Mortgages | 220,000 | 200,000 |
| Capital - Brendan McLeod | 872,570 | 1,025,850 |
| Capital - Duncan Ryan | 872,570 | 1,025,850 |
|  |  |  |
| Total liabilities and equity | $2,363,000 | $2,565,700 |

Net income per books (before any income tax accrual) is $824,000. Prepare a Form 1065 for Angler Associates for tax year 2014. Also attach a Form 1125-A and 1065 Schedule K-1.