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Subject:- Financial Accounting

Topic

Dissolution of Partnership-1



"Nothing is more important than Education"

Journal Entries:

1. For Asset Transfer:

Realisation A/c Dr.
 To Asset A/c

2. For Liabilities Transfer

Liabilities A/c Dr.
 To Realisation A/c

3. For fictitious assets:

Partner's Capital A/c Dr.
To Profit and Loss A/c
To Deferred Revenue Expenditure A/c

(Being fictitious assets transferred to partner's capital account in profit sharing ratio)

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Necessary journal entries required to be passed after the above ENTRIES:-

1. When assets are sold in cash:

Cash A/c Dr.

 To Realisation A/c

2. When assets are taken over by partners:

Partner's Capital A/c Dr.

 To Realisation A/c

3. When Assets are taken over by Creditors/Liabilities:

Full Settlement - No Entry

Part Settlement -

a) Cash A/c Dr.

 To Realisation A/c (Receipts)

(Being the asset not taken over by the creditors realised)

b) Realisation A/c Dr.

To Cash A/c (Payments)

(Being the creditors {liabilities} balance paid off after taking over the assets)

4. When Liabilities are paid off:

Realisation A/c Dr.

To Cash A/c

5. Liabilities paid by partners:

Realisation A/c Dr.

Partner's capital A/c