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Subject:- Financial Accounting



CHAPTER

DISSOLUTION

of

Partnership Firm

1,11,250

By K's Wife Loan A/c

1,11,250

1,11,250

When Capital is Fixed Problem 7

The following Balance Sheet shows the position of ABC on 31st March, 2017 :

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Creditors	20,000	Cash	6,000
Reserve	15,000	Stock	20,000
Capital A/cs :		Machinery	20,000
A	25,000	Debtors	10,000
B	15,000	B/R	10,000
		C's Capital A/c	9,000
	<u>75,000</u>		<u>75,000</u>

It was decided to dissolve the firm. C became insolvent and ₹ 2,000 only were received from his estate. The assets realised as under :

From Bills Receivable ₹ 7,000; from Stock and Debtors 25% less than the book value; from Machinery ₹ 14,000. Realisation expenses amounted to ₹ 2,500.

Assuming Capital Accounts as fixed, prepare Realisation Account, Capital Accounts and Cash Account according to Garner Vs. Murray decision.

Solution		Realisation Account	
Particulars	Amount	Particulars	Amount
To Stock	20,000	By Creditors	20,000
To Machinery	20,000	By Cash A/c :	
To Debtors	10,000	B/R	7,000
To B/R	10,000	Stock	15,000
To Cash A/c :		Debtors	7,500
Creditors	20,000	Machinery	14,000
Expenses	<u>2,500</u>	By Capital A/cs (Loss)	
		transferred :	
		A	6,333
		B	6,333
		C	<u>6,334</u>
			19,000
			<u>82,500</u>

Capital Accounts						
Particulars	A	B	C	Particulars	A	B
To Balance b/d	—	—	9,000	By Balance b/d	25,000	15,000
To Realisation A/c (Loss)	6,333	6,333	6,334	By Reserve A/c	5,000	5,000
To C's Capital A/c	5,209	3,125	—	By Cash A/c	6,333	6,333
To Cash A/c	24,791	16,875	—	By A's Capital A/c (C's deficiency 5/8)	—	—
				By B's Capital A/c (C's deficiency 3/8)	—	—
	<u>36,333</u>	<u>26,333</u>	<u>15,334</u>		<u>36,333</u>	<u>26,333</u>

Cash Account			
Particulars	Amount	Particulars	Amount
To Balance b/d	6,000	By Realisation A/c :	
To Realisation A/c	43,500	Creditors	20,000
To A's Capital A/c	6,333	Realisation Exps.	<u>2,500</u>
To B's Capital A/c	6,333	By A's Capital A/c	24,791
To C's Capital A/c	2,000	By B's Capital A/c	16,875
	<u>64,166</u>		<u>64,166</u>

Working Notes :

- 1 Loss on Realisation has been distributed equally.
- 2 C's Deficiency of ₹ 8,334 has been shared by A and B in the ratio 5 : 3.
- 3 Calculation has been made nearest rupee.