

Dr. Uttam Kumar
SRAP College, Barachakia
Mob no-8210561032

Subject:- Financial Accounting



CHAPTER

DISSOLUTION

of

Partnership Firm

The Balance Sheet of A, B and C as on 31st March, 2017 :

Liabilities		Amount	Assets	
		₹		Amount
Creditors		55,000	Cash at Bank	₹ 6,250
Capital A/cs :			Debtors	62,500
A	₹ 82,500		Stock	87,500
C	<u>55,000</u>	1,37,500	Investments	25,000
			Furniture	1,250
			B's Capital A/c	10,000
		<u>1,92,500</u>		<u>1,92,500</u>

The firm was dissolved as on that date. For the purpose of dissolution, the investments were valued at ₹ 40,000 and stock at ₹ 70,000. C agreed to take over the investments and A to take over stock. A also took over the furniture at book value. The debtors realised ₹ 59,000 and creditors were paid off at ₹ 53,500 in full satisfaction of their claims.

Assuming that B is insolvent and is unable to bring in anything in respect of his debts to the firm. Show the Realisation Account, Capital Accounts and Bank Account, the final adjustment being made in accordance with decision in Garner Vs. Murray.

Solution

Realisation Account

Particulars	Amount	Particulars	Amount
	₹		₹
To Debtor's A/c	62,500	By Creditors	55,000
To Stock	87,500	By C's Capital A/c (Investment)	40,000
To Investments	25,000	By A's Capital A/c :	
To Furniture	1,250	Stock	70,000
To Bank (Creditors)	53,500	Furniture	<u>1,250</u>
		By Bank A/c (Debtors)	59,000
		By Loss on Realisation transferred to Capital A/cs :	
		A	1,500
		B	1,500
		C	<u>1,500</u>
	<u>2,29,750</u>		4,500
			<u>2,29,750</u>

Partners' Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Balance b/d	—	10,000	—	By Balance b/d	82,500	—	55,000
To Realisation A/c	71,250	—	40,000	By Bank A/c	1,500	—	1,500
To Realisation A/c (Loss)	1,500	1,500	1,500	By A's Capital A/c (3/5)	—	6,900	—
To B's Capital A/c	6,900	—	4,600	By C's Capital A/c (2/5)	—	4,600	—
To Bank A/c (Final payment)	4,350	—	10,400				
	<u>84,000</u>	<u>11,500</u>	<u>56,500</u>		<u>84,000</u>	<u>11,500</u>	<u>56,500</u>

Capital Ratio : A : C :: 82,500 : 55,000 = 3 : 2.

Bank Account

Particulars	Amount	Particulars	Amount
	₹		₹
To Balance b/d	6,250	By Realisation A/c	53,500
To Realisation A/c	59,000	By A's Capital A/c	4,350
To A's Capital A/c	1,500	By C's Capital A/c	10,400
To C's Capital A/c	1,500		
	<u>68,250</u>		<u>68,250</u>