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Subject:- Financial Accounting



CHAPTER
DISSOLUTION
of
Partnership Firm

Cash Account

	₹		
To Balance b/d	324	By Realisation A/c	
To Realisation A/c	9,385	By A's Capital A/c	
To A's Capital A/c	648	By B's Capital A/c	
To B's Capital A/c	405		
	10,762		

Problem 9

The following is the Balance Sheet as on 31st March, 2017 of a firm in which partners share profits and losses equally. On account of heavy losses in the past two years, it is decided to close the business. The assets with the exception of bank balance realised ₹ 2,26,880. The partner C is insolvent :

Liabilities		Amount	Assets	
		₹		
Creditors		1,02,400	Bank Balance	₹
Loan :	₹		Debtors	5,500
A	30,000		Stock	66,060
B	12,000	42,000	Machinery	94,000
Current A/cs :			Land and Buildings	28,600
A	21,200		Current A/c : C	84,000
B	2,500	23,700		9,940
Capital A/cs :				
A	60,000			
B	40,000			
C	20,000	1,20,000		
		2,88,100		2,88,100

What would be the position of each partner's account on the dissolution of the partnership in accordance with the Indian Partnership Act ?

Solution

Since Indian Partnership Act is not clear on the issue of deficiency of capital of the insolvent partner the problem has been solved according to Garner *vs.* Murray rule.

Realisation Account

Particulars	Amount	Particulars	Amount
		₹	
To Debtors A/c	66,060	By Creditors A/c	₹
To Stock A/c	94,000	By Bank A/c (Assets realised)	1,02,400
To Machinery A/c	28,600	By Loss on Realisation	2,26,880
To Land and Building A/c	84,000	transferred to Current A/cs :	
To Bank A/c (Creditors)	1,02,400	A	15,260
		B	15,260
		C	15,260
	3,75,060		45,780
			3,75,060

Partners' Current Accounts

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
Balance b/d	—	—	9,940	By Balance b/d	21,200	2,500	—
Realisation A/c	15,260	15,260	15,260	By Bank A/c	15,260	15,260	—
Capital A/c (Transfer)	21,200	2,500	—	By Capital A/c (Transfer)	—	—	25,200
	<u>36,460</u>	<u>17,760</u>	<u>25,200</u>		<u>36,460</u>	<u>17,760</u>	<u>25,200</u>

Partners' Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To C's Current A/c	—	—	25,200	By Balance b/d	60,000	40,000	20,000
To C's Capital A/c	3,120	2,080	—	By Current A/c	21,200	2,500	—
To Bank A/c (Final Payment)	78,080	40,420	—	By A's Capital A/c (3/5 of deficiency)	—	—	3,120
	—	—	—	By B's Capital A/c (2/5th of deficiency)	—	—	2,080
	<u>81,200</u>	<u>42,500</u>	<u>25,200</u>		<u>81,200</u>	<u>42,500</u>	<u>25,200</u>

Loan Account

Particulars	A	B	Particulars	A	B
	₹	₹		₹	₹
To Bank A/c	<u>30,000</u>	<u>12,000</u>	By Balance b/d	<u>30,000</u>	<u>12,000</u>

Bank Account

Particulars	₹	
	₹	₹
To Balance b/d	5,500	1,02,400
To Realisation A/c	2,26,880	30,000
To A's Current A/c	15,260	12,000
To B's Current A/c	15,260	78,080
		40,420
	<u>2,62,900</u>	<u>2,62,900</u>