

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

**Subject:- Financial Accounting**



**CHAPTER**

**DISSOLUTION**

**of**

**Partnership Firm**

### 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 last two years, it is decided to close the business. The assets with the exception of the balance realised ₹ 2,26,880. The partner C is insolvent :

Liabilities		Amount	Assets	Amount
		₹		₹
Creditors		1,02,400	Bank Balance	5
Loan :	₹		Debtors	66
A	30,000		Stock	9
B	<u>12,000</u>	42,000	Machinery	2
Current A/cs :			Land and Buildings	8
A	21,200		Current A/c : C	
B	<u>2,500</u>	23,700		
Capital A/cs :				
A	60,000			
B	40,000			
C	<u>20,000</u>	1,20,000		
		<u>2,88,100</u>		

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

### Solution

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

### 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)	
To Machinery A/c	28,600	By Loss on Realisation	
To Land and Building A/c	84,000	transferred to Current A/cs	
To Bank A/c (Creditors)	1,02,400	A	15,26
		B	15,26

### Partners' Current Accounts

Particulars	A	B	C	Particulars	A	B	C
To Balance b/d	₹ —	₹ —	₹ 9,940	By Balance b/d	21,200	2,500	—
To Realisation A/c	15,260	15,260	15,260	By Bank A/c	15,260	15,260	—
To 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
	<u>81,200</u>	<u>42,500</u>	<u>25,200</u>	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	₹ 30,000	₹ 12,000	By Balance b/d	₹ 30,000	₹ 12,000
	<u>30,000</u>	<u>12,000</u>		<u>30,000</u>	<u>12,000</u>

### Bank Account

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