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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>Assets</i>	
	<i>Amount</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.