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**Subject:- Financial Accounting**



**CHAPTER**  
**DISSOLUTION**  
**of**  
**Partnership Firm**

## Problem 8

A and B are partners in a firm and sharing profits and losses as 3 : 2. They decided to dissolve their firm. On March 31, 2017 their Balance Sheet was as follows :

<i>Liabilities</i>		<i>Amount</i>	<i>Assets</i>		<i>Amount</i>
		₹			₹
<i>Capital :</i>				Machinery	70,000
A	₹ 90,000			Investments	50,000
B	80,000	1,70,000		Stock	22,000
	<u>          </u>			Sundry Debtors	1,03,000
<u>Sundry Creditors</u>		60,000			

Payable	20,000	Cash	2,50,000
	<u>2,50,000</u>		<u>2,50,000</u>

Assets and Liabilities were disposed off as follows :

- Machineries were given to creditors in full settlement of their amount and stocks were given to bills payable in full settlement.
- i) Investments were taken over by B at book value. Sundry debtors having book value ₹ 50,000 were taken over by A at 10% less and from remaining debtors ₹ 51,000 were realised.
- iii) Realisation expenses amount to ₹ 2,000.

Prepare necessary ledger accounts to close the books of the firm.

### Realisation Account

Particulars	₹	Particulars	₹
Machinery	70,000	By Sundry Creditors	60,000
Investments	50,000	By Bills Payable	20,000
Stock	22,000	By B's Capital A/c	
Sundry Debtors	1,03,000	(Investments taken over)	50,000
Cash A/c (Realisation Exps.)	2,000	By A's Capital A/c (Debtors takenover)	45,000
		By Cash A/c (Debtors realised)	51,000
		By Loss transferred to :	
		A's Capital A/c	12,600
		B's Capital A/c	8,400
	<u>2,47,000</u>		<u>21,000</u>
			<u>2,47,000</u>

### Partners' Capital Accounts

Particulars	A	B	Particulars	A	B
	₹	₹		₹	₹
To Realisation A/c (Investments takenover)	—	50,000	By Balance b/d	90,000	80,000
To Realisation A/c (Debtors takenover)	45,000	—			
To Realisation A/c (loss)	12,600	8,400			
To Cash A/c final payment	32,400	21,600			
	<u>90,000</u>	<u>80,000</u>		<u>90,000</u>	<u>80,000</u>

### Cash Account

Particulars	₹	Particulars	₹
To Balance b/d	5,000	By Realisation A/c (Realisation Exps.)	2,000
To Realisation A/c (Debtors realised)	51,000	By A's Capital A/c (Final Payment)	32,400
		By B's Capital (Final payment)	21,600
	<u>56,000</u>		<u>56,000</u>