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Subject:- Financial Accounting



CHAPTER
DISSOLUTION
of
Partnership Firm

Ram, Shyam and Hari entered into partnership with capitals of ₹ 30,000, ₹ 20,000 and ₹ 10,000. Their assets and liabilities on 1st October, 2016, the date on which they decided to wind-up their affairs, were as follows :

Office Fixtures ₹ 1,000; Debtors ₹ 28,000; Bills Receivable ₹ 5,000; and Stock-in-trade ₹ 45,000. Sundry Creditors were ₹ 30,000, Bills Payable ₹ 4,000. Ram agreed to take over the stock-in-trade at a discount of 10% and pay off the bills payable. Shyam agreed to take over the book debts at a discount of 20% and pay off the creditors. Hari took over the bills receivable at ₹ 4,877 and office fixtures at a depreciation of 10%. 5% interest is to be credited to each partner on his capital. Prepare Realisation Account, Bank Account, Capital Accounts of the partners and a statement showing adjustment of profit and loss in the business.

Solution

First we will prepare Balance Sheet of the firm and the difference of the two sides will be treated as undistributed balance of profit or loss.

Balance Sheet of Ram, Shyam & Hari

(as on Oct. 1, 2016)

Liabilities		Amount	Assets	
	₹	₹		Amount
Capital A/cs :			Bills Receivable	₹ 5,000
Ram	30,000		Debtors	28,000
Shyam	20,000		Stock-in-trade	45,000
Hari	10,000	60,000	Office Fixtures	1,000
Sundry Creditors		30,000	Profit & Loss A/c	
Bills Payable		4,000	(Balancing figure)	15,000
		<u>94,000</u>		<u>94,000</u>

Profit & Loss Appropriation A/c
(for the year ending 30th September, 2016)

Particulars	₹	Particulars	₹
To Balance b/d	15,000	By Capital A/cs :	
To Interest on Capital A/cs : ₹		Ram	8,000
Ram	1,500	Shyam	6,000
Shyam	1,000	Hari	4,000
Hari	500		18,000
	3,000		
	18,000		18,000

Realisation Account

Particulars	₹	Particulars	₹
To Bills Receivable A/c	5,000	By Sundry Creditors A/c	30,000
To Debtors A/c	28,000	By Bills Payable A/c	4,000
To Stock-in-trade A/c	45,000	By Ram's Capital A/c (Stock)	40,500
To Office Fixtures A/c	1,000	By Shyam's Capital A/c	
To Ram's Capital A/c (B/P)	4,000	Debtors	22,400
To Shyam's Capital A/c (Creditors)	30,000	By Hari's Capital A/c :	
		Bills Receivable	4,877
		Office Fixtures	900
		By Loss on Realisation transferred to Capital A/cs :	
		Ram	4,588
		Shyam	3,441
		Hari	2,294
	1,13,000		10,323
			1,13,000

Partners' Capital Accounts

Particulars	Ram	Shyam	Hari	Particulars	Ram	Shyam	Hari
	₹	₹	₹		₹	₹	₹
To P. & L. A/c (Loss)	8,000	6,000	4,000	By Balance b/d	30,000	20,000	10,000
To Realisation A/c	40,500	22,400	5,777	By Interest on Capital A/c	1,500	1,000	500
To Realisation A/c (Loss)	4,588	3,441	2,294	By Realisation A/c (B/P)	4,000	—	—
To Cash A/c	—	19,159	—	By Realisation A/c (Creditors)	—	30,000	—
				By Cash A/c	17,588	—	1,571
	53,088	51,000	12,071		53,088	51,000	12,071

Cash Account

Particulars	₹	Particulars	₹
To Ram's Capital A/c	17,588	By Shyam's Capital A/c	19,159
To Hari's Capital A/c	1,571		
	19,159		19,159