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Subject:- Financial Accounting



CHAPTER
DISSOLUTION
of
Partnership Firm

Problem 20

The following is the Balance Sheet of Naik, Nair and Mani in the ratio of 3 : 2 : 1 on 31st March, 2017 :

Liabilities		Assets	
	₹		₹
Creditors	18,000	Plant	80,500
Reserve	6,000	Investments	21,000
Loan—Mrs. Mani	12,000	Joint Life Policy	18,000
Life Policy Fund	18,000	Stock	17,000
Capital A/c :		Debtors	14,440
Naik	45,000	Capital : Nair	30,000
Mani	30,000	Bank	8,060
	<u>1,20,000</u>		<u>1,20,000</u>

They decided to dissolve the firm on the above Balance Sheet date. The Joint Life Policy was surrendered for ₹ 16,500. Naik agreed to take over plant for ₹ 35,000. Investments were sold for ₹ 25,000. Mani agreed to discharge his wife's loan. He took the stock for ₹ 14,000. Debtor realised ₹ 12,000 only.

The expenses of realisation were ₹ 540. The creditors were paid ₹ 16,500 in full settlement.

Make the necessary entries in the books of the firm and show the Ledger Accounts.

Solution

Journal Entries

Date	Particulars	L.F	Dr Cr	
			Amount	Amount
2017 Mar 31	Realisation A/c Tb Plant Tb Investment Tb Joint Life Policy Tb Stock Tb Debtors (Being transfer of sundry assets to Realisation A/c)	Dr.	₹ 1,00,940	₹ 30,500 21,000 18,000 17,000 14,440
	Creditors Loan—Mrs. Mani Life Policy Fund Tb Realisation A/c (Being transfer of sundry liabilities)	Dr. Dr. Dr.	18,000 12,000 18,000	48,000
	Bank A/c Tb Realisation A/c (Being realisation of assets as under : Life Policy (Surrender) 16,500 Investments 25,000 Debtors 12,000)	Dr.	53,500	53,500
	Naik's Capital A/c Tb Realisation A/c (Being plant taken over by Naik)	Dr.	35,000	35,000
	Mani's Capital A/c Tb Realisation A/c (Being stock taken over by Mani)	Dr.	14,000	14,000

Realisation A/c To Mani's Capital A/c (Being wife's loan taken over)	Dr.	12,000	12,000
Realisation A/c To Bank (Being expenses of realisation)	Dr.	540	540
Reserve A/c To Naik's Capital A/c To Mani's Capital A/c To Nair's Capital A/c (Being the amount of Reserve transferred to Partners' Capital A/c)	Dr.	6,000	3,000 2,000 1,000
Realisation A/c To Bank (Being payment to Creditors)	Dr.	16,500	16,500
Realisation A/c To Naik's Capital A/c To Nair's Capital A/c To Mani's Capital A/c (Being profit on realisation transferred to Partners' Capital A/cs)	Dr.	20,520	10,260 6,840 3,420

Realisation Account

Particulars	₹	Particulars	₹
To Plant	30,500	By Creditors	18,000
To Investments	21,000	By Loan—Mrs. Mani	12,000
To Joint Life Policy	18,000	By Joint Life Fund	18,000
To Stock	17,000	By Bank A/c :	
To Debtors	14,440	Life Policy	16,500
To Mani's Capital A/c (Wife's loan)	12,000	Investments	25,000
To Bank A/c (Expenses)	540	Debtors	<u>12,000</u>
To Bank A/c (Creditors)	16,500	By Naik's Capital A/c (Plant)	35,000
To Profit transferred to Capital A/cs :		By Mani's Capital A/c (Stock)	14,000
Naik (3/6)	10,260		
Nair (2/6)	6,840		
Mani (1/6)	<u>3,420</u>		
	20,520		
	<u>1,50,500</u>		<u>1,50,500</u>

Partners' Capital Accounts

Particulars	Naik	Nair	Mani	Particulars	Naik	Nair	Mani
	₹	₹	₹		₹	₹	₹
To Balance b/d	—	20,000	—	By Balance b/d	45,000	—	30,000
To Realisation A/c	35,000	—	14,000	By Reserve	3,000	2,000	1,000
To Bank A/c	23,260	—	32,420	By Realisation A/c	—	—	12,000
				By Realisation A/c	10,260	6,840	3,420
				By Bank A/c	—	11,160	—
	<u>58,260</u>	<u>20,000</u>	<u>46,420</u>		<u>58,260</u>	<u>20,000</u>	<u>46,420</u>

Bank Account

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To Balance b/d	8,060	By Realisation A/c (Exps.)	540
To Realisation A/c	53,500	By Realisation A/c (Creditors)	16,500
To Nair's Capital A/c	11,160	By Naik's Capital A/c	23,260
		By Mani's Capital A/c	32,420
	72,720		72,720