

Concepts

- I) Realisation Acc
- II) Partner's loan Acc
- III) Partner's Capital Acc
- IV) Bank (Cash Acc)

I) Realisation Acc (incl. all)
 → Transfer all assets except fictitious, loans to partner, Cash Acc
 → Transfer all liabilities except Partner's loan, Partner's Capital Acc

Accounting Entries

- i) Closing asset:
 - Realisation T. Asset Acc
- (a) Fictitious assets:
 - Partner's Cap. Acc T. P&L Acc (Dr) T. Ad Suspense
- (b) Current Acc:
 - Partner's Cap. Acc T. Part. Current Acc (Dr)
 - Part. Curr Acc (Cr) T. Part. Cap. Acc
- (c) Loan to partner:
 - Bank (Receipt) T. loan to partner
- (ii) Closing Liabilities:
 - Sundry Creditors Acc B/P
 - Bank loan, loan third party T. Real. Acc

Ch - Dissolution ⇒ Section 39 of Indian Partnership Act, 1932

Work Comp. Reser.

- (a) Liability doesn't exist
 No info or in adj.
 → WCR T. Partner Cap. Acc
- (b) { Liability < WCR }
 → WCR T. Realisation (Law of Liab)
- Real. Acc T. Bank Acc
 → WCR (rem. amt) T. Part. Cap. Acc
- (c) { Liability = WCR }
 → WCR T. Realisation
- (d) { Liability > WCR }
 → WCR T. Realisation (Total)

→ Realisation Acc T. Bank (amt of Liab)

(iii) Realisation of asset:
 [Whether recorded or not] unrecorded

- (1) Asset sold for cash
 Bank (Cash) T. Realisation
- (2) Asset taken by partner
 Concerned Part Cap Acc T. Realisation Acc
- (3) Asset given for payment of his due

creditor No entry!

(iv) Settlement of Liabilities:
 [Whether recorded or unrecorded]

- (1) payment
 Real. Acc T. Bank
- (2) partner agrees to pay Liab.
 Real. Acc T. Partner Cap. Acc

Realisation Expense:

- (1) Remuneration to partner
 Real T. Partner Cap. Acc
- (2) Real Exp borne & paid by firm
 Real T. Bank Acc
- (3) Real Exp. borne by firm, paid by partner
 Real T. Con. Part. Cap. Acc

(4) Real Exp. borne by firm but partly paid by firm & bal by partner:
 Real T. Bank T. Con. Part. Cap. Acc

(5) Partner took remuneration & agreed to pay real exp
 Real T. Con. Part. Cap. Acc

(6) Real Exp. paid by firm on behalf of partner
 Con. Part. Cap. Acc T. Bank Acc

~~Real. Exp. paid by partner out of division profits~~

→ No entry.

(8) Real Exp. borne & paid by partner

No entry

(vi) Closing real. Acc:

(1) Gain on Real. Acc:
→ ~~Real~~ Real Acc
 ↑ Part. Cap. Acc

(2) Loss:
Part. Cap. Acc
 ↑ Real. Acc

II) Partner's Loan Acc

Loan is paid after settling outside liabilities but before payment of Capital

→ Partner's Loan Acc
 ↑ Bank Acc

III) Partner's Cap. Acc

(1) Reserve, undiv. profit:
→ P&L Acc (Cr)
 GIR Acc
 ↑ Partner's Cap. Acc

(2) Dr bal in P&L
→ Part. Cap. Acc
 ↑ P&L (Dr)
 ↑ Def. Per. Comp.

(3) Transfer of Real. Acc

(a) Gain:
→ Real.
 ↑ Partner Cap. Acc

(b) Loss:
→ Part. Cap. Acc
 ↑ Real. Acc

(4) Final settlement with partners:

(a) partner bring cash (for deficiency in cap)
→ Bank Acc
 ↑ Partner Cap. Acc

(b) Payment made to partner.
→ Partner Cap.
 ↑ Bank Acc

#IV) Bank Acc

Transfer Cash into Bank

→ Bank
 ↑ Cash Acc

Contn

1) Invest. Asset Reserve:

→ ZFA
 ↑ Bank X

2) Pror. dtd:

→ Pror. dtd
 ↑ Bank X

3) Deb't Reserve:

→ Net Reserve
 ↑ Bank X

4) Transfer assets into realization which can be converted into cash.

eg: Cash X L&Burd ✓
 P&L X CIR ✓
 Current X A stock ✓

4) Partner loan:

→ Part loan X
 ↑ Partner paid loan
 ↑ Part loan (outside)

↑ Part. Cap. Acc

6) Part took asset

→ Part Cap.

Q 4, a partner to bear realⁿ expenses agreed at ₹1,900. Actual expenses paid by Y were ₹1,500

Solⁿ expenses are of firm Y agreed to pay 1900 But Now, he paid 1500 he will pay in future ₹400.

→ Realization 1900
 ↑ Y's Cap 1900

Memorandum B/s
 To calculate Total ending assets
 → Closing Cap must there