DISSOLUTION OF PARTNERSHIP FIRM

Where All the partners are Solvent

1) A and B shared profits in the ratio of 3 : 2. Their balance sheet on 31st December, 1993 was as follows :

Liabilities	Rs.	Assets		Rs.
Creditors	20,000	Cash at Bank		8,000
Loan from A	16,000	Debtors	40,000	
General Reserve	25,000	Less : Provision		1,800
	38,200			
Capitals :		Stock		54,800
A 1,20,000		Investments		20,000
B 80,000	2,00,000	Machinery		40,000
	.	Land & Building		1,00,000
	2,61,000			2,61,000

Partners decide to dissolve the firm on the above date. Assets realised as follows :

Stock Rs. 45,000; Machinery 20% less than book value, Debtors Rs. 35,000. Land and Building Rs. 30,000 more than the book value. A Took over investments at an agreed value of Rs. 15,000 Creditors agreed to accept 5% less. Expenses of realisation of assets amounted to Rs. 1,200. there was a typewriter in the firm, which was bought out of the firm's money, was not shown in the books of the firm. It is now sold for Rs. 5,000.
Prepare Journal entries and give necessary accounts
[Profit on Realisation Rs 8,800, Final payment to A Rs 1,25,280, to B Rs 93,520]

2) X, Y and Z were partners in a firm sharing profits and losses in the ratio of 3 : 2 ; 1. Following was the Balance Sheet on the date of dissolution

	Rs.		Rs.
Creditors	18,500	Bank balance	1,000
Mrs. X's Loan	5,000	Debtors	15,000
X's Loan	8,000	Less : Provision	1,000
	14,000		
Investment Fluctuation Fund	7,500	Stock	80,000
Life Policy Fund	15,000	Investments	20,000
Capital Accounts :		Joint Life Policy	40,000
X	75,000	Plant	75,000
Y	66,000	Goodwill	10,000
Z	45,000		.
	2,40,000		2,40,000

Following transactions took place :
I) Joint Life Policy was surrendered for Rs. 18,000
II) X took over the investments at 25% more than the book value.
III)Y took over debtors amounting to Rs. 5,000 at Rs. 4,000. Remaining debtors realized 75% of their book value.
IV) Stock is sold for Rs. 41,000 and plant is sold for Rs. 40,000
V) Expenses of realization amounted to Rs. 1,000. It was also found there is a liability for Rs. 8,000 for damages, which also had to be paid. Prepare necessary accounts.

[Loss on Realisation Rs 90,000, Final payment to X Rs 5,000, to Y Rs 32,000, to Z Rs 30,000]

Where Some of the Partners are Solvent and Others Insolvent

3] A, B and C are in partnership sharing profits and losses 3/6th, 2/6th and 1/6th respectively. The state of affairs on the date of dissolution was as follows:

Balance Sheet

Liabilities	*Rs.*	*Assets*	*Rs.*
Sundry Creditors	3,850	Cash in Hand	986
A's Loan	275	Sundry Debtors	3,056
Capital Account:		Stock	1,844
A	1,520	Furniture	720
B	1,120	C's Capital Account	159
	6,765		6,765

The assets realized: Stock Rs. 1,384, Furniture Rs. 515, Debtors Rs. 2,920. The creditors were paid less amounting to Rs. 25. C is Insolvent and he is unable to bring any amount. The expenses of dissolution were Rs. 52.

Prepare Realization Account, Bank Account and Capital Account of the partners as per decision given in Garner vs. Murray.

[Loss on realisation828,]

4] A, B and C were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm on the date of dissolution was as follows :-

		Rs.			Rs.
Sundry Creditors		22,000	Cash at Bank		7,000
General Reserve		12,000	Sundry Debtors	20,000	
Capital Accounts : -			Less : Provision for		
A	84,000		Doubtful Debts	1,000	
					19,000
B	50,000	1,34,000	Stock		28,000
			Furniture		6,000
			Plant & Machinery		34,000
			Buildings		60,000
			Capital Acct-C		14,000
		1,68,000			1,68,000

Plant and Machinery was sold for Rs. 23,420, and building was sold for Rs. 33,200. Stock was sold for 20% less than its book value. Bad Debts amounted to Rs. 1,620. Furniture was taken over by A for Rs. 4,500.

Discount of Rs. 800 is received on payment to creditors. Outstanding Creditors not provided for amounting to Rs. 2,500 were also paid. The expenses of realisation amounted to Rs. 1,200. C become insolvent and he could pay only 20 paise in the rupee. Prepare Ledger Accounts to close the books of the firm following *Garner Vs Murray Rule*.

[Loss-48,000,Cap acct-A75,500,B-48,000, Bank 1,48,400]

5] X, Y and Z were partners sharing profits and losses in the ration of 4:2:3. On 1st January, 2009, they agreed to dissolve the partnership. Their Balance Sheet on that date was as follows:

Liabilities	*Rs.*	*Assets*	*Rs*
Sundry Creditors	9,000	Cash	7,500
Bills Payable	4,100	Bills Receivable	5,600
Loans from X	4,000	Investments	24,000
Profit & Loss A/c	4,500	Debtors	31,000
Reserve Fund	12,600	Stock	19,400
Capital Accounts:		Furniture	3,700
X	68,000	Machinery	15,000
Y	46,000	Buildings	45,000
Z	3,000		
	1,51,200		1,51,200

The assets realized: Investments Rs. 20,400; Bills Receivable and Debtors Rs. 28,200; Stock Rs. 14,550, Furniture Rs, 2,050; Machinery Rs. 8,600; Buildings Rs. 26,400. All the liabilities were paid off. The cost of realization was Rs. 600.

Z had become bankrupt and Rs. 1,024 only was recovered from his estate.

Show Ledger Accounts to close the books of the firm.

[Loss-44,100,Cap acct-X-72,600,Y-47,824 ,]