Dissolution of Partnership.

Accounting Treatment

1] close all the Assets at their book value except cash & Bank.

2] close all liab at their book value except ~~bank Loan~~ partner's Loan & Partner's capital A/c.

3] Sell all Assets.

4] Pay all outsider's Liab

5] Pay partner's Loan

6] Pay Dissolution exp.

7] Prepare Realisation A/c and distribute profit / Loss between all partner's in their P.S.R.

8] Settle partner's capital

9] close C/B A/c.

1. close all Assets and transfer it to Realisation A/c

a) closing of all Real assets at book value

Realization A/c Dr.
    To Real Assets

b) Transfer the balance of c/B to cash / bank A/c, which will be closed at the end.

c) close any fictitious Assets by Transferring it to partner's capital A/c

All partner's capital A/c Dr] PSR
    To Fictitious A/c

2. close all liablities

1) Trfer the bal of partner's cap to their capital A/cs

2) close partner's current A/c and transfer it to partner's capital A/c.

a. If current A/c has credit bal
Partner's current A/c Dr.
    To partner's capital A/c.

partner's capital A/c.
To Partner's current A/c

3. Trfer any Acc profits to partner's capital A/c in their PSR.

Acc profits A/c Dr
To partners capital A/c.] PSR.

~~4. Trfer any Acc. profits to partner's capital A/c.~~

4. Trfer the amt in partner's Loan to seperate partner's Loan A/c

5. close outsider's Liab at Book value by transfering it to Realization A/c.

outsider's Liab A/c Dr
To Realization A/c.

Note:

1. To close P.D.D, Investment Fluctuation Reserve A/c.

P.D.D A/c Dr
IFF/R A/c Dr
To Realisation A/c.

2. If there is bank overdraft

Bank O/D A/c Dr
To Realisation A/c

3. If there are any workmen's compensation Fund / Reserve, any Liablity towards it will be paid & balance amt will be distributed between all partner's in their PSR.

(3) Sell all Real Assets.

Real Assets

- Recorded
- Un-recorded

Sold to outsider
⇓
cash / bank A/c Dr.
To Realization.

Taken over by partner
⇓
partner's cap Dr
To Realizat^{n}.

note: no seperate entry for p/L

4. Payment of outsider's Liablity

Recorded | Unrecorded.

Paid by the firm

⇓

Realization A/c Dr

To C/B A/c

Paid by the partner

Realization A/c Dr

To partner's cap.

Note: No seperate entry for P/L

5. Pay-off partner's Loan

Partner's Loan A/c Dr

To C/B A/c

Note: Any amt paid above / below the Loan Amt should be adjusted through Realization A/c.

6. Pay-off Realisation exps.

paid by firm

Realization A/c Dr

To C/B A/c

paid by Partner

Realization A/c Dr

To Partner's cap A/c.

Note : $\boxed{\text{No entry}}$ passed if partner pays the Realization exp. personally

(7) Prepare Realization A/c & Transfer the profit / Loss between all partner's in their PSR.

1. If there is Realization Profit

Realization Dr
  To Partner's cap } PSR

2. If there is Realization Loss.

Partner's capital A/c Dr.
  To Realization } PSR

NOTE : If no info is given about Asset sold / Liablity paid off then
sell the assets at Book value
pay-off the Liability at Book value

How to caclate capital Ratio

Fixed capital Ratio OR → Available capital in that Ratio

Fluctuating capital Ratio. → calculate adjusted capital on the date of dissolution

	capital	xx
(+)	Reserve	xx
(−)	Acc losses	(xx)
	Adjusted capital	xx

⇒ All solvent partner will bring cash cash or for compensating Realization Loss. To solvent partner