

Dissolution of A Partnership firm.

Existing Agreement \Rightarrow End
New Agreement \Rightarrow Comes

Meaning: Closing down of firm's Business.

DOP
[Dissolution of Partnership]

DOPF
[Dissolution of Partnership firm] (1 Mark)

- Eg: (1 Mark)
- Admission of a New Partner.
 - Death of an Existing Partner.
 - Retirement of existing Partner.
 - Insolvency of a Partner.
 - Expiry of the Period of Partnership.

- Eg: (1 Mark)
- By Mutual Agreement (Sec. 40)
 - By Compulsory Dissolution (Sec. 41)
 - on happening of an event (Sec. 42)
 - By Notice (Sec. 43)
 - By order of the Court (Sec. 44).

<u>Liabilities</u>	<u>Mechanism</u>	B/s	<u>Assets</u>
Liabilities		50,000	Assets
A's Capital		50,000	Cash
B's Capital		20,000	P&L A/c
		120,000	100,000
			10,000
			120,000

Given: Assets Realised: ₹ 1,80,000

DR.		(1). Realisation A/c	CR.	
To Assets (Book-Value)	1,00,000		By Liabilities (Book-Value)	50,000
To Cash (Payment of outside liabilities)	50,000		By Cash (Assets Realisation)	1,00,000
To Profit on Realisation (A: 40,000, B: 40,000)	80,000			2,30,000
	2,30,000			

DR.		(2). Partner's Capital A/c.		CR.	
To P&L A/c	5,000	5,000	By Bal b/d.	50,000	20,000
To Cash A/c (Payment to Partners)	95,000	53,000	By Profit on Realisation	40,000	40,000
	1,00,000	60,000		90,000	60,000

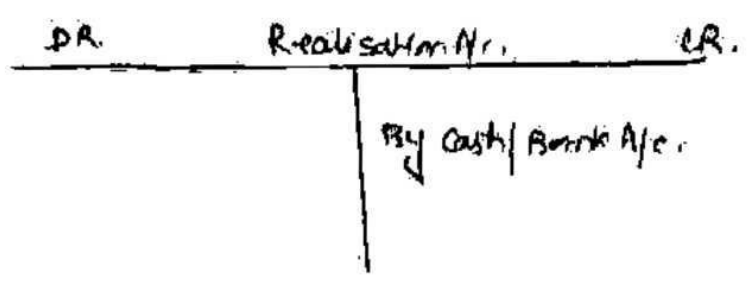
DR.		(3). Cash A/c.		CR.	
To Bal b/d	10,000	By Realisation	50,000		
To Realisation	1,00,000	By Partner's Capital A/c.	1,40,000		
	1,10,000		1,90,000		

Cash A/c
Balanced

* Assets Realisation:

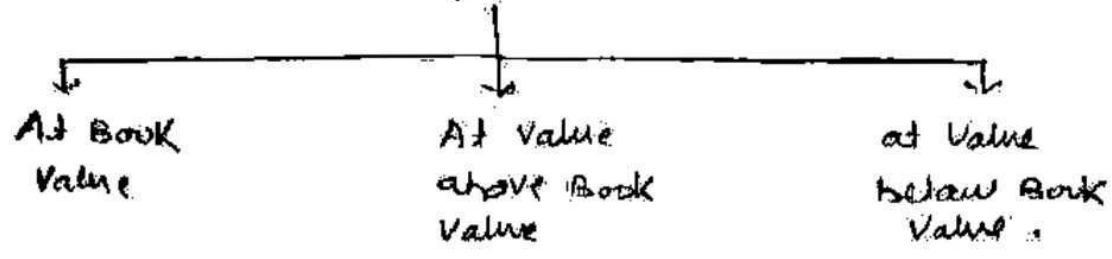
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Cash/ Bank A/c ----- Dr. at Realised Value
To Realisation A/c.

At Realised Value.



* Imp

Assets Taken over by a Partner :-



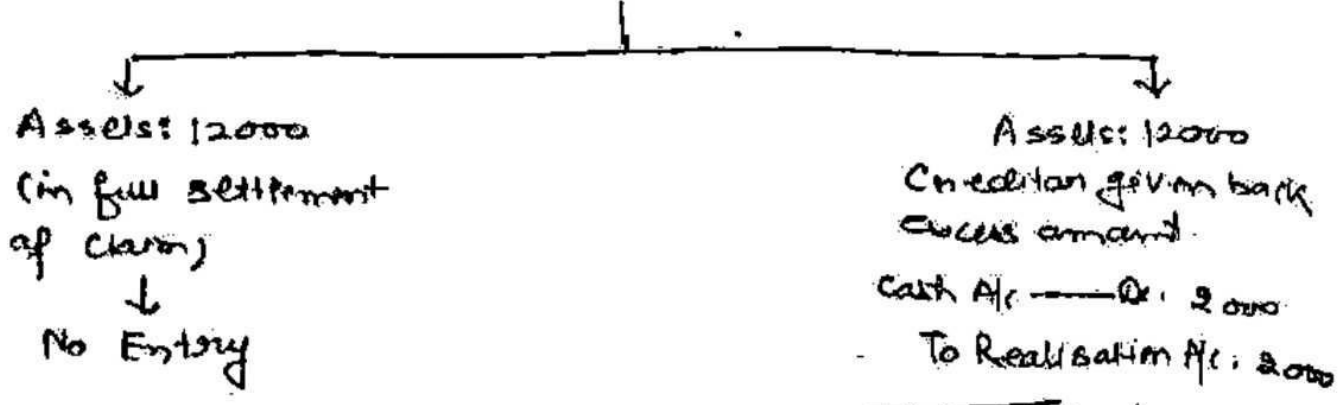
JE:

Partner's Capital A/c ----- Dr. Taken-over Value
To Realisation A/c. Taken-over Value.

* Imp

Assets given to Creditors in settlement of their claim

Creditors ₹ 10,000



Liability settlement :-

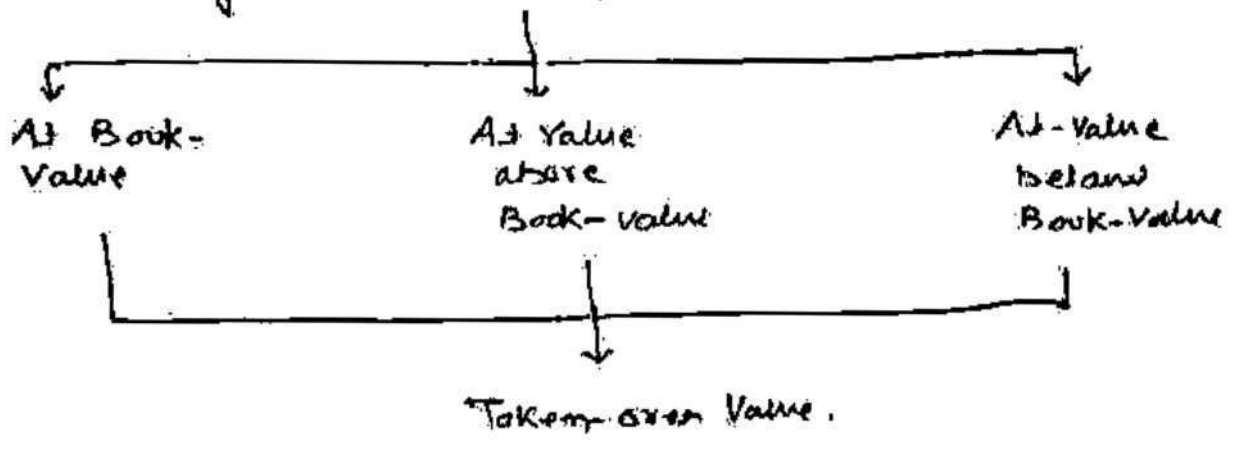
* Transfer of outside liability at Book-Value always :-

JE: outside liability A/c — Dr B.V
To Realisation A/c B.V

* Payment of outside liability :-

Realisation A/c — Dr (Payment of)
To Cash/Bank A/c (Payment of)

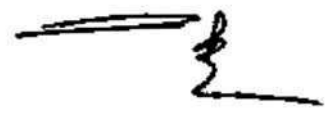
* Liability taken over by the Partner :-



Realisation A/c — Dr (Taken-over Value)
~~Realisation A/c~~
To Partner's Capital A/c (Taken-over Value)

* Settlement of liability through assets other than cash/bank :-

- > No Entry
- > Refer the Assets ~~to be used~~ given in settlement of outside liabilities.



Loan from Partners:

B/S	
Liabilities	Assets
A's Loan A/c. 19,000	

Given: Int. on such loan till date of Dissolution = ₹ 1000

- * Don't Transfer it to Realisation A/c
- * Open a Separate A/c (Partner's Loan A/c)
- * It is not transferred to Realisation because it is an internal liability.

DR.	CR.
To Cash/Bank A/c. 11,000	By Bal. b/d. 19,000
	By Int. on A's Loan A/c 1,000
11,000	11,000

For Interest — (i). Interest on A's Loan A/c — Dr. 1000

To A's Loan A/c. 1000

(ii). Realisation A/c — Dr. 1000

To Interest on A's Loan A/c. 1000

Realisation A/c.

(iii). A's Loan A/c — Dr. 11,000

To Cash/Bank A/c. 11,000

DR.
To Int. 1000 To A's Loan

