

Dissolution of Partnership Firm

Following steps are required to be followed to windup a partnership business.

1. Transfer all the assets and liabilities to the realization account on their book values (as per the question's instructions)

To transfer assets

Realization Account

Assets Accounts (Individually)

To transfer liabilities

Liabilities Account (Individually)

Realization Accounts

2. To record assets taken over the partners at their agreed valuations.

Partner's Capital

Realization Account

3. To record any payments regarding dissolution expenses paid by the business.

Realization Account

Bank account

4. To record any payments made to creditors by the business.

Realization Account

Bank account

5. To record the amount realized from the disposal of assets.

Bank Account

Realization account

6. To record the net result of realization account i.e. profit or loss.

- a. In case of profit

Partner's Capital

Realization Account

- b. In case of loss

Partner's Capital

Realization Account