

Week 4 : Partnership Account – Dissolution

In effect, if a partnership is dissolved, the partners will sell off the assets and calculate any balance due to each partner.

4 accounts are required

- 1] Dissolution
- 2] Bank or Cash Account
- 3] Capital Account
- 4] Current Account

Week 4 : Partnership Account – Dissolution

- 1] Open up dissolution account and transfer from all assets and all liabilities (except cash and bank and bank overdraft) at *Book Value* into dissolution account

- 2] Transfer the balances from current account (*Balance b/d*) to capital account

- 3] Open up bank or bank overdraft account

- 4] Record cash received from sale of assets, assets taken from partners and record cash received from debtors (*after discount*)

Week 4 : Partnership Account – Dissolution

- 5] Record cash paid to settle all liabilities (*after discount*)
- 6] Record cash paid to settle all liabilities (*after discount*)
- 7] Balance on dissolution account = Profit / Loss on dissolution account, then transfer this amount to Capital Account in profit-sharing ratio
- 8] Balance the bank account with capital account