

# [Accounting for liquidation of a partnership](https://assignbuster.com/accounting-for-liquidation-of-a-partnership/)

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Accounting for Liquidation of a Partnership Questions a. Gain/ Loss realized on the sale of assets = Sales value-Net Book Value   
= 85, 000-106, 000 = -21, 000 (Loss)   
  
  
  
  
  
Name   
  
Partnership   
  
General Jou+A2: J25rnal   
  
  
  
  
  
  
  
  
  
  
  
GENERAL JOURNAL   
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
Date   
  
Account Titles and Explanation   
P. R.   
Debit   
Credit   
  
  
Asset A/C   
  
  
  
GJ   
21, 000   
  
  
  
  
  
Realization A/   
  
GJ   
  
21, 000   
  
  
Being loss on realization   
  
  
  
  
  
  
Sand   
  
  
  
  
  
  
1, 200   
  
  
Mell   
  
  
  
  
  
  
11, 700   
  
  
Rand   
  
  
  
  
  
  
15, 100   
  
  
  
  
Loss: Sand   
  
  
2, 100   
  
  
  
  
  
  
Mell   
  
  
8, 400   
  
  
  
  
  
  
Rand   
  
  
10, 500   
  
  
  
Being losses on realization   
  
  
  
  
  
  
  
Assets A/C   
  
  
  
  
106, 000   
  
  
  
  
Realiczation A/C   
A/C   
  
  
85, 000   
  
  
  
  
  
Loss on realization   
  
21, 000   
  
  
  
Being losses on disposal of assets   
  
  
  
  
  
Liabilities A/c   
  
  
  
  
88, 000   
  
  
  
  
  
Cash   
  
  
  
  
95, 000   
  
  
cash balance   
  
  
7, 000   
  
  
  
Being payment of liabilities   
  
  
  
  
b.   
Sand-1/10 x 21, 000 = (2, 100)   
Mell-4/10 x 21, 000 = (8, 400)   
Rand-5/10 x 21, 000= (10, 500)   
Hence, balances in the partner’s capital accounts   
Sand’s Capital Account   
Debit   
Loss 2, 100   
2, 100   
  
Credit   
Balance b/d 1, 200   
Balance c/d 900   
2, 100   
  
Mell’s Capital Account   
Debit   
Loss 8, 400   
Balance c/d 3, 300   
11, 700   
Credit   
Balance b/d 11, 700   
11, 700   
Rand’s Capital Account   
Debit   
Loss 10, 500   
Balance c/d 4, 600   
15, 100   
Credit   
Balance b/d 15, 100   
15, 100   
c.   
Items $ $   
Cash 10, 000   
Other assets 85, 000   
Total Assets 95, 000   
Less: Total liabilities (88, 000)   
Sand (1/10 x 7000) 700   
Mell (4/10 x 7000) 2, 800   
Rand (5/10 x 7000) 3, 500   
Remaining cash after liquidation 7, 000   
  
Liquidation of a partnership may occur if and only if, a partner has died, there is a mutual agreement between partners to end the business, if the partnership was contractual and its objective is met, there exist continued disagreements between the partners, a request by one of the partners for dissolution or bankruptcy due to continuous loss making (Warren, 2011). Prior to the liquidation period, the partnership should ensure that the accounting cycle is complete by preparing the financial statements having adjusted the entries, closing entries, and the post-closing trial balance. Hence, the balance sheet is the document open in the liquidation process (Delaney & Whittington, 2005). Liquidating a partnership necessitates selling noncash assets for cash and recognition of gain or loss on realization, allocation of the gains or losses to the partners based on their profit/loss ratios, cash payment of the liabilities of the partnership and distributing the remaining cash to the partners based on their capital balances. The aforementioned steps of the partnership liquidation process must be executed sequentially (Kimmel, Weygandt & Kieso, 2011). The other options available for partnership include placing the business under receivership where an administrative receiver is appointed to oversee the recovery process of the business in case of a limited liability partnership (Delaney & Whittington, 2005). In addition, the partners may decide to undertake an individual voluntary agreement with the creditors so that the secured creditors can be assured of their security enforcement before their final decision on forcing the partner into bankruptcy (Reeve, Warren & Duchac, 2012).   
References   
Kimmel, P. D., Weygandt, J. J., & Kieso, D. E. (2011). Accounting: Tools for business decision making. Hoboken, N. J: Wiley.   
Delaney, P. R., & Whittington, R. (2005). Wiley CPA exam review. Hoboken, NJ: Wiley.   
Warren, C. S. (2011). Accounting: Chapters 1-13. S. l.: Cengage Learning.   
Reeve, J. M., Warren, C. S., & Duchac, J. E. (2012). Accounting: Using Excel for success. Mason, OH: South-Western Cengage Learning.