
PART – 1
CHAPTER 05
DISSOLUTION OF PARTNERSHIP FIRM

Question 1

State the difference between dissolution of partnership and dissolution of partnership firm.

Answer:

- The dissolution of the partnership infers that the business of the organisation is affected while in the case of the dissolution of the firm, it does not remain business any longer and its operation ceases to continue.
- In the case of the dissolution of the firm, the partnership among the partners cease to exist while in the dissolution of the partnership it refers that discontinuance of the member of the partnership while the partnership can continue even after that.
- The dissolution of the firm implies in a necessary manner the dissolution of the partnership; while in the case of the dissolution of the partnership, it is not implied that the dissolution of the firm will take place.

Question 2

State the accounting treatments for

- i. Unrecorded Assetsii. Unrecorded Assets**

Answer:

i) Unrecorded Assets: The unrecorded assets are considered to be the assets whose value is written off from the books of

accounts or whose values are not shown in the books of accounts. This happens in the case when the assets are taken away by the partner of the firm or when they are sold by the organisation. They arise while balancing of the balance sheet.

(a) When sold for cash :

Cash A/c Dr

To Realisation A/c

(Being unrecorded assets sold for cash)

(b) When it is taken away by the partner

Partner's capital A/c... Dr

To Realisation A/c

(Being unrecorded assets taken away by the partner)

ii) **Unrecorded liabilities:** These are not shown in the books of accounts and they are required to be paid during the time of the dissolution of the partnership.

(a) When unrecorded liability is paid off through cash:-

Realisation A/c... Dr

To Cash A/c

(Being unrecorded liability paid in cash)

(b) When unrecorded liability is taken over by partner;

Realisation A/c. Dr

To Partner's Capital A/c

(Being unrecorded liability taken over by the partner)

Question 3

On dissolution, how will you deal with partner's loan if it appears on the

(a) **Assets side of the balance sheet**

(b) **Liabilities side of the balance sheet**

Answer:

(a) In the case of the dissolution of the partnership the loan of the partner is considered to be the asset of the organisation as it indicates that the firm has granted the loan to the partner. During the dissolution, the loan shall be transferred to the capital account of the partners.

Partners' capital a/c

To Partners Loan a/c

(b) In the case when the loan appears in the liability side of the balance sheet, it is an indication of the partner's grant of the loan to the firm. Hence, after when all the external liabilities of the firm, it firm supposed to pay off the loan provided by the partner concerned. Partners loan A/c

To cash A/c

Question 4

Distinguish between firm's debts and partner's debts.

Answer:

1. The firm's debt is considered to be the debt which is taken in the name of the firm and the liability of the loan is jointly shared by all the members of the company. In the case when the debt of the firm exceeds the assets of the firm, then the private assets of the partners of the firm will be required to repay the debts. In the case of any surplus, this is distributed to the partners of the firm.
2. The private debts on the other hand refer to the debt of the partners under their personal name. They are required to be repaid with the personal assets of the partner

concerned. However in the case of the subsequent surplus, they may be used to repay the liability of the firm when it is insufficient to repay the debt owned by it.

Question 5

State the order of settlement of accounts on dissolution.

Answers: The order of settlement of accounts on dissolution of the firm is as follows:

As the firm ceases to conduct its business, the losses including the deficiencies of capital are paid first out of

- Profit
- Next out of capital
- Finally, individually by the partners based on their profit sharing ratio.

The firm's assets which may include any amount from by the partners for making up the deficiencies of capital can be applied in the below mentioned ways:

- Paying debts of the firm to the third parties
- Paying each partner rateably what is due to him from the firm for advances
- Paying each partner rateably what is due to him on account of capital.
- The left out amount will be shared among the partners based on their profit sharing ratio. Sec 48(2)

Question 6

On what account Realisation Account differs from Revaluation Account.

Answers:-

Realisation account Vs. Revaluation account

| Basis of Difference | Realisation Account | Revaluation account |
|----------------------------|--|--|
| 1. Meaning | The sale or the actual realisation of the assets and the payments of the liabilities are recorded in this account. | This account records the increase or the decrease which happens with the revaluation of the assets and liabilities |
| 2. Preparation | This account is prepared during the time of dissolution of the firm. | This account is prepared during the time of admission, retirement or death of the partner. |
| 3. Recorded | It records all items such as all assets and all liabilities. | It records only the items which cause change. |
| 4. Frequency | It is prepared only once as it is prepared during the time of dissolution only. | It can be prepared many times in the life of a firm. |

Question 7

What is meant by dissolution of partnership firm?

Answers: - When the business of the partnership firm comes to an end, it is said to be dissolved. In other words the dissolution of the partnership refers to the ceasure of the partnership firm.

As per some legal provisions the dissolution of the partnership firm can be carried out in the following legal manners:

1. Without the intervention of court:-

- By a mutual agreement of all the partners
- Mandatory dissolution in the case of the insolvency of the partners.
- On the course of the events and happenings such as the expiry of the term etc.
- By a notice in the cases when the partnership is at will.

2. By order of court:-

- when a partner of the firm has unsound mind
- When any partner is incapable to perform his/her duties.
- Where a partner is found to be guilty of some misconduct.
- By the breach of an agreement which was committed by all the partners for the management of the organisation.
- When the interest is transferred to the third party by any partner of the firm.
- When the business is illegal to be carried on.
- When the court has substantial grounds to dissolve the partnership and the firm.

Question 8

What is a Realisation Account?

Answers:-

The realisation account is an account which is made in the event of the dissolution of the partnership i.e. when the firm ceases to exist. It is made with the objective to maintain the actual realisation of the assets and the liabilities of the organisation. The balance of the realisation account is transferred to the capital account of the partners in their profit and the loss sharing ratio. Whenever there is the excess of the debit side over the credit side, it is considered to be the realisation profit and while in the case when the credit side exceeds the debit side, it is considered to be the realisation loss.

The main objectives of realisation account are:

- They are made in order to close the books of accounts.
- They are prepared so that the transactions related to the sale of assets and liabilities can be recorded
- They are maintained so as to determine the profit or loss due to the sale of assets and liabilities.

The features of realisation account are:

1. The sale of assets is recorded at their realised value.
2. The payment of the liabilities is recorded at their settlement value.
3. The profits which arise when the assets are realised at a value which is more than their book value and when the liabilities are settled at less value than their book value.
4. The loss arises in the cases when the assets are realised at less value than their book value and when the liabilities are settled at value which is more than its book value.

Format of Realisation account

| Assets | Amt. | Liabilities | Amt. |
|---|-------------|--|-------------|
| To Sundry assets :- Land and building Plant and Machinery Furniture and Fixtures Bills receivable To sundry debtors To Cash/ Bank(payment of liabilities) To partners' capital account To Profit transferred to partners' capital account in PSR | | By Sundry creditors By bills Payable By Bank overdraft By outstanding expenses By bank – realisation of assets By loss trdf to partners capital | |
| Total | | Total | |

Question 9

Reproduce the format of Realisation Account.

Answer:

Realisation account

| Assets | Amt. | Liabilities | Amt. |
|---------------|-------------|--------------------|-------------|
| | | | |

| | | | |
|---|--|--|--|
| To Sundry assets :- Land and building Plant and Machinery Furniture and Fixtures Bills receivable To sundry debtors To Cash/ Bank(payment of liabilities) To partners' capital account To Profit transferred to partners' capital account in PSR | | By Sundry creditors By bills Payable By Bank overdraft By outstanding expenses By bank – realisation of assets By loss trdf to partners capital | |
| Total | | Total | |

Question 10

How deficiency of Creditors is paid off?

Answers: When a firm dissolves, the creditors are the first party which are paid out off the sale of the assets of the organisation. In the case when the liabilities of the creditor cannot be settled with the sales receipts, then the sale of the personal assets of the partners is used to settle the liability. The deficiency of the creditor arises in the case when the portion of the creditors still remains to be paid after this.

1. Such deficiency is transferred to the deficiency account in the first case.
 2. Such deficiency is transferred to the capital account of the partner in the second case.
-
1. In the first case, the cash account of the firm is prepared to determine the cash balance of the firm which is accrued from the sale of the assets of the firm and the partners. The available balance is then transferred to the sundry creditor's account and hence the creditors and the external liabilities of the organisation is paid in the required manner. The deficiency account is prepared in the case when there still remain the unpaid creditors of the organisation.
 2. In the second case, the cash account of the firm is made so as to determine the amount which is required to be paid to the creditors of the firm. The deficiency if any to the amount of the payment to the creditors is then transferred to the capital account of the partners. Thus the deficiency of the partner is borne by all the partners of the firm in their profit and loss sharing ratio. In the case of the insolvency of any partner of the firm, the loss shall be regarded as the capital loss of the firm.

Question 11

Journalise the following transactions regarding Realisation expenses:

[a] Realisation expenses amounted to Rs 2,500.

[b] Realisation expenses amounting to Rs 3,000 were paid by Ashok, one of the partners.

[c] Realisation expenses Rs 2,300 borne by Tarun, personally.

[d] Amit, a partner was appointed to realise the assets, at a cost of Rs 4,000. The actual amount of Realisation amounted to Rs 3,000.

Answer:

| Journal | | | | |
|----------------|--|------------|---------------|---------------|
| Date | Particular | L.F | Amount | Amount |
| (a) | Realisation A/c Dr To Bank A/c (Realisation expenses paid) | | 2500 | 2500 |
| (b) | Realisation A/c Dr To Ashok's Capital A/c (Realisation expenses paid by Ashok) | | 3000 | 3000 |
| (c) | No entry as all realisation expenses are borne personally by Tarun) | | | |
| (d) | Realisation A/c Dr To Amit's Capital A/c | | 4000 | 4000 |

| | | | |
|-------------------------------------|--|--|--|
| (Realisation expenses paid by Amit) | | | |
|-------------------------------------|--|--|--|

Question 12

Record necessary journal entries in the following cases:

[a] Creditors worth Rs 85,000 accepted Rs 40,000 as cash and Investment worth Rs 43,000, in full settlement of their claim.

[b] Creditors were Rs 16,000. They accepted Machinery valued at Rs 18,000 in settlement of their claim.

[c] Creditors were Rs 90,000. They accepted Buildings valued Rs 1,20,000 and paid cash to the firm Rs 30,000

Answer:

| Journal | | | | |
|---------|---|-----|--------|--------|
| Date | Particular | L.F | Amount | Amount |
| (a) | Realisation A/c Dr <div style="padding-left: 40px;">To Cash A/c</div> (Creditors worth 85000 accepted 40000 as cash and investment worth 43000 in their full settlement) | | 40000 | 40000 |
| (b) | No entry | | | |

| | | | | |
|-----|---|--|-------|-------|
| | (Creditor 16000 accepted machinery 18000 in the full settlement. No entry is required since both assets and liability are already transferred to the realisation account) | | | |
| (c) | Cash A/c Dr To Realisation A/c (Creditor worth 90000 accepted building worth 120000 and returned 30000 as cash after settlement of claim to the firm) | | 30000 | 30000 |

Question 13

There was an old computer which was written-off in the books of Accounts in the pervious year. The same has been taken over by a partner Nitin for Rs 3,000.

Journalise the transaction, supposing that the firm has been dissolved.

Answer:

| Journal | | | | |
|------------------|------------------------|------------------|--------------------|--------------------|
| Dat e | Particular | L.F . | Amoun t | Amoun t |
| (a) | Nitin's Capital A/c Dr | | 3000 | |

| | | | | |
|--|--|--|--|------|
| | To Realisation A/c (Unrecorded computer taken over by Nitin) | | | 3000 |
|--|--|--|--|------|

Question 14

What journal entries will be recorded for the following transactions on the dissolution of a firm:

[a] Payment of unrecorded liabilities of Rs 3,200.

[b] Stock worth Rs 7,500 is taken by a partner Rohit.

[c] Profit on Realisation amounting to Rs 18,000 is to be distributed between the partners Ashish and Tarun in the ratio of 5:7.

[d] An unrecorded asset realised Rs 5,500.

Answer:

| Journal | | | | |
|----------------|---|------------|---------------|---------------|
| Date | Particular | L.F | Amount | Amount |
| (a) | Realisation A/c Dr To Bank A/c (Unrecorded liability paid) | | 3200 | 3200 |
| (b) | Rohit's Capital A/c Dr To Realisation A/c (Stock is taken over by Rohit) | | 7500 | 7500 |

| | | | | |
|-----|--|--|-------|-------|
| (c) | Realisation A/c Dr To Ashish's Capital A/c To Tarun's Capital A/c (Profit on realisation is transferred to partner's capital account) | | 18000 | |
| | | | | 7500 |
| | | | | 10500 |
| (d) | Bank A/c Dr To Realisation A/c (Unrecorded assets sold) | | 5500 | |
| | | | | 5500 |

Question 15

Give journal entries for the following transactions:

- To record the Realisation of various assets and liabilities,**
- A Firm has a Stock of Rs 1,60,000. Aziz, a partner took over 50% of the Stock at a discount of 20%,**
- Remaining Stock was sold at a profit of 30% on cost,**
- Land and Building (book value Rs 1,60,000) sold for Rs 3,00,000 through a broker who charged 2% commission on the deal,**

5. Plant and Machinery (book value Rs 60,000) was handed over to a Creditor at an agreed valuation of 10% less than the book value,

6. Investment whose face value was Rs 4,000 was realised at 50%.

Answer:

| Journal | | | | |
|------------------|--|------------------|--------------------|--------------------|
| Dat e | Particular | L.F . | Amoun t | Amoun t |
| 1) (a) | For transfer of assets Realisation A/c Dr To Assets A/c (Individually) (Assets transferred to realisation account) | | - | - |
| (b) | For transfer of liabilities Liabilities A/c (Individually) Dr To Realisation A/c (Liabilities transferred to realisation account) | | - | - |
| (c) | For sale of assets Cash/Bank A/c Dr To Realisation A/c (Assets sold) | | - | - |

| | | | |
|-----|--|--------|--------|
| (d) | For liability paid Realisation A/c Dr To Cash/Bank A/c (Liability paid) | - | - |
| 2) | Aziz's Capital A/c Dr To Realisation A/c (Aziz, a partner took over 50% of stock at 20% discount, the value of total stock was 160000) [$160000 \times$ $(50/100) \times (80/100) =$ 64000] | 64000 | 64000 |
| 3) | Bank A/c Dr To Realisation A/c (Stock worth 80000 sold at a profit of 30% on cost) [$80000 \times (130/100)$ $= 104000$] | 104000 | 104000 |
| 4) | Bank A/c Dr To Realisation A/c (Land and building sold for 300000 and 2% commission paid to the broker) | 294000 | 294000 |
| 5) | No entry | | |

| | | | | |
|----|--|--|------|------|
| | (Plant and machinery 60000 handed over to the creditor at a discount of 10%. No entry is required as both the assets and liability are already transferred to the realisation account) | | | |
| 6) | Bank A/c Dr To Realisation A/c (Investment worth 4000 were realised at 50%) | | 2000 | 2000 |

Question 16

How will you deal with the Realisation expenses of the firm of Rashim and Bindiya in the following cases:

- 1. Realisation expenses amounts to Rs 1,00,000,**
- 2. Realisation expenses amounting to Rs 30,000 are paid by Rashim, a partner.**
- 3. Realisation expenses are to be borne by Rashim for which he will be paid Rs 70,000 as remuneration for completing the dissolution process. The actual expenses incurred by Rashim were Rs 1,20,000.**

Answer:

| |
|----------------|
| Journal |
|----------------|

| Date | Particular | L.F | Amount | Amount |
|-------------|---|------------|---------------|---------------|
| 1) | Realisation A/c Dr To Bank A/c (Realisation expenses paid) | | 100000 | 100000 |
| 2) | Realisation A/c Dr To Rashim's Capital A/c (Realisation expenses borne by Rashim) | | 30000 | 30000 |
| 3) | Realisation A/c Dr To Rashim's Capital A/c (Realisation expenses borne by Rashim and remuneration to him for dissolution 70000) | | 70000 | 70000 |

Question 17

The book value of assets (other than cash and bank) transferred to Realisation Account is Rs 1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%; 40% of the remaining assets are sold at a profit of 30% on cost; 5% of the balance being obsolete, realised nothing and remaining assets are handed over to a Creditor, in full settlement of his claim.

You are required to record the journal entries for Realisation of assets.

Answer:

| Journal | | | | |
|----------------|--|------------|---------------|---------------|
| Date | Particular | L.F | Amount | Amount |
| | Realisation A/c Dr To Sundry Assets A/c (Assets other than cash and bank transferred to realisation account) | | 100000 | 100000 |
| | Atul's Capital A/c Dr To Realisation A/c (Atul took over 50% of assets worth 100000 at 20% discount) [100000 x (50/100) x (80/100)] | | 40000 | 40000 |
| | Bank A/c Dr To Realisation A/c (Assets worth 20000 i.e. 40% of assets of 50000 are sold at a profit of 30%) [50000 x (40/100) x (130/100)] | | 26000 | 26000 |
| | No entry is made for obsolescence of the assets | | | |

| | | | |
|--|--|--|--|
| and the assets given to the creditors in the full settlement as these are already transferred to the realization account and adjusted) | | | |
|--|--|--|--|

Question 18

Record necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya:

- 1. There was an old furniture in the firm which had been written-off completely in the books. This was sold for Rs 3,000,**
- 2. Ashish, an old customer whose Account for Rs 1,000 was written-off as bad in the previous year, paid 60%, of the amount,**
- 3. Paras agreed to take over the firm's goodwill (not recorded in the books of the firm), at a valuation of Rs 30,000,**
- 4. There was an old typewriter which had been written-off completely from the books. It was estimated to realize Rs 400. It was taken away by Priya at an estimated price less 25%,**

5. There were 100 shares of Rs 10 each in Star Limited acquired at a cost of Rs 2,000 which had been written-off completely from the books. These shares are valued @ Rs 6 each and divided among the partners in their profit sharing ratio.

Answer:

| Journal | | | | |
|----------------|--|------------|---------------|---------------|
| Date | Particular | L.F | Amount | Amount |
| 1) | Bank A/c Dr To Realisation A/c (Unrecorded furniture sold) | | 3000 | 3000 |
| 2) | Bank A/c Dr To Realisation A/c (Bad debts recovered which was previously written off as bad) | | 600 | 600 |
| 3) | Paras's Capital A/c Dr To Realisation A/c (Unrecorded goodwill taken over by Paras) | | 30000 | 30000 |
| 4) | Priya's Capital A/c Dr To Realisation A/c (Unrecorded typewriter estimated 400 taken over by Priya at 25% less price) | | 300 | 300 |

| | | | | |
|----|--|--|-----|-----|
| 5) | Paras's Capital A/c Dr | | 300 | |
| | Priya's Capital A/c Dr | | 300 | |
| | To Realisation A/c | | | 600 |
| | (100 share of Rs.10 each which were not recorded in the books taken @ 6 each by Paras and Priya and dividend between them in their profit sharing ratio) | | | |

Question 19

All partners wish to dissolve the firm. Yastin, a partner wants that her loan of Rs 2,00,000 must be paid off before the payment of capitals to the partners. But, Amart, another partner wants that the capitals must be paid before the payment of Yastin's loan. You are required to settle the conflict giving reasons.

Answer: The loans and the advances from the partners must be paid off before the capital accounts of the partners are settled. This comes in accordance with the provision of the section 48 of Partnership Act. Hence in this case the argument of Yatsin is correct and that her loan of the worth amount of Rs.200000 must be duly paid well before the payment of the capital account of partners.

Question 20

What journal entries would be recorded for the following transactions on the dissolution of a firm after various assets (other than cash) on the third party liabilities have been transferred to Realisation Account.

1. Arti took over the Stock worth Rs 80,000 at Rs 68,000.

2. There was unrecorded Bike of Rs 40,000 which was taken over By Mr. Karim.

3. The firm paid Rs 40,000 as compensation to employees.

4. Sundry creditors amounting to Rs 36,000 were settled at a discount of 15%.

5. Loss on Realisation Rs 42,000 was to be distributed between Arti and Karim in the ratio of 3:4.

Answer:

| Journal | | | | |
|------------------|--|------------------|--------------------|--------------------|
| Dat e | Particular | L.F . | Amoun t | Amoun t |
| 1) | Arti's Capital A/c Dr To Realisation A/c Arti took over stock worth 80000 at 68000) | | 68000 | 68000 |
| 2) | Karim's Capital A/c Dr To Realisation A/c | | 40000 | 40000 |

| | | | |
|----|---|----------------|-------|
| | (Karim took over an unrecorded bike of 40000) | | |
| 3) | Realisation A/c Dr To Bank A/c (Compensation paid to the employees) | 40000 | 40000 |
| 4) | Realisation A/c Dr To Bank A/c (Creditors amounting 36000 were settled at a discount of 15%) [36000 x (85/100)] | 30600 | 30600 |
| 5) | Arti's Capital A/c Dr Karim's Capital Dr To Realisation A/c (Loss on realisation transferred to partner's capital account) | 18000 24000 | 42000 |

Question 21

Rose and Lily shared profits in the ratio of 2:3. Their Balance Sheet on March 31, 2017 was as follows:

Balance Sheet of Rose and Lily as on March 31, 2017

| Liabilities | Amount Rs | Assets | Amount Rs |
|----------------------------|----------------------|---|----------------------|
| Creditors | 40,000 | Cash | 16,000 |
| Lily's loan | 32,000 | Debtors | 80,000 |
| Profit and Loss | 50,000 | <i>Less:</i> | 3,600 |
| | | Provision for doubtful Debts | 76,400 |
| Capitals: | | | |
| Lily | 1,60,000 | Inventory | 1,09,600 |
| Rose | 2,40,000 | Bills Receivable | 40,000 |
| | | Buildings | 2,80,000 |
| | 5,22,000 | | 5,22,000 |
| | | | |

Rose and Lily decided to dissolve the firm on the above date. Assets (except bills receivables) realised Rs 4,84,000. Creditors agreed to take Rs 38,000. Cost of Realisation was Rs 2,400. There was a Motor Cycle in the firm which was bought out of the firm's money, was not shown in the books of the firm. It was now sold for Rs 10,000. There was a contingent liability in respect of outstanding electric bill of Rs 5,000, Bill Receivable taken over by Rose at Rs 33,000.

Show Realisation Account, Partners Capital Account, Loan Account and Cash Account.

Answer:

| Realisation A/c | | | |
|---------------------------|---------------|--------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Debtors | 80000 | Prov. For Doubtful Debts | 3600 |
| Inventory | 109600 | Creditors | 40000 |
| Bills receivables | 40000 | Cash: | |
| Building | 280000 | Motor Cycle | |
| | | 10000 | |
| Cash: | | Other Assets | |
| O/s Electricity Bill 5000 | | 484000 | 494000 |
| Creditors 38000 | | Rose's Capital A/c | 33000 |
| Expenses 2400 | 45400 | | |
| Profit trf to: | | | |
| Rose's Capital A/c 6240 | | | |
| Lily's Capital A/c 9360 | 15600 | | |
| | 570600 | | 570600 |

| Partners Capital A/c | | | | | |
|-----------------------------|-------------|-------------|--------------------|-------------|-------------|
| Particulars | Rose | Lily | Particulars | Rose | Lily |
| Realisation (B/R) | 33000 | | Balance b/d | 24000 0 | 16000 0 |

| | | | | | |
|------|------------|------------|-------------------------|------------|------------|
| Cash | 23324 0 | 19936 0 | Profit and Loss | 20000 | 30000 |
| | | | Realisation (Profit) | 6240 | 9360 |
| | 26624 0 | 19936 0 | | 26624 0 | 19936 0 |

| Lily's Loan A/c | | | |
|------------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Cash | 32000 | Balance b/d | 32000 |
| | 32000 | | 32000 |

| Cash A/c | | | |
|------------------------|---------------|-------------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 16000 | Realisation: | |
| | | Creditors | |
| Realisation : | | 38000 | |
| Motor Cycle 10000 | | O/s Electricity Bills 5000 | |
| Other Assets 484000 | 494000 | Expenses 2400 | 45400 |
| | | Lily's Loan | 32000 |
| | | Rose's Capital A/c | 233240 |
| | | Lily's Capital A/c | 199360 |
| | 510000 | | 510000 |

Question 22

Shilpa, Meena and Nanda decided to dissolve their partnership on March 31,2017. Their profit sharing ratio was 3:2:1 and their Balance Sheet was as under:

**Balance Sheet of Shilpa, Meena and Nanda as on
March 31, 2017**

| Liabilities | Amount Rs | Assets | Amount Rs |
|---|----------------------|------------------------------------|----------------------|
| Capitals: | | Land | 81,000 |
| Shilpa | 80,000 | Stock | 56,760 |
| Meena | 40,000 | Debtors | 18,600 |
| Bank loan | 20,000 | Nanda's Capital Account | 23,000 |
| Creditors | 37,000 | Cash | 10,840 |
| Provision for doubtful debts | 1,200 | | |
| General Reserve | 12,000 | | |
| | 1,90,200 | | 1,90,200 |
| | | | |

The stock of value of Rs 41,660 are taken over by Shilpa for Rs 35,000 and she agreed to discharge bank loan. The remaining stock was sold at Rs 14,000 and debtors amounting to Rs 10,000 realised Rs 8,000. land is sold for Rs 1,10,000. The remaining debtors realised 50% at their book value. Cost of Realisation amounted to Rs 1,200. There was a typewriter not recorded in the books worth Rs 6,000

which were taken over by one of the Creditors at this value. Prepare Realisation Account.

Answer:

| Realisation A/c | | | |
|-------------------------------|---------------|---------------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Land | 81000 | Bank Loan | 20000 |
| Stock | 56760 | Creditors | 37000 |
| Debtors | 18600 | Prov. For Doubtful Debts | 1200 |
| Shilpa's Capital A/c | 20000 | Shilpa's Capital A/c (Stock) | 35000 |
| Cash: | | Cash: | |
| Creditors 31000 | | Stock 14000 | |
| Realisation Expenses 1200 | 32200 | Debtor 12300 | |
| Profit trf to: | | Land 110000 | 136300 |
| Shilpa's Capital A/c 10470 | | | |
| Meena's Capital A/c 6980 | | | |
| Nanda's Capital A/c 3490 | 20940 | | |
| | 229500 | | 229500 |

Partners Capital A/c

| Particulars | Shilpa | Meena | Nanda | Particulars | Shilpa | Meena | Nanda |
|---------------------|--------|-------|-------|-------------------------|--------|-------|-------|
| Balance b/d | | | 23000 | Balance b/d | 80000 | 40000 | |
| Realisation (Stock) | 35000 | | | General Reserve | 60000 | 40000 | 20000 |
| Cash | 81470 | 50980 | | Realisation (Bank Loan) | 20000 | | |
| | | | | Realisation (Profit) | 10470 | 6980 | 3490 |
| | | | | Cash | | | 17510 |
| | 116470 | 50980 | 23000 | | 116470 | 50980 | 23000 |

| Cash A/c | | | |
|----------------------|--------|------------------------|--------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 10840 | Realisation (Expenses) | 32200 |
| Realisation (Assets) | 136300 | Shilpa's Capital A/c | 81470 |
| Nanda's Capital A/c | 17510 | Meena's Capital A/c | 50980 |
| | 164650 | | 164650 |

Question 23

Surjit and Rahi were sharing profits (losses) in the ratio of 3:2, their Balance Sheet as on March 31, 2017 is as follows:

Balance Sheet of Surjit and Rahi as on March 31, 2017

| Liabilities | Amount Rs | Assets | Amount Rs |
|-------------------------|----------------------|------------------------|----------------------|
| Creditors | 38,000 | Bank | 11,500 |
| Mrs. Surjit loan | 10,000 | Stock | 6,000 |
| Reserve | 15,000 | Debtors | 19,000 |
| Rahi's loan | 5,000 | Furniture | 4,000 |
| Capital's: | | Plant | 28,000 |
| Surjit | 10,000 | Investment | 10,000 |
| Rahi | 8,000 | Profit and Loss | 7,500 |
| | 86,000 | | 86,000 |
| | | | |

The firm was dissolved on March 31, 2017 on the following terms:

1. Surjit agreed to take the investments at Rs 8,000 and to pay Mrs. Surjit's loan.
2. Other assets were realised as follows:

| | | |
|------------------|-----------|---------------|
| Stock | Rs | 5,000 |
| Debtors | Rs | 18,500 |
| Furniture | Rs | 4,500 |
| Plant | Rs | 25,000 |

3. Expenses on Realisation amounted to Rs 1,600.

4. Creditors agreed to accept Rs 37,000 as a final settlement.

You are required to prepare Realisation Account, Partners' Capital Account and Bank Account.

Answer:

| Realisation A/c | | | |
|-------------------------|---------------|-------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Stock | 6000 | Creditors | 38000 |
| Debtors | 19000 | Mrs. Surjit's Loan | 10000 |
| Furniture | 4000 | Surjit's Capital A/c | 8000 |
| Plant | 28000 | (Investment) | |
| Investment | 10000 | Bank: | |
| Surjit's Capital A/c | 10000 | Stock | |
| (Mrs. Surjit's Loan) | | 5000 | |
| Bank: | | Debtor | |
| Expenses | | 18500 | |
| 1600 | | Furniture | |
| Creditors | | 4500 | |
| 37000 | | Plant | |
| | | 25000 | 53000 |
| | 38600 | Loss trf to: | |
| | | Surjit's Capital A/c | |
| | | 3960 | |
| | | Rahi's Capital A/c | |
| | | 2640 | 6600 |

115600

115600

Partners Capital A/c

| Particulars | Surji | | Particulars | Surji | |
|-----------------------------|--------------|-------------|----------------------------|--------------|-------------|
| | t | Rahi | | t | Rahi |
| Realisation (Investment) | 8000 | | Balance b/d | 1000 0 | 8000 |
| Realisation (Loss) | 3960 | 2640 | Realisation | 1000 0 | |
| Profit and Loss | 4500 | 3000 | (Mrs. Surjit's Loan) | | |
| Bank | 1254 0 | 8360 | Reserve | 9000 | 6000 |
| | 2900 0 | 1400 0 | | 2900 0 | 1400 0 |

Rahi's Loan A/c

| Particulars | Amount | Particulars | Amount |
|--------------------|---------------|--------------------|---------------|
| Bank | 5000 | Balance b/d | 5000 |
| | 5000 | | 5000 |

Bank A/c

| Particulars | Amount | Particulars | Amount |
|--------------------|---------------|-----------------------------|---------------|
| Balance b/d | 11500 | Realisation | 38600 |
| Realisation | 53000 | (Creditors and expenses) | |

| | | | |
|-------------------|-------|----------------------|-------|
| (Assets realised) | | Rahi's Loan | 5000 |
| | | Surjit's Capital A/c | 12540 |
| | | Rahi's Capital A/c | 8360 |
| | 64500 | | 64500 |

Question 24

Rita, Geeta and Ashish were partners in a firm sharing profits/losses in the ratio of 3:2:1. On March 31, 2017 their balance sheet was as follows:

| Liabilities | | Amount Rs | Assets | | Amount Rs |
|-----------------|--------|-----------------|-------------|--|-----------------|
| Capitals: | | | Cash | | 22,500 |
| Rita | 80,000 | | Debtors | | 52,300 |
| Geeta | 50,000 | | Stock | | 36,000 |
| Ashish | 30,000 | 1,60,000 | Investments | | 69,000 |
| Creditors | | 65,000 | Plant | | 91,200 |
| Bills payable | | 26,000 | | | |
| General reserve | | 20,000 | | | |
| | | <u>2,71,000</u> | | | <u>2,71,000</u> |
| | | | | | |

On the date of above mentioned date the firm was dissolved:

1. Rita was appointed to realise the assets. Rita was to receive 5% commission on the rate of assets (except cash) and was to bear all expenses of Realisation,

2. Assets were realised as follows:

| | Rs |
|---------|--------|
| Debtors | 30,000 |
| Stock | 26,000 |
| Plant | 42,750 |

3. Investments were realised at 85% of the book value,

4. Expenses of Realisation amounted to Rs 4,100,

5. Firm had to pay Rs 7,200 for outstanding salary not provided for earlier,

6. Contingent liability in respect of bills discounted with the bank was also materialised and paid off Rs 9,800,

Prepare Realisation Account, Capital Accounts of Partners' and Cash Account.

Answer:

| Realisation A/c | | | |
|-----------------|--------|---------------|--------|
| Particulars | Amount | Particulars | Amount |
| Debtor | 52300 | Creditors | 65000 |
| Stock | 36000 | Bills Payable | 26000 |
| Investment | 69000 | Cash: | |
| | | Debtor | |
| Plant | 91200 | 30000 | |
| | | Stock | |
| Cash: | | 26000 | |
| O/s Salaries | | Plant | |
| 7200 | | 42750 | |

| | | | |
|--|--------|-------------------------------|--------|
| Discounted Bill 9800 | | Investment 58650 | 157400 |
| Creditors 65000 | | Loss trf to: | |
| Bills Payable 26000 | 108000 | Rita's Capital A/c 57985 | |
| Rita's Capital A/c (Commission 157400 x 5/100) | 7870 | Geeta's Capital A/c 38657 | |
| | | Ashish's Capital A/c 19328 | 115970 |
| | 364370 | | 364370 |

| Partners Capital A/c | | | | | | | |
|----------------------|-----------|-----------|-----------|-----------------|-----------|-----------|-----------|
| Particulars | Rita | Geeta | Ashish | Particulars | Rita | Geeta | Ashish |
| Realisation (Loss) | 579 85 | 386 57 | 1932 8 | Balance b/d | 800 00 | 500 00 | 3000 0 |
| Bank | 398 85 | 180 10 | 1400 5 | General Reserve | 100 00 | 666 7 | 3333 |
| | | | | Realisation | 787 0 | | |
| | 978 70 | 566 67 | 3333 3 | | 978 70 | 566 67 | 3333 3 |

| Cash A/c | | | |
|-------------|--------|---------------------|--------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 22500 | Realisation | 108000 |
| Realisation | 157400 | Rita's Capital A/c | 39885 |
| | | Geeta's Capital A/c | 18010 |

| | | | |
|--|--------|----------------------|--------|
| | | Ashish's Capital A/c | 14005 |
| | 179900 | | 179900 |

Question 25

Anup and Sumit are equal partners in a firm. They decided to dissolve the partnership on December 31, 2017. When the balance sheet is as under:

Balance Sheet of Anup and Sumit as on December 31, 2017

| Liabilities | | Amount Rs | Assets | | Amount Rs |
|------------------|--------|-----------------|-----------------|--|-----------------|
| Sundry Creditors | | 27,000 | Cash at bank | | 11,000 |
| Reserve fund | | 10,000 | Sundry Debtors | | 12,000 |
| Loan | | 40,000 | Plants | | 47,000 |
| Capital | | | Stock | | 42,000 |
| Anup | 60,000 | | Lease hold land | | 60,000 |
| Sumit | 60,000 | 1,20,000 | Furniture | | 25,000 |
| | | <u>1,97,000</u> | | | <u>1,97,000</u> |
| | | | | | |

The Assets were realised as follows:

| | Rs |
|-----------------|--------|
| Lease hold land | 72,000 |
| Furniture | 22,500 |
| Stock | 40,500 |
| Plant | 48,000 |

Sundry Debtors 10,500

**The Creditors were paid Rs 25,500 in full settlement.
Expenses of Realisation amount to Rs 2,500.**

Prepare Realisation Account, Bank Account, Partners Capital Accounts to close the books of the firm.

Answer:

| Realisation A/c | | | |
|------------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Sundry Debtor | 12000 | Sundry Creditors | 27000 |
| Plant | 47000 | Loan | 40000 |
| Stock | 42000 | Bank: | |
| Leasehold Land | 60000 | Leasehold Land | 72000 |
| Furniture | 25000 | Furniture | 22500 |
| Bank: | | Stock | 40500 |
| Creditor | | Plant | 48000 |
| 25500 | | Sundry Debtor | 10500 |
| Loan | | | 193500 |
| 40000 | | | |
| Expenses | | | |
| 2500 | 68000 | | |
| Profit trf to: | | | |
| Anup's Capital | | | |
| A/c 3250 | | | |

| | | | |
|--------------------------|--------|--|--------|
| Sumit's Capital A/c 3250 | 6500 | | |
| | 260500 | | 260500 |

| Partners Capital A/c | | | | | |
|-----------------------------|-------------|--------------|--------------------|-------------|--------------|
| Particulars | Anup | Sumit | Particulars | Anup | Sumit |
| Bank | 68250 | 68250 | Balance b/d | 60000 | 60000 |
| | | | Reserve Fund | 5000 | 5000 |
| | | | Realisation | 3250 | 3250 |
| | 68250 | 68250 | | 68250 | 68250 |

| Bank A/c | | | |
|----------------------|---------------|------------------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| | | Realisation (Expenses & Liability) | 68000 |
| Balance b/d | 11000 | | |
| Realisation (Assets) | 193500 | Anup's Capital A/c | 68250 |
| | | Sumit's Capital A/c | 68250 |
| | 204500 | | 204500 |

Question 26

Ashu and Harish are partners sharing profit and losses as 3:2. They decided to dissolve the firm on December 31, 2017. Their balance sheet on the above date was:

**Balance Sheet of Ashu and Harish as on December 31,
2017**

| Liabilities | Amount Rs | Assets | Amount Rs |
|---------------------------|----------------------|---------------------|----------------------|
| Capitals: | | Building | 80,000 |
| Ashu 1,08,000 | | Machinery | 70,000 |
| Harish 54,000 | 1,62,000 | Furniture | 14,000 |
| Creditors | 88,000 | Stock | 20,000 |
| Bank overdraft | 50,000 | Investments | 60,000 |
| | | Debtors | 48,000 |
| | | Cash in hand | 8,000 |
| | 3,00,000 | | 3,00,000 |
| | | | |

Ashu is to take over the building at Rs 95,000 and Machinery and Furniture is take over by Harish at value of Rs 80,000. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. Stock and Investments are taken by both partner in profit sharing ratio. Debtors realised for Rs 46,000, expenses of Realisation amounted to Rs 3,000. Prepare necessary ledger Account.

Answer:

| Realisation A/c | | | |
|------------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Building | 80000 | Creditor | 88000 |

| | | | |
|---------------------------------------|--------|----------------------|--------|
| Machinery | 70000 | Bank Overdraft | 50000 |
| Furniture | 14000 | Ashu's Capital A/c | 143000 |
| Stock | 20000 | (Assets taken) | |
| Investment | 60000 | Harish's Capital A/c | 112000 |
| Debtors | 48000 | (Assets taken) | |
| Ashu's Capital A/c (Creditors) | 88000 | Cash (Debtors) | 46000 |
| Harish's Capital A/c (Bank Overdraft) | 50000 | | |
| Cash (Expenses) | 3000 | | |
| Profit trf to; | | | |
| Ashu's Capital A/c 3600 | | | |
| Harish's Capital A/c 2400 | 6000 | | |
| | 439000 | | 439000 |

| Partners Capital A/c | | | | | |
|----------------------------|--------|--------|-------------|--------|--------|
| Particulars | Ashu | Harish | Particulars | Ashu | Harish |
| Realisation (Assets taken) | 143000 | 112000 | Balance b/d | 108000 | 54000 |
| | | | Realisation | 88000 | 50000 |

| | | | | | |
|------|------------|------------|-------------------------|------------|------------|
| Cash | 56600 | | (Liabilities) | | |
| | | | Realisation (Profit) | 3600 | 2400 |
| | | | Cash | | 5600 |
| | 19960 0 | 11200 0 | | 19960 0 | 11200 0 |

| Cash A/c | | | |
|--------------------------|---------------|---------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 8000 | Realisation (Expenses) | 3000 |
| Realisation (Debtors) | 46000 | Ashu's Capital A/c | 56600 |
| Harish's Capital A/c | 5600 | | |
| | 59600 | | 59600 |

Working Notes:

| Particulars | Ashu | Harish |
|----------------------------|-------------|---------------|
| Building | 95000 | |
| Machinery and Furniture | | 80000 |
| Stock (3:2) | 12000 | 8000 |
| Investment (3:2) | 36000 | 24000 |
| | 143000 | 112000 |

Question 27

Sanjay, Tarun and Vineet shared profit in the ratio of 3:2:1. On December 31,2017 their balance sheet was as follows:

Balance Sheet of Sanjay, Tarun and Vineet as on December 31, 2017

| Liabilities | | Amount Rs | Assets | | Amount Rs |
|----------------------|----------|-----------------|-------------------------|--|-----------------|
| Capitals: | | | Plant | | 90,000 |
| Sanjay | 1,00,000 | | Debtors | | 60,000 |
| Tarun | 1,00,000 | | Furniture | | 32,000 |
| Vineet | 70,000 | 2,70,000 | Stock | | 60,000 |
| Creditors | | 80,000 | Investments | | 70,000 |
| Bills payable | | 30,000 | Bills receivable | | 36,000 |
| | | | Cash in hand | | 32,000 |
| | | 3,80,000 | | | 3,80,000 |
| | | | | | |

On this date the firm was dissolved. Sanjay was appointed to realise the assets. Sanjay was to receive 6% commission on the sale of assets (except cash) and was to bear all expenses of Realisation.

Sanjay realised the assets as follows: Plant Rs 72,000, Debtors Rs 54,000, Furniture Rs 18,000, Stock 90% of the book value, Investments Rs 76,000 and Bills receivable Rs 31,000. Expenses of Realisation amounted to Rs 4,500.

Prepare Realisation Account, Capital Accounts and Cash Account

Answer:

| Realisation A/c | | | |
|------------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Plant | 90000 | Creditor | 80000 |
| Debtor | 60000 | Bills Payable | 30000 |
| Furniture | 32000 | Cash: | |
| | | Plant | |
| Stock | 60000 | 72000 | |
| | | Debtor | |
| Investment | 70000 | 54000 | |
| Bills | | Furniture | |
| Receivables | 36000 | 18000 | |
| | | Stock | |
| Cash: | | 54000 | |
| Creditor | | Investments | |
| 80000 | | 76000 | |
| Bills Payable | | Bills | |
| 30000 | 110000 | Receivables | |
| | | 31000 | 305000 |
| Sanjay's | | | |
| Capital A/c | 18300 | Loan trf to: | |
| (6% | | Sanjay's Capital | |
| Commission) | | A/c 30650 | |
| | | Tarun's Capital | |
| | | A/c 20433 | |

| | | | |
|--|--------|-------------------------------|--------|
| | | Vineet's Capital A/c 10217 | 61300 |
| | 476300 | | 476300 |

| Partners Capital A/c | | | | | | | |
|----------------------|--------|--------|--------|--------------------------|--------|--------|--------|
| Particulars | Sanjay | Tarun | Vineet | Particulars | Sanjay | Tarun | Vineet |
| Realisation (Loss) | 30650 | 20433 | 10217 | Balance b/d | 100000 | 100000 | 70000 |
| Cash | 87650 | 79567 | 59783 | Realisation (Commission) | 18300 | | |
| | 118300 | 100000 | 70000 | | 118300 | 100000 | 70000 |

| Cash A/c | | | |
|-------------|--------|----------------------|--------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 32000 | Realisation | 110000 |
| Realisation | 305000 | Sanjay's Capital A/c | 87650 |
| | | Tarun's Capital A/c | 79567 |
| | | Vineet's Capital A/c | 59783 |
| | 337000 | | 337000 |

Question 28

The following is the Balance Sheet of Gupta and Sharma as on December 31,2017:

Balance Sheet of Gupta and Sharma as on December 31, 2017

| Liabilities | Amount Rs | Assets | Amount Rs |
|------------------------------------|----------------------|-------------------------|----------------------|
| Sundry Creditors | 38,000 | Cash at Bank | 12,500 |
| Mrs.Gupta's loan | 20,000 | Sundry Debtors | 55,000 |
| Mrs.Sharma's loan | 30,000 | Stock | 44,000 |
| Reserve fund | 6,000 | Bills Receivable | 19,000 |
| Provision of doubtful debts | 4,000 | Machinery | 52,000 |
| Capital | | Investment | 38,500 |
| Gupta 90,000 | | Fixtures | 27,000 |
| Sharma 60,000 | 1,50,000 | | |
| | 2,48,000 | | 2,48,000 |
| | | | |

The firm was dissolved on December 31, 2017 and asset realised and settlements of liabilities as follows:

(a) The Realisation of the assets were as follows:

| | Rs |
|-----------------------|---------------|
| Sundry Debtors | 52,000 |
| Stock | 42,000 |

Bills **16,000**

receivable

Machinery **49,000**

(b) Investment was taken over by Gupta at agreed value of Rs 36,000 and agreed to pay of Mrs. Gupta's loan.

(c) The Sundry Creditors were paid off less 3% discount.

(d) The Realisation expenses incurred amounted to Rs 1,200.

Journalise the entries to be made on the dissolution and prepare Realisation Account, Bank Account and Partners Capital Accounts.

Answer:

| Journal | | | | |
|--------------------|--|-------------|---------------|--|
| Date | Particular | L.F. | Amount | Amount |
| 2006 Dec- 31 | Realisation A/c Dr To Sundry Debtor A/c To Stock A/c To Bills Receivables A/c To Machinery A/c To Investment A/c To Fixtures A/c (Assets transferred to realisation account) | | 235500 | 55000 44000 19000 52000 38500 27000 |

| | | | |
|--------|---|--------|--------|
| Dec-31 | Sundry Creditors A/c Dr | 38000 | |
| | Mrs. Gupta's Loan A/c Dr | 20000 | |
| | Mrs Sharma's Loan A/c Dr | 30000 | |
| | Provision for Doubtful Debts A/c Dr | 4000 | |
| | To Realisation A/c (Liabilities transferred to realisation account) | | 92000 |
| Dec-31 | Bank A/c Dr | 159000 | |
| | To Realisation A/c (Assets realised: sundry debtor: 52000, stock: 42000, bills receivables: 16000, machinery: 49000) | | 159000 |
| Dec-31 | Realisation A/c Dr | 20000 | |
| | To Gupta's Capital A/c (Gupta takeover Mrs. Gupta's loan) | | 20000 |
| Dec-31 | Gupta's Capital A/c Dr | 36000 | |
| | To Realisation A/c | | 36000 |

| | | | |
|--------|--|----------------|-------|
| | (Investment taken over by Gupta) | | |
| Dec-31 | Realisation A/c Dr To Bank A/c (Liabilities paid: Mrs. Sharma's loan: 30000 and creditors 38000 paid off less 3% discount) | 66860 | 66860 |
| Dec-31 | Realisation A/c Dr To Bank A/c (Realisation expenses paid) | 1200 | 1200 |
| Dec-31 | Gupta's Capital A/c Dr Sharma's Capital A/c To Realisation A/c (Loss on realisation transferred to partner's capital account) | 18280 18280 | 36560 |
| Dec-31 | Reserve Fund A/c Dr To Gupta's Capital A/c | 6000 | 3000 |

| | | | | |
|------------|--|--|----------------|--------|
| | To Sharma's Capital A/c (Reserve fund distributed among partners ratio) | | | 3000 |
| Dec- 31 | Gupta's Capital A/c Dr Sharma's Capital A/c To Bank A/c (Final payment made to partners) | | 58720 44720 | 103440 |

| Realisation A/c | | | |
|------------------------|---------------|------------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Sundry Debtor | 55000 | Sundry Creditors | 38000 |
| Stock | 44000 | Mrs. Gupta's Loan | 20000 |
| Bills Receivables | 19000 | Mrs. Sharma's Loan | 30000 |
| Machinery | 52000 | Prov. For Doubtful Debts | 4000 |
| Investment | 38500 | Gupta's Capital A/c | 36000 |
| Fixtures | 27000 | (Investment) | |
| Gupta's Capital A/c | 20000 | Loan trf to: | |
| (Mrs. Gupta's Loan) | | Gupta's Capital A/c 18280 | |

| | | | |
|-----------------------------|--------|-------------------------------|--------|
| Bank: | | Sharma's Capital A/c 18280 | 36560 |
| Creditor 36860 | | Bank: | |
| Mrs. Sharma's Loan 30000 | | Sundry Debtor 56500 | |
| Expenses 1200 | 68060 | Stock 36500 | |
| | | Bills Receivables 16000 | |
| | | Machinery 49000 | 159000 |
| | 323560 | | 323560 |

| Partners Capital A/c | | | | | |
|-----------------------------|--------------|---------------|---------------------------|--------------|---------------|
| Particulars | Gupta | Sharma | Particulars | Gupta | Sharma |
| Realisation | 36000 | | Balance b/d | 90000 | 60000 |
| (Investment) | 18280 | 18280 | Realisation | 20000 | |
| Realisation (Loss) | | | (Mrs. Gupta's Loan) | | |
| Bank | 58720 | 44720 | Reserve Fund | 3000 | 3000 |
| | 11300 0 | 63000 | | 11300 0 | 63000 |

| Bank A/c | | | |
|-------------------------|---------------|--|---------------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 12500 | Realisation | 68060 |
| Realisation (Assets) | 159000 | (Payment of expenses & liabilities) | |
| | | Gupta's Capital A/c | 58720 |
| | | Sharma's Capital A/c | 44720 |
| | 171500 | | 171500 |

Question 29

Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. They dissolve the partnership on the December 31, 2017, when the balance sheet of the firm is as under:

Balance Sheet of Ashok, Babu and Chetan as on December 31, 2017

| Liabilities | Amount Rs | Assets | Amount Rs |
|-----------------------------|----------------------|--------------------------|----------------------|
| Sundry Creditors | 20,000 | Bank | 7,500 |
| Bills payable | 25,500 | Sundry Debtors | 58,000 |
| Babu's loan | 30,000 | Stock | 39,500 |
| Capital's: | | Machinery | 48,000 |
| Ashok 70,000 | | Investment | 42,000 |
| Babu 55,000 | | Freehold Property | 50,500 |
| Chetan 27,000 | 1,52,000 | | |
| Current Accounts : | | | |

| | | | |
|---------------|---------------|-----------------|-----------------|
| Ashok | 10,000 | | |
| Babu | 5,000 | | |
| Chetan | 3,000 | 18,000 | |
| | | 2,45,500 | 2,45,500 |
| | | | |

The Machinery was taken over by Babu for Rs 45,000, Ashok took over the Investment for Rs 40,000 and Freehold property was taken over by Chetan at Rs 55,000. The remaining Assets realised as follows: Sundry Debtors Rs 56,500 and Stock Rs 36,500. Sundry Creditors were settled at discount of 7%. A Office computer, not shown in the books of Accounts realised Rs 9,000. Realisation expenses amounted to Rs 3,000.

Answer:

| Realisation A/c | | | |
|------------------------|---------------|---------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Sundry Debtor | 58000 | Sundry Creditors | 20000 |
| Stock | 39500 | Bills payable | 25500 |
| Freehold Property | 50500 | Ashok's Current A/c | 40000 |
| Machinery | 48000 | (Investments) | |
| Investment | 42000 | Babu's Current A/c | 45000 |
| Bank: | | (Machinery) | |

| | | | |
|--------------------------|--------|----------------------|--------|
| Sundry Creditor 18600 | | Chetan's Current A/c | 55000 |
| Bills Payable 25500 | | (Freehold Property) | |
| Expenses 3000 | 47100 | Bank: | |
| Profit trf to: | | Sundry Debtor 56500 | |
| Ashok's Current A/c 1200 | | Stock 36500 | |
| Babu's Current A/c 800 | | Unrecorded Comp 9000 | 102000 |
| Chetan's Current A/c 400 | 2400 | | |
| | 287500 | | 287500 |

| Partners Current A/c | | | | | | | |
|----------------------|-------|------|--------|-----------------|-------|------|--------|
| Particulars | Ashok | Babu | Chetan | Particulars | Ashok | Babu | Chetan |
| Realisation | 4000 | 450 | 5500 | Balance b/d | 1000 | 500 | 3000 |
| (Assets taken) | | | | Realisation | 1200 | 800 | 400 |
| | | | | (Profit) | | | |
| | | | | Ashok's Capital | 2880 | | |

| | | | | | | | |
|--|-----------|-----------|-----------|---------------------|-----------|-----------|-----------|
| | | | | Babu's Capital | | 392 00 | |
| | | | | Chetan's Capital | | | 5160 0 |
| | 4000 0 | 450 00 | 5500 0 | | 4000 0 | 450 00 | 5500 0 |

| Partners Capital A/c | | | | | | | |
|-----------------------------|-------------------|------------------|--------------------|-------------------------|-------------------|------------------|--------------------|
| Particul ars | Ash ok | Bab u | Chet an | Particul ars | Ash ok | Bab u | Chet an |
| Ashok's CA | 2880 0 | | | Balance b/d | 7000 0 | 550 00 | 2700 0 |
| Babu's CA | | 392 00 | | Bank | | | 2460 0 |
| Chetan's CA | | | 5160 0 | | | | |
| Bank | 4120 0 | 158 00 | | | | | |
| | 7000 0 | 550 00 | 5160 0 | | 7000 0 | 550 00 | 5160 0 |

| Babu's Loan A/c | | | |
|------------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Cash A/c | 30000 | Balance b/d | 30000 |
| | 30000 | | 30000 |

| Bank A/c | | | |
|--------------------|---------------|--------------------|---------------|
| Particulars | Amount | Particulars | Amount |

| | | | |
|-------------------------|--------|---------------------------|--------|
| Balance b/d | 7500 | Realisation (Expenses) | 47100 |
| Realisation (Assets) | 102000 | Babu's Loan | 30000 |
| Chetan's Capital A/c | 24600 | Ashok's Capital A/c | 41200 |
| | | Babu's Capital A/c | 15800 |
| | 134100 | | 134100 |

Questions 30

Prepare Realisation Account, Partners Capital Account, Bank Account.

The following is the Balance sheet of Tanu and Manu, who shares profit and losses in the ratio of 5:3, On December 31,2017:

Balance Sheet of Tanu and Manu as on December 31, 2017

| Liabilities | Amount Rs | Assets | Amount Rs |
|-------------------------|----------------------|-----------------------|----------------------|
| Sundry Creditors | 62,000 | Cash at Bank | 16,000 |
| Bills Payable | 32,000 | Sundry Debtors | 55,000 |
| Bank Loan | 50,000 | Stock | 75,000 |
| Reserve fund | 16,000 | Motor car | 90,000 |
| Capital: | | Machinery | 45,000 |

| | | | | |
|------|----------|----------|------------|----------|
| Tanu | 1,10,000 | | Investment | 70,000 |
| Manu | 90,000 | 2,00,000 | Fixtures | 9,000 |
| | | 3,60,000 | | 3,60,000 |
| | | | | |

On the above date the firm is dissolved and the following agreement was made: Tanu agree to pay the bank loan and took away the sundry debtors. Sundry creditors accepts stock and paid Rs 10,000 to the firm. Machinery is taken over by Manu for Rs 40,000 and agreed to pay of bills payable at a discount of 5%.. Motor car was taken over by Tanu for Rs 60,000. Investment realised Rs 76,000 and fixtures Rs 4,000. The expenses of dissolution amounted to Rs 2,200.

Prepare Realisation Account, Bank Account and Partners Capital Accounts.

Answer:

| Realisation A/c | | | |
|------------------------|---------------|---------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Sundry Debtor | 55000 | Sundry Creditors | 62000 |
| Stock | 75000 | Bills payable | 32000 |
| Motor Car | 90000 | Bank Loan | 50000 |
| Machinery | 45000 | Tanu's Capital A/c: | |
| Investment | 70000 | Sundry Debtors | |
| Fixtures | 9000 | 55000 | |
| | | Motor Car | |
| | | 60000 | 115000 |

| | | | |
|--------------------|--------|----------------|--------|
| Manu's Capital A/c | 30400 | Bank: | |
| (Bills Payable) | | Stock | |
| Bank (Expenses) | 2200 | 10000 | |
| Tanu's Capital A/c | 50000 | Investment | |
| (Bank Loan) | | 76000 | |
| | | Fixtures | 90000 |
| | | 4000 | |
| | | Manu's Capital | 40000 |
| | | (Machinery) | |
| | | Loss trf to: | |
| | | Tanu's Capital | |
| | | 23500 | |
| | | Manu's Capital | |
| | | 14100 | 37600 |
| | 426600 | | 426600 |

| Partners Capital A/c | | | | | |
|-----------------------------|-------------|-------------|---------------------------|-------------|-------------|
| Particulars | Tanu | Manu | Particulars | Tanu | Manu |
| Realisation | 11500 | | Balance | 11000 | |
| (Assets taken) | 0 | 40000 | b/d | 0 | 90000 |
| Realisation (Loss) | 23500 | 14100 | Realisation (Liabilities) | 50000 | 30400 |
| Bank | 31500 | 72300 | Reserve Fund | 10000 | 6000 |

| | | | | | |
|--|------------|------------|--|------------|------------|
| | 17000 0 | 12640 0 | | 17000 0 | 12640 0 |
|--|------------|------------|--|------------|------------|

| Bank A/c | | | |
|-------------------------|---------------|---------------------------|---------------|
| Particulars | Amount | Particulars | Amount |
| Balance b/d | 16000 | Realisation (Expenses) | 2200 |
| Realisation (Assets) | 90000 | Tanu's Capital A/c | 31500 |
| | | Manu's Capital A/c | 72300 |
| | 106000 | | 106000 |