

CHAPTER-5 - Dissolution of a Partnership Firm

Q1

Solution:

Balance Sheet as on 1st April 2015				
Liabilities		₹	Assets	₹
Creditors		23,150	Cash in Hand	3,920
			C's Capital Account (Dr. Bal)	15,000
Capital Account of A	1,25,000		Sundry Assets(Bal.Fig.)	1,74,230
Capital Account of B	45,000	1,70,000		
		1,93,150		1,93,150
Dr.			Realization Account	
Particular		₹	Particular	₹
To Sunder Assets		1,74,230	By Creditors	23,150
To Cash (Creditors paid)		23,150	By Cash (Assets realized)	1,44,910
To Cash (Expenses)		1,860	By Loss on Realization transferred to:	

		A's Capital A/c	12,472	
		B's Capital A/c	9,354	
		C's Capital A/c	9,354	31,180
	1,99,240			1,99,240

Working Notes:

Sundry Assets (Bal. Fig.) = 1,93,150 (Dr Total) – (3,920+15000)
= Rs. 1,74,230/-

Q2

Solution:

Journal					
Date	Particulars		L.F	Dr.(₹)	Cr.(₹)
(i)	Realization A/c	Dr.		500	
	To Bank A/c (Being realization expenses paid)				500
(ii)	Partner's Capital A/c	Dr.		500	
	To Bank A/c (Being realization expenses paid by the firm on behalf of the partner)				500
(iii)	Bank A/c	Dr.		25,000	
	To Realization A/c (Being amount realized from sale of assets)				25,000
	Realization A/c	Dr.		5,000	
	To Bank A/c				5,000

	(Being amount paid to clear outside liabilities)				
	Realization A/c	Dr.		400	
	To A's Capital A/c (Being A's Commission paid)				400

Working Notes:

Net Cash Realized = 25,000 – 5,000

= Rs. 20,000

A's Commission = $\frac{2}{100} \times 20,000$

= Rs. 400

Q3

Solution:

Please find below the journal entries of the transactions:

Journal					
Date	Particulars		L.F	Dr.(₹)	Cr.(₹)
1	Realization A/c	Dr.		12,000	
	To Bank A/c (Being Bank loan paid off)				12,000
2	Realization A/c	Dr.		400	
	To A's Capital A/c (Being commission paid to A)				400
3	A's Capital A/c	Dr.		16,800	
	B's Capital A/c	Dr.		11,200	
	To Deferred Advertisement Expenditure A/c				28,000

	(Being transfer of fictitious asset to partner's capital accounts in PSR)				
4	B's Capital A/c	Dr.		1,200	
	To Realization A/c (Being stock taken over by B)				1,200
5	Bank A/c	Dr.		7,000	
	To Realization A/c (Being amount recovered from sale of unrecorded computers)				7,000
6	Realization A/c	Dr.		2,000	
	To Bank A/c (Being outstanding repairs paid off)				2,000

Q4

Solution:

Please find below the realization account posting of the transactions:

Realization Account			
Particular	₹	Particular	₹
To Assets	5,00,000	By liabilities	1,00,000
To Bank (Liabilities paid)	1,00,000	By Bank (Assets sold)	4,20,000
To Bank (Realization Expenses paid)	5,000		
		By Capital A/c (Loss on realization) (Bal.Fig)	85,000
	6,05,000		6,05,000