

SAMPLE CONTENT



PERFECT

BOOK-KEEPING & ACCOUNTANCY

STD. XII

**WORLD
OF MONEY**

Target Publications Pvt. Ltd.

Written as per the revised syllabus prescribed by the Maharashtra State Board
of Secondary and Higher Secondary Education, Pune.

PERFECT BOOK-KEEPING & ACCOUNTANCY STD. XII COMMERCE

Salient Features

- Covers Textual Problems
- A selection of Practice Problems as well as Board Problem (Mar 2008 – July 2018)
- Contains answers for Textual Problems as well as Practice Problems
- Includes Two Model Question Papers as per the latest paper pattern
- Covers Board Question Papers of 2017, 2018 and March 2019
- Self evaluative in nature

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Preface

"Std. XII Commerce: Book-Keeping & Accountancy" has been created with a revolutionary fresh approach towards content, so as to facilitate the student's thorough preparation of the subject.

This book has been written according to the revised syllabus and guidelines as prescribed by the Maharashtra State Board of Secondary and Higher Secondary Education.

The book has a section covering Textual Problems and a separate section that covers Practice Problems which are important from an examination point of view. It also includes Board Problems from the year March 2008 to July 2018.

Moreover, we have provided answers for Textual as well as Practice Problems.

The book also includes two Model Question Papers as per the latest paper pattern.

We are sure, this study material will turn out to be a powerful resource for the students and facilitate them in understanding the concepts of this subject in the most lucid way.

We would also like to express our gratitude to **Mr. Anil R. Dwivedi** (M.Com., M.Ed., M.B.A.) for his valuable guidance in the creation of this book.

The journey to create a book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.

Please write to us on: mail@targetpublications.org

Best of luck to all the aspirants!

Yours faithfully,
Publisher

Edition: Second

Disclaimer

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This work is purely inspired upon the course work as prescribed by the Maharashtra State Board of Secondary and Higher Secondary Education, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents. The Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

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BOARD PAPER PATTERN

Time: 3 Hours

Total Marks: 80

- Q.1. Attempt any THREE of the following sub-questions :** [5]
- Includes five sub-questions of five marks each. Out of the five, three sub-questions have to be answered.
- (A) **Answer the following questions in 'one sentence' each:**
Five sub-questions will be given. [one mark each]
- (B) **Write a word/term/phrase which can substitute each of the following statements :**
Five sub-questions will be given. [one mark each]
- (C) **Select the most appropriate alternative from those given below and rewrite the statements:**
Five sub-questions. Each sub question carries four options. [one mark each]
- (D) **State whether the following statements are True or False :**
Five sub-questions will be given. [one mark each]
- (E) **Prepare a specimen of Bill of Exchange.** [five marks]
- Q.2. Practical problem on Single Entry System.** [8]
- OR**
- Theory Questions on Analysis of Financial Statements.**
Two sub-questions will be given. [four marks each]
- Q.3. Practical problem on Reconstitution of Partnership (Admission / Retirement / Death of Partner).** [10]
- OR**
- Practical problem on Reconstitution of Partnership (Admission / Retirement / Death of Partner).**
Questions will be asked from any two of the above three chapters.
- Q.4. Practical problem on Bill of Exchange.** [10]
- Q.5. Practical problem on Dissolution of Partnership Firm .** [10]
- OR**
- Practical problem on Accounting for Shares / Debentures.**
One question will be asked from Dissolution of Partnership Firm and the second question will be asked either from Accounting for Shares or Accounting for Debentures.
- Q.6. Practical problem on Accounts of 'Not for Profit' Concerns.** [12]
- Q.7. Practical problem on Partnership Final Accounts.** [15]

Total: 80

Scheme of Evaluation		
		Marks
(A)	Written Examination	80
(B)	Project Preparation (with Viva)	20
	Total:	100

Unitwise Weightage

Sr. No.	Chapter	Marks			Marks With Option		
		Problems	Objectives	Total	Problems	Objectives	Total
1.	Introduction to Partnership (Objectives only) and Partnership Final Accounts	15	02	17	15	03	18
2.	Accounts of 'Not for Profit' Concerns	12	01	13	12	02	14
3.	Admission / Retirement / Death of Partner	10	02	12	10	02	22
	OR Admission / Retirement / Death of Partner				10		
4.	Dissolution of Partnership Firm	10	02	12	10	04	24
	OR Accounting for Shares / Accounting for Debentures				10		
5.	Bill of Exchange (Objectives include 5 marks for question on specimen)	10	06	16	10	10	20
6.	Single Entry System	08	02	10	08	04	20
	OR Analysis of Financial Statements (Theory Questions)				08		
	Total	65	15	80	93	25	118

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Note: All Textual questions are represented by * mark.

06

Dissolution of Partnership Firm

Textual Problems

Adjustments for Realisation of Assets & Settlement of Liabilities and Partner's Loan Account

- *Q.1. Sushil and Sumit were in partnership sharing profits and losses in the proportion of 3/5 and 2/5 respectively. On 31st March, 2005, they decided to dissolve the firm when their Balance Sheet was as under:

Balance Sheet as on 31st March, 2005

Liabilities	Amount ₹	Assets	Amount ₹
Sushil's Capital	20,000	Plant & Machinery	15,000
Sumit's Capital	18,000	Stock	15,000
General Reserve	5,000	Sundry Debtors	22,000
Sumit's Loan A/c	2,000	Bank	3,000
Sundry Creditors	10,000		
	55,000		55,000

The Assets realised as follows:

Stock ₹ 14,000; Plant and Machinery ₹ 12,000 and Debtors ₹ 20,000. The Sundry Creditors were paid ₹ 9,000 in full settlement.

Prepare: Realisation Account, Partners Capital Accounts and Bank Account.

Ans: Realisation Loss = ₹ 5,000; Bank Account Total = ₹ 40,000

Settlement amount paid to Partners: Sushil = ₹ 20,000; Sumit = ₹ 18,000

Adjustments for Reserve Fund and Assets taken over by Partners

- *Q.2. Ganesh and Chandan were partners sharing profits and losses in the proportion of 3 : 2. They dissolve the partnership firm on 31st March, 2011 when their position was as follows:

Balance Sheet as on 31st March, 2011

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	25,000	Debtors	1,12,500
Bank Overdraft	20,000	Less: R.D.D.	12,500
Reserve Fund	30,000	Stock	2,25,000
Capital Accounts:		Furniture	50,000
Ganesh	2,30,000	Motor Car	75,000
Chandan	1,50,000	Cash in Hand	5,000
	4,55,000		4,55,000

The Assets realised as follows:

Debtors ₹ 90,000; Stock ₹ 2,00,000 and Goodwill ₹ 25,000; Motor Car was taken over by Ganesh for ₹ 70,000 and Furniture by Chandan for ₹ 60,000.

The Creditors were paid ₹ 22,500 in full settlement. The expenses of realisation amounted to ₹ 10,000.

Pass necessary journal entries in the books of the firm.

Ans: Realisation Loss = ₹ 12,500; Total of Journal Proper: ₹ 13,27,500

Settlement amount paid to Partners: Ganesh = ₹ 1,70,500; Chandan = ₹ 97,000

**Adjustments for Partner's Current Accounts and Liability taken over by Partner**

*Q.3. Anil and Sunil were partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2009.

Balance Sheet as on 31st March, 2009

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account's:		Bank	30,000
Anil	50,000	Stock	20,000
Sunil	30,000	Debtors	70,000
Current Account's:		Plant	45,000
Anil	15,000	Building	25,000
Sunil	10,000		
Creditors	87,000		
Bills Payable	13,000		
	2,05,000		2,05,000

The firm was dissolved on the above date and the assets realised as under:

- Stock ₹ 20,000; Debtors ₹ 60,000; Plant ₹ 40,000 and Building ₹ 30,000.
- Anil agreed to pay off the bills payable.
- Creditors were paid in full.
- Dissolution expenses were ₹ 7,000.

Prepare: Realisation Account, Bank Account and Current and Capital Accounts of the partners.

Ans: Realisation Loss = ₹ 32,000; Bank Account Total = ₹ 1,80,000

Settlement amount paid to Partners: Anil = ₹ 53,800; Sunil = ₹ 27,200

Adjustments for Reserve Fund, Partner's Loan Account and Asset taken over by Partner

*Q.4. X, Y and Z were carrying on business. They share profit and losses in the ratio of 5 : 3 : 2 respectively. Their Balance sheet as on 31st March, 2010, was as under:

Balance Sheet as on 31st March, 2010

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	21,000	Plant & Machinery	20,000
Y's Loan	5,000	Investment	8,000
Reserve Fund	20,000	Stock	30,000
Capital Account's:		Debtors	18,000
X	20,000	Less: R.D.D.	1,000
Y	10,000	Cash in Hand	2,000
Z	4,000	Cash at Bank	3,000
	80,000		80,000

On the above date, the firm was dissolved and the assets were realised as under:

- Investment ₹ 5,000; Stock ₹ 24,000 and Debtors ₹ 15,000.
- The Plant and Machinery was taken over by Mr. 'X' at book value.
- Sundry Creditors and Mr. 'Y' loan were paid in full.
- Realisation expenses incurred ₹ 1,000.

Prepare Realisation Account, Partner's Capital Account and Bank Account.

Ans: Realisation Loss = ₹ 12,000; Cash/Bank Account Total = ₹ 49,000

Settlement amount paid to Partners: X = ₹ 4,000; Y = ₹ 12,400; Z = ₹ 5,600


Adjustments for Reserve Fund, Partner's Loan Account, Asset taken over by Partner and Contingent Liability

*Q.5. A, B and C were partners sharing profits and losses in the ratio of 3 : 2 : 1. On 31st March, 2010, their Balance Sheet was as follows:

Balance Sheet as on 31st March, 2010

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	15,400	Cash at Bank	5,500
Bills Payable	3,600	Stock	18,800
A's Loan A/c	10,000	Debtors	15,000
Capital A/c's:		<i>Less: Provision</i>	<u>1,000</u>
A	20,000	Joint Life Policy	4,000
B	16,000	Plant and Machinery	3,700
C	8,000		
Reserve Fund	12,000		
	85,000		85,000

The firm was dissolved on 31st March, 2010 and the assets realised as follows:

- Joint Life Policy was taken over by Mr. A at ₹ 5,000.
- Stock realised ₹ 18,000; Debtors realised ₹ 14,500; Plant and Machinery was sold for ₹ 36,000.
- Liabilities were paid in full. In addition, one bill for ₹ 700 under discount was dishonoured and had to be taken up by the firm.
- There were no realisation expenses.

Give the Journal entries and necessary ledger accounts to close the books of the firm.

Ans: Realisation Loss = ₹ 8,700; Bank Account Total = ₹ 72,000; Total of Journal Proper: ₹ 2,68,700
Settlement amount paid to Partners: A = ₹ 16,600; B = ₹ 11,100; C = 8,550

Adjustments for General Reserve and Partner's Loan Account

*Q.6. Pannalal, Babulal and Hiralal were partners sharing profits and losses in the proportion of 2:2:1. Following is their Balance Sheet as on 31st March, 2008

Balance Sheet as on 31st March, 2008

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account's:		Machinery	25,000
Pannalal	30,000	Stock	10,000
Babulal	10,000	Debtors	27,500
Hiralal	10,000	<i>Less: R.D.D.</i>	<u>1,500</u>
General Reserve	3,000	Investment	12,000
Creditors	20,000	Profit & Loss A/c	9,000
Pannalal's Loan A/c	4,000	Bank	2,000
Bills Payable	7,000		
	84,000		84,000

On the above date, the partners decided to dissolve the firm:

- Assets were realised: Machinery ₹ 22,500; Stock ₹ 9,000; Investment ₹ 10,500; Debtors ₹ 22,500.
- Dissolution expenses were ₹ 1,500.
- Goodwill of the firm realised ₹ 12,000

Pass the necessary Journal entries in the books of the firm.

[Mar 16]

Ans: Realisation Profit = ₹ 2,000; Total of Journal Proper: ₹ 2,72,000
Settlement amount paid to Partners: Pannalal = ₹ 28,400; Babulal = ₹ 8,400; Hiralal = 9,200

**Adjustments for Assets & Liabilities taken over by Partners, Outstanding Interest on Loan and Unrecorded Expenses**

*Q.7. Mahesh, Suresh and Jayesh were partners of the firm. They decided to dissolve the firm on 31st March, 2012. Their Balance Sheet as on that date was as under:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	18,000	Cash at Bank	9,600
Loan	4,500	Sundry Assets	51,000
Capitals		Debtors	72,600
Mahesh	82,500	Less: R.D.D.	3,600
Suresh	30,000	Stock	23,400
Jayesh	21,000	Furniture	3,000
	1,56,000		1,56,000

The firm was dissolved as follows:

- Mahesh will accept furniture for ₹ 2,000 and agreed to accept the debtors of book value of ₹ 60,000 at an agreed value of ₹ 51,000.
- Suresh will accept stock at an agreed value ₹ 20,000 and Sundry Assets of book value ₹ 24,000 at ₹ 23,500.
- Jayesh will accept remaining Sundry Assets for ₹ 25,000. He will also accept the liability of loan along with due interest at 12% p.a. Interest for three months on this loan was outstanding and was not recorded in the books.
- Expenses of dissolution were ₹ 1,000 and outstanding expenses of ₹ 1,200 were to be paid from the firm.
- The remaining debtors were realised ₹ 7,000.

Prepare: Realisation A/c, Partner's Capital A/c and Bank A/c.

Ans: Realisation Loss = ₹ 20,235; Bank Account Total = ₹ 42,955

Settlement amount paid to Partners: Mahesh = ₹ 20,755

Settlement amount received from Partners: Suresh ₹ 20,245, Jayesh ₹ 6,110

Adjustments for Reserve Fund and Insolvency of one Partner – Part amount recovered from Insolvent Partner and Bad Debts

*Q.8. Gautam, Virat and Ashwin were Partners sharing profit and losses equally. Their Balance Sheet as on 31st December, 2011 was as follows:

Balance Sheet as on 31st December, 2011

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account's		Building	73,900
Gautam	75,000	Furniture	44,100
Virat	45,000	Stock	25,400
Reserve Fund	27,000	Debtors	33,600
Creditors	48,500	Cash	15,000
Bank Loan	11,500	Ashwin's Capital	15,000
	2,07,000		2,07,000

The firm was dissolved due to insolvency of Ashwin and the following was the result:

- The realisation of Assets were as follows:
 - The stock was completely damaged and could realise worth ₹ 16,500 only.
 - Building was sold for ₹ 49,800.
 - Furniture was realised by the firm at ₹ 23,100 less than the book value.
 - A Customer who owes ₹ 14,400 became insolvent and nothing could be recovered from his private estate.
- Creditors were paid for ₹ 36,900 in full settlement and Bank Loan was discharged fully.



- iii. The expenses of realisation ₹ 4,100
- iv. Ashwin became insolvent and the firm could recover only ₹ 4,000 from his private estate.

Prepare: Realisation A/c, Partner's Capital A/c and Cash A/c to close the books of the firm.

Ans: Realisation Loss = ₹ 63,000; Cash Account Total = ₹ 1,25,500; Capital Deficiency of Ashwin = ₹ 23,000
Settlement amount paid to Partners: Gautam = ₹ 51,500; Virat = ₹ 21,500;

Adjustments for General Reserve, Partner's Loan Account and Insolvency of one Partner – Part amount recovered from Insolvent Partner

*Q.9. Rahul, Rohit and Ramesh were partners in a firm sharing profits and losses in the ratio of 1 : 2 : 1 respectively. The Balance Sheet as on 31st March, 2012 was as follows:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	20,000	Cash at Bank	8,000
Bills Payable	5,000	Debtors	16,000
General Reserve	6,000	Less: R.D.D.	1,000
Rahul's Loan A/c	16,000	Stock	20,000
Capital Account's:		Plant & Machinery	30,000
Rahul	25,000	Furniture	6,000
Rohit	10,000	Ramesh's Capital A/c	3,000
	82,000		82,000

The firm was dissolved on the above date:

- i. The Assets realised as follow:
Debtors ₹ 9,000; Plant & Machinery ₹ 26,000; Stock ₹ 14,000 and Furniture ₹ 3,000.
- ii. The Creditors were paid ₹ 18,000 in full settlement and the bills payable were paid in full.
- iii. The realisation expenses amounted to ₹ 2,000.
- iv. Ramesh became insolvent and was able to bring in only ₹ 1,800 from his private estate.

Prepare: Realisation A/c, Bank A/c and Partner's Capital A/c

[July 16]

Ans: Realisation Loss = ₹ 20,000; Bank Account Total = ₹ 61,800; Capital Deficiency of Ramesh = 4,000
Settlement amount paid to Partners: Rahul = ₹ 17,400; Rohit = ₹ 2,400

Adjustments for Insolvency of All Partners

*Q.10. Shiv, Sadashiv and Sadanand are Partners in a firm sharing profits and losses equally, whose Balance sheet as on 31st December, 2011, stood as follows:

Balance Sheet as on 31st December, 2011

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account's:		Sadanand's Capital A/c	2,000
Shiv	6,000	Buildings	18,300
Sadashiv	4,000	Machinery	12,700
Parvati's Loan	10,000	Debtors	9,100
Sundry Creditors	30,000	Bank	7,900
	50,000		50,000

Shiv, Sadashiv and Sadanand were declared bankrupt and hence the firm was dissolved as on the above date.

- i. The Sundry Assets realised as follows:
Building ₹ 10,900; Machinery ₹ 8,200; Debtors ₹ 6,800.
- ii. Realisation expenses amounted to ₹ 1,300.
- iii. Sadanand was unable to contribute anything whereas, ₹ 1,100 and ₹ 900 were recovered from the realisation of private estate of Shiv and Sadashiv respectively.

You are required to close the books of the firm.

Ans: Realisation Loss = ₹ 15,500; Bank Account Total = ₹ 35,800; Capital Deficiency of Partners: Shiv = Nil; Sadashiv = ₹ 267; Sadanand = ₹ 7,166; Deficiency Account Total = ₹ 7,433

**Adjustments for Partner's Current Account, Contingent Liability and Insolvency of one Partner – Part amount recovered from Insolvent Partner**

*Q.11. Ganga, Yamuna and Godavari are in Partnership sharing profits and losses equally. Their Balance sheet as on 31st December, 2011 was as follows:

Balance Sheet as on 31st December, 2011

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account's:		Current Accounts	
Ganga	25,000	Yamuna	10,000
Yamuna	10,000	Godavari	4,000
Godavari	5,000	Premises	17,200
Ganga's Current A/c	3,000	Machinery	10,800
Sundry Creditors	4,000	Debtors	9,600
Bank Loan	3,000	Cash	6,400
	50,000		50,000

Godavari was declared insolvent and hence, the firm was dissolved as on that date. Premises was sold at ₹ 14,800; Machinery realised ₹ 6,400. Bad debts and discount allowed to Debtors amounted to ₹ 1,600. Sundry creditors agreed to receive 80 paise in a rupee (₹) in full satisfaction of their claim. Bank Loan was settled at 60% of book value. During the course of dissolution, a liability under an action for damages was settled for ₹ 1,400 against ₹ 2,100 provided in the books of the firm. The expenses of realisation amounted to ₹ 900. Godavari contributed ₹ 1,900 from her private Property.

Prepare necessary ledger accounts in the books of the firm.

Ans: Realisation Loss = ₹ 8,700; Cash Account Total = ₹ 5,500; Capital deficiency of Godavari = Nil
Settlement amount paid to Partners: Ganga = ₹ 25,100; Yamuna = ₹ 5,100;

Practice Problems**Adjustments for Realisation of Assets and Settlement of Liabilities, Partner's Loan & Dissolution Expenses**

Q.1. Jay, Ajay and Vijay were partners sharing profits and losses in the proportion of 2 : 2 : 1. Following is their Balance Sheet as on 31-03-2013.

Balance Sheet as on 31st March, 2013

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Machinery	50,000
Jay	60,000	Stock	20,000
Ajay	20,000	Debtors	55,000
Vijay	20,000	Less: R.D.D.	3,000
General reserve	6,000	Investments	24,000
Creditors	40,000	Profit and Loss A/c	18,000
Jay's loan A/c	8,000	Bank	4,000
Bills payable	14,000		
	1,68,000		1,68,000

On the above date the partners decided to dissolve the firm.

- Assets were realised as – Machinery ₹ 45,000, Stock ₹ 18,000, Investment ₹ 21,000, Debtors ₹ 45,000.
- Dissolution expenses were ₹ 3,000.
- Goodwill of the firm realised ₹ 24,000.

Prepare:

- Realisation account.
- Partners' capital account.
- Bank account.

[Oct 15]

Ans: Realisation Profit = ₹ 4,000; Cash Account Total = ₹ 1,57,000

Settlement amount paid to Partners: Jay = ₹ 56,800; Ajay = ₹ 16,800; Vijay = ₹ 18,400



Adjustments for Assets taken over by Partners

- Q.2. Piyush and Nathalal were partners in a firm sharing Profits and Losses in proportion of 2 : 1 respectively. Their Balance Sheet as on 31st Mar, 2012 was as under:

Balance Sheet as on 31st Mar, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Land & Building	70,000
Piyush	75,000	Furniture	30,000
Nathalal	75,000	Machinery	25,000
Profit & Loss A/c	18,000	Debtors	10,000
Bank Loan	15,000	Stock	24,000
Creditors	32,000	Bank	10,000
Bills Payable	8,000		
Outstanding Expenses	1,000		
	2,24,000		2,24,000

On 1st Apr, 2012, the firm was dissolved and the Assets were realised as follows:

Building ₹ 65,000; Furniture ₹ 35,000; Stock ₹ 20,000

₹ 5,000 could not be recovered from debtors.

Machinery was taken over by Piyush at its book value.

Creditors allowed a discount of ₹ 6,000.

Realisation Expenses amounted ₹ 1,000.

Prepare the necessary ledger accounts and give Journal Entries in the books of firm.

Ans: Realisation Loss = ₹ 24,000; Bank Total = ₹ 1,70,000; Total of Journal Proper: ₹ 6,67,000
Settlement amount paid to Partners: Piyush = ₹ 16,000; Nathalal = ₹ 73,000

Adjustment for Assets taken over by Partners

- Q.3. Devendra and Ganesh were partners sharing profits and losses in the ratio of 3 : 2. They dissolved the partnership firm on 31st March, 2013 when their position was as follows:

Balance Sheet as on 31.03.2013

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	12,500	Debtors	56,250
Bank Overdraft	10,000	Less: R.D.D.	6,250
Reserve fund	15,000	Stock	1,12,500
Capital Accounts:		Furniture	25,000
Devendra	1,15,000	Motor Car	37,500
Ganesh	75,000	Cash in hand	2,500
	2,27,500		2,27,500

The assets realised as follows:

- Debtors ₹ 45,000, Stock ₹ 1,00,000 and goodwill ₹ 12,500.
- Motor car was taken over by Devendra for ₹ 35,000 and furniture by Ganesh for ₹ 30,000.
- The creditors were paid ₹ 11,250 in full settlement.
- The realisation expenses were ₹ 5,000.

Pass necessary journal entries in the books of the firm.

[Mar 14]

Ans: Realisation Loss = ₹ 6,250; Total of Journal Proper: ₹ 6,63,750
Settlement amount paid to Partners: Devendra = ₹ 85,250; Ganesh = ₹ 48,500

**Adjustment for Assets taken over by Partners, Realisation of assets, realisation expenses incurred**

Q.4. Ashwin, Bhavin and Pravin carried on business. They share profits and losses in the ratio of 5 : 3 : 2 respectively. Their Balance Sheet as on 31st March, 2016 was as under:

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry creditors	42,000	Plant and machinery	40,000
Bhavin's loan	10,000	Investment	10,000
Reserve fund	40,000	Stock	60,000
Capital accounts:		Debtors	36,000
Ashwin	40,000	Less: R. D. D.	2,000
Bhavin	20,000	Bank	10,000
Pravin	8,000		
	1,60,000		1,60,000

On the above date, the firm was dissolved and the assets realised were as under:

- (1) Investment ₹ 10,000, Stock ₹ 48,000 and Debtors ₹ 30,000.
- (2) Plant and machinery were taken over by Ashwin at book value.
- (3) Sundry creditors and Bhavin's loan were paid in full.
- (4) Realisation expenses incurred ₹ 2,000.

Prepare : (1) Realisation Account (2) Partners' Capital Account (3) Bank Account

[Mar 18]

Ans: Realisation Loss = ₹ 24,000; Bank Account Total = ₹ 82,000

Settlement amount paid to Partners: Ashwin = ₹ 48,000; Bhavin = ₹ 24,800; Pravin = ₹ 11,200

Adjustment for Assets taken over by Partners

Q.5. Akbar and Birbal were partners in a firm sharing profits and losses in the ratio of 3 : 2 respectively. Their balance sheet as on 31st March, 2013 was as follows:

Balance Sheet as on 31st March, 2013

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c's:		Plant and Machinery	40,000
Akbar	60,000	Furniture	12,000
Birbal	40,000	Sundry debtors	61,000
General reserve	20,000	Less: R.D.D.	1,000
Sundry creditors	39,700	Stock	28,300
	1,59,700	Bank	19,400
			1,59,700

On the above date, the firm was dissolved and the assets realised were as follows :

- Plant and machinery ₹ 30,000.
- Sundry debtors ₹ 58,000.
- Furniture was taken over by Akbar for ₹ 10,000 and stock by Birbal for ₹ 27,000.
- Sundry creditors were paid ₹ 38,000 in full settlement of their claim.
- Realisation expenses amounted to ₹ 2,000.

Prepare : i. Realisation Account
ii. Partners' Capital Accounts
iii. Bank Account

[Mar 17]

Ans: Realisation Loss = ₹ 15,600; Bank Account Total = ₹ 1,07,400

Settlement amount paid to Partners: Akbar = ₹ 52,640; Birbal = ₹ 14,760

**Adjustment for Assets taken over by Partners**

- Q.6. Umesh and Prakash were partners sharing profits and losses in the proportion of 3/5 and 2/5 respectively. They dissolved their partnership firm on 31st March, 2013, when their financial position was as under:

Balance Sheet as on 31st March, 2013

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	7,500	Cash at Bank	1,500
Umesh's wife's loan	15,000	Debtors	33,750
Capital Accounts		Less: R.D.D.	– 3,750
Umesh	69,000	Stock	67,500
Prakash	45,000	Machinery	20,500
		Furniture	15,000
	1,36,500		1,36,500

- The assets realised as under:
Goodwill ₹ 7,500, Stock ₹ 60,000, Debtors ₹ 27,000.
- Machinery was taken over by Prakash at ₹ 20,000 and furniture by Umesh at book value.
- Umesh agreed to discharge his wife's loan.
- The creditors were paid at a rebate of ₹ 1,500.
- The expenses of dissolution amounted to ₹ 3,000.

[July 17]

Ans: Realisation Loss = ₹ 7,000; Total of Journal proper: ₹ 4,12,000
Settlement amount paid to Partners: Umesh = ₹ 64,000; Prakash = ₹ 27,200

Adjustment for Assets taken over by Partners, realisation of assets and liabilities paid

- Q.7. Following is the balance sheet as on 31st March 2016 of firm of Jay and Ajay :

Balance Sheet as on 31st March, 2016

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital accounts:		Cash at bank	18,000
Jay	1,50,000	Stock	75,000
Ajay	1,50,000	Furniture	90,000
Reserve fund	30,000	Investments	30,000
Loan from Jay	3,000	Machinery	90,000
Bills payable	6,000	Buildings	45,000
Creditors	30,000	Debtors	24,000
		Less: R.D.D.	3,000
	3,69,000		3,69,000

The firm was dissolved on 31st March, 2016 and the assets realised were as under:

- Jay took over the investment at ₹ 27,600 and Ajay took over the furniture at ₹ 84,000.
- The assets were realised as follows :
Stock ₹ 73,500; Debtors ₹ 22,500;
Machinery ₹ 84,000; Building ₹ 42,000
- The creditors were paid off at a discount of ₹ 900 and other liabilities were paid in full.
- Dissolution expenses were ₹ 4,200.
- Jay and Ajay were sharing profits and losses in the ratio of 3 : 2.

Prepare : (1) Realisation Account
(2) Capital Account of all partners
(3) Bank Account

[July 18]

Ans: Realisation Loss = ₹ 20,700; Settlement amount paid to Partners: Jay = ₹ 1,27,980, Ajay = ₹ 69,720

**Adjustments for Bad Debts and Assets taken over by Partners**

Q.8. Ravi, Avi and Shastri were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1 respectively. Their Balance Sheet as on 31-03-2013 was as follows:

Balance Sheet as on 31st March 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Creditors		28,000	Buildings		25,000
Bills Payable		2,000	Machinery		10,000
Ravi's Loan		6,000	Stock		5,000
Capital A/c's:			Debtors		18,700
Ravi	20,500		Furniture		2,000
Avi	15,000		Bank		600
Shastri	2,000	37,500	Loss for the year		9,000
		73,500			73,500

They decided to dissolve the firm On the above date.

- Buildings were sold for ₹ 22,000; Machinery for ₹ 5,220 and Stock for ₹ 1,300.
- Furniture was taken over by Avi at a value of ₹ 1,300.
- Debts worth ₹ 2,200 turned out to be bad.
- ₹ 27,200 were paid to creditors in full satisfaction of their claims and Bills Payable were paid in full.
- Expenses of Realisation amounted to ₹ 1,000.

Show Realisation and Capital Accounts of the partners.

Ans: Realisation Loss = ₹ 14,400; Settlement amount paid to Partners: Ravi = ₹ 8,800; Avi = ₹ 5,900;
Settlement amount received from Partners: Shastri = ₹ 1,900

Adjustments for Partner's Loan Account

Q.9. Anand and Niranjan are partners sharing profits and losses in the ratio of 3 : 2. They decided to dissolve the firm on 31st March, 2013 on which date their Balance Sheet was as follows:

Balance Sheet as at 31st March, 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹
Capitals:			Cash	500
Anand	10,000		Bank	1,500
Niranjan	8,500	18,500	Debtors	10,500
Creditors		5,000	Stock	7,500
Niranjan's Loan A/c		1,000	Machinery	7,000
Reserve Fund		2,500		
		27,000		27,000

The assets realized as follows:

- Stock ₹ 7,000; Machinery ₹ 5,000 and Debtors ₹ 9,750.
- Creditors allowed discount 2%.
- The expenses of realization were ₹ 350.

Pass necessary Journal Entries in the books of the Firm.

Ans: Realisation Loss = ₹ 3,500; Total of Journal Proper: ₹ 81,500
Settlement amount paid to Partners: Anand = ₹ 9,400; Niranjan = ₹ 8,100



Adjustment for Partner's Loan Account

Q.10. Ajay, Vijay and Sunny are partners sharing profit and loss in the ratio of their capital. Their Balance Sheet as on 31-03-12 is as given below:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Bank	6,000
Ajay	20,000	Bills Receivable	3,000
Vijay	20,000	Computer	18,000
Sunny	10,000	Vehicles	20,000
Reserve fund	18,000	Plant & Machinery	18,000
Sundry Creditors	14,000	Furniture & Fixtures	2,000
Bills Payable	20,000	Land & Building	40,000
Sunny's Loan	6,000		
	1,08,000		1,08,000

The firm was dissolved on the above date and Assets realised as under:

- Bills Receivable ₹ 3,800; Computer ₹ 16,000; Vehicle ₹ 18,000 less discount of 10%; Land & Building ₹ 50,000.
- Sundry Creditors allowed a discount of 20%.
- Bills Payable were cleared for ₹ 18,000.
- Dissolution expenses amounted to ₹ 3,000 and Sunny's Loan was paid in full.

Prepare necessary ledger accounts to effect the dissolution of firm.

Ans: Realisation Profit = ₹ 7,600; Bank Account Total = ₹ 1,13,800

Settlement amount paid to Partners: Ajay = ₹ 30,400; Vijay = ₹ 30,240; Sunny = ₹ 15,120

Adjustments for Assets taken over by partner and Partners' Loan account

Q.11. The following is the balance sheet of Pravin and Angel as on 31st Mar, 2012.

Balance Sheet as on 31st Mar, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Goodwill	4,000
Pravin	12,000	Land & Building	12,000
Angel	10,000	Furniture	2,400
Reserves	4,000	Stock	10,000
Pravin's Loan	4,000	Debtors	7,200
Creditors	6,000	Bank	2,400
Bills Payable	2,000		
	38,000		38,000

On 1st April, 2012, the firm was dissolved and Assets were realised as follows:

Land & Building ₹ 14,000; Stock ₹ 8,000 and Debtors at book value.

Pravin took over Furniture at ₹ 4,000.

Creditors were paid ₹ 5,400 in full settlement and other liabilities were paid in full.

Realisation Expenses amounted to ₹ 1,000.

Prepare necessary ledger accounts in the books of firm and pass journal entries to give effect to the dissolution.

Ans: Realisation Loss = ₹ 2,800; Bank Account Total = ₹ 31,600; Total of Journal Proper: ₹ 1,15,200

Settlement amount paid to Partners: Pravin = ₹ 8,600; Angel = ₹ 10,600

**Adjustments for Assets taken over by Partner and Partner's Loan Account**

Q.12. Abhijit and Shital were equal partners. On 31st March, 2012 their Balance Sheet was as under:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Building	20,000
Abhijit	40,000	Machinery	10,000
Shital	30,000	Furniture	10,000
Reserve Fund	8,000	Debtors	8,800
Abhijit's Loan	2,000	Less: R.D.D.	800
Creditors	15,000	Stock	20,000
		Investments	4,000
		Commission Receivable	1,000
		Cash at Bank	10,000
	95,000		95,000

The firm was dissolved on 31st March, 2012.

- The assets realised were as follows:
Stock ₹ 19,000; Debtors ₹ 7,500; Machinery ₹ 11,000 and Building ₹ 14,000.
- Shital took over investments at ₹ 5,000 and furniture at book value.
- Abhijit agreed to accept ₹ 1,500 in full settlement of his loan account.
- Dissolution expenses amounted to ₹ 2,000.

Prepare Realisation A/c, Partner's Capital A/c, Abhijit's Loan A/c and Bank A/c.

Ans: Realisation Loss = ₹ 18,000; Bank Account Total = ₹ 61,500
Settlement amount paid to Partners: Abhijit = ₹ 35,000; Shital = ₹ 8,000

Adjustments for Assets taken over by Partners, Partner's Loan Account and Contingent Liability

Q.13. Anita, Babita and Sarita were carrying on business. The Profit sharing ratio was 5 : 3 : 2. Their Balance Sheet as on 31st March, 2013:

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors		20,500	Plant and Machinery		17,500
Babita's Loan		4,500	Investments		2,800
General Reserve		20,000	Stock		28,000
Capitals:			Sundry Debtors	18,000	
Anita	18,000		Less: Provision	1,000	17,000
Babita	8,000		Goodwill		5,300
Sarita	3,500	29,500	Cash at bank		3,900
		74,500			74,500

They decided to dissolve their firm on this date and the assets realised as under:

- Investments ₹ 3,000; Stock ₹ 24,000; Debtors ₹ 12,000.
- Sundry Creditors and Babita's Loan were fully paid up.
- Plant and Machinery was taken over by Anita at book-value.
- Nothing was realised for goodwill.
- A contingent liability of ₹ 3,500 was matured at the time of realisation.
- Expenses of realisation amounted to ₹ 400.

Prepare the necessary Ledger Accounts and close the books of the firm.

Ans: Realisation Loss = ₹ 18,000; Bank Account Total = ₹ 42,900
Settlement amount paid to Partners: Anita = ₹ 1,500; Babita = ₹ 8,600; Sarita = ₹ 3,900


Adjustments for Assets & Liabilities taken over by Partners

Q.14. Uday and Prabhakar are partners sharing profit and losses in the proportion of $\frac{3}{5}$ and $\frac{2}{5}$ respectively. They dissolved their partnership firm of 31st March, 2012 when their financial position was as under:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors	15,000	Cash at Bank		3,000
Uday's Wife's Loan	30,000	Debtors	67,500	
Capital A/c's:		Less: R.D.D.	7,500	60,000
Uday	1,38,000	Stock		1,35,000
Prabhakar	90,000	Machinery		45,000
		Furniture		30,000
	2,73,000			2,73,000

- The assets were realised as under: Goodwill ₹ 15,000; Stock ₹ 1,20,000 and Debtors ₹ 54,000
 - Machinery was taken over by Prabhakar at ₹ 40,000 and furniture by Uday at book value.
 - Uday agreed to discharge his wife's loan.
 - The creditors were paid at a rebate of ₹ 3,000.
 - The expenses of dissolution amounted to ₹ 6,000.
- Pass necessary Journal Entries in the books of the firm.

[Oct 14]

Ans: Realisation Loss = ₹ 14,000; Total of Journal Proper = ₹ 25,000
Settlement amount paid to Partners: Uday = ₹ 1,29,600; Prabhakar = ₹ 44,400

Adjustments for Assets & Liabilities taken over by Partner

Q.15. The following is the Balance Sheet of Patil and Kumbhar on 31st March, 2012.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors		38,000	Cash at Bank		11,500
Mrs. Patil's Loan		10,000	Stock		46,000
Kumbhar's Loan		15,000	Debtors	20,000	
Reserve		5,000	Less: R.D.D.	1,000	19,000
Capitals:			Furniture		14,000
Patil	70,000		Plant and Machinery		78,000
Kumbhar	48,000	1,18,000	Investment		10,000
			Profit and Loss A/c		7,500
		1,86,000			1,86,000

The firm was dissolved on the above date and the following adjustments were made:

- Patil took over investments at ₹ 8,000 and agreed to pay off the loan of Mrs. Patil.
- The assets realised as below:
 - Stock ₹ 45,000;
 - Debtors ₹ 18,500;
 - Furniture ₹ 14,500;
 - Plant and Machinery ₹ 75,000.
- The creditors were paid off less 2½ discount and the cost of dissolution amounted to ₹ 1,100.
- Patil and Kumbhar shared profits and losses in the ratio of 3 : 2.

You are required to prepare the Realisation Account; Partners' Capital Accounts and Cash A/c.

Ans: Realisation Loss = ₹ 6,150; Cash / Bank Account Total = ₹ 1,64,500
Settlement amount paid to Partners: Patil = ₹ 66,810; Kumbhar = ₹ 44,540

**Adjustments for Assets & Liabilities taken over by Partners**

- Q.16. Kusum, Shanta and Lata are partners in the firm 'Bhagirathi Stores' sharing profits and losses in the ratio of 3 : 2 : 1 respectively. On 31st March, 2013 they decided to dissolve the firm when their Balance Sheet was as under:

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	14,400	Cash at Bank	1,680
Bills Payable	10,800	Debtors	15,000
Capitals:		Investments	1,720
Kusum	1,13,580	Machinery	36,500
Shanta	72,000	Stock	22,500
Lata	54,000	Building	51,000
		Motor Car	83,800
		Goodwill	22,800
	2,64,780		2,64,780

The following arrangements were made to give effect to the dissolution:

- Shanta took over goodwill, stock and debtors at book values and agreed to pay creditors and bills payable.
- Kusum agreed to take over the building at ₹ 61,000.
- Investments were taken by Lata at the agreed value of ₹ 21,720.
- Motor car and Machinery realized ₹ 75,540 and ₹ 15,840 respectively.

Pass necessary journal entries in the books of Bhagirathi Stores.

Ans: Realisation Loss = ₹ 21,600; Bank Account Total = ₹ 93,060; Total of Journal Proper = ₹ 6,69,660
Settlement amount paid to Partners: Kusum = ₹ 40,980; Shanta = ₹ 29,400; Lata = ₹ 22,680

Adjustments for Assets & Liabilities taken over by Partners and Unrecorded Liability

- Q.17. Amir, Bala and Chandu were partners sharing profits and losses in proportion of 3 : 2 : 1 respectively. On 31st March, 2013 their Balance Sheet was as follows:

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors		15,000	Cash at Bank		14,500
Bills Payable		4,000	Stock		19,800
Mrs. Amir's Loan		9,000	Sundry Debtors	15,000	
Capital A/c's:			Less: R.D.D.	1,000	14,000
Amir	25,000		Furniture		4,000
Bala	20,000		Plant & Machinery		47,700
Chandu	15,000	60,000			
Reserve Fund		12,000			
		1,00,000			1,00,000

The firm was dissolved and the below arrangement were made:

- Debtors realised ₹ 16,500 and Plant and Machinery ₹ 40,000. Realization expenses were ₹ 1,000.
- Stock was taken over by Chandu for ₹ 18,000 and he agreed to pay the bills payable at book value.
- Furniture was taken over by Amir for ₹ 5,000 and he agreed to pay his wife's loan in full.
- Additionally, an outstanding liability for a bill for ₹ 1,700 not included in accounts had to be paid.

Prepare: i. Realization Account; ii. Capital Accounts and
iii. Bank Account

Ans: Realisation Loss = ₹ 8,700; Bank Account Total = ₹ 71,000
Settlement amount paid to Partners: Amir = ₹ 30,650; Bala = ₹ 21,100; Chandu = ₹ 1,550


Adjustment for Assets and Liabilities taken over by Partners and Realisation Expenses paid by Partner

Q.18. Geeta, Seeta and Reeta are partners sharing Profits and Losses in the ratio of their capital, decided to dissolve the firm on 31-03-12, on which date, their Balance Sheet is as given below:

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Sundry Debtors	20,000
Geeta	24,000	Stock	8,000
Seeta	16,000	Building	10,000
Reeta	8,000	Machinery	4,000
Partner's Current A/c's:		Furniture	4,000
Geeta	4,000	Cash in Hand	6,000
Seeta	6,000	Profit & Loss A/c	9,000
General Reserve	6,000	Reeta Current A/c	5,000
Bank Overdraft	9,000		
Sundry Creditors	7,000		
	80,000		80,000

Dissolution was effected as follows.

- Geeta will accept 50% of Furniture at ₹ 1,000 & Building for ₹ 8,000 and will also discharge 40% of Creditors for ₹ 3,000.
 - Seeta agreed to take 50% of the Sundry Debtors at 20% discount and Machinery for ₹ 6,000. She also agreed to pay Dissolution Expenses of ₹ 1,000.
 - Remaining Furniture was sold at a profit of ₹ 200 and Debtors realised 25% below cost.
- Prepare necessary ledger accounts and also give Journal Entries to effect the dissolution of firm.

Ans: Realisation Loss = ₹ 10,500; Cash Account Total = ₹ 33,700; Total of Journal Proper = ₹ 2,04,900
Settlement amount paid to Partners: Geeta = ₹ 1,250; Seeta = ₹ 4,500; Reeta = ₹ 750

Adjustments for Assets and Liabilities taken over by Partners, Realisation Expenses paid by Partner and Partner's Loan Account

Q.19. Following is the Balance Sheet of Sunita, Amita and Madhu as on 31-03-12 sharing profits and losses in the ratio of 5 : 3 : 2. They decided to dissolve the firm and their last balance sheet is as given below.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Cash at Bank	4,000
Sunita	20,000	Building	32,000
Amita	15,000	Sundry Debtors	18,000
Madhu	10,000	Less: R.D.D	2,000
Reserve Fund	6,000	Plant & Machinery	12,000
Sunita's Loan	4,000	Stock	4,200
Bank Loan	10,000	Furniture	1,800
Sundry Creditors	10,000	Goodwill	10,000
Bills Payable	5,000		
	80,000		80,000

The firm was dissolved and Assets were realised as under:

- Sunita agreed to take over Building for ₹ 20,000 and Stock at discount of ₹ 200. She also agreed to discharge Bank Loan along with interest ₹ 200.
- Amita agreed to take over Debtors for ₹ 2,000 and Plant & Machinery for ₹ 8,000 and also agreed to discharge Sundry Creditors and Bills Payable in full.
- Madhu took over furniture for ₹ 1,500 and agreed to pay Realisation Expenses ₹ 1,000



iv. Nothing realised for goodwill.

Prepare necessary ledger accounts to effect the dissolution of firm.

Ans: Realisation Loss = ₹ 41,700; Bank Account Total = ₹ 15,650

Settlement amount paid to Partners: Amita = ₹ 9,290; Madhu = ₹ 2,360

Settlement amount received from Partners: Sunita = ₹ 11,650

Adjustment for Partner's Loan Account, Assets taken over by Partners and Settlement of Liabilities by direct transfer of Assets

Q.20. A, B & C are equal partners. They decided to dissolve the firm on 31st March, 2012.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Building	40,000
A	40,000	Machinery	22,000
B	30,000	Furniture	15,000
C	30,000	Debtors	9,200
Reserve fund	24,000	Less: R.D.D.	800
A's Loan	10,000	Stock	13,000
Creditors	17,000	Investments	25,000
		Commission Receivable	11,000
		Bank	6,000
		Cash in hand	10,000
	1,51,000		1,51,000

i. The Assets realised as : Stock ₹ 15,000; Machinery ₹ 17,200; Debtors ₹ 8,800; Building ₹ 46,000

ii. B took over Investments for ₹ 24,000 and C took over Furniture for ₹ 12,000.

iii. A agreed to take over "Commission Receivable" for settlement of his loan.

iv. Dissolution Expenses amounted to ₹ 3,500.

Pass Journal Entries and prepare necessary Ledger Accounts to close books of firm

Ans: Realisation Loss = ₹ 5,500; Cash /Bank Account Total = ₹ 1,03,000; Total of Journal Proper = ₹ 4,09,100

Settlement amount paid to Partners: A = ₹ 46,167, B = ₹ 12,167, C = ₹ 24,166

Adjustments for Accumulated Losses, Partner's Loan Account, No information about settlement of Bills Payable and Payment of Contingent Liability

Q.21. Following is the Balance Sheet of X and Y sharing Profits and Losses in the ratio of their capital. They decided to dissolve their firm on the date of the below Balance Sheet.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Cash in hand	2,000
X	20,000	Sundry Debtor	6,000
Y	10,000	Less: R.D.D.	500
Minor Loan	5,500	Stock	7,000
Bills Payable	14,000	Building	22,000
Bank Loan	8,000	Plant & Machinery	12,000
		Goodwill	4,000
		Profit & Loss A/c	5,000
	57,500		57,500

Asset and Liabilities realised as under:

All debtors proved to be good, Stock and Building realised ₹ 14,000, Computer realised 4,000 while machinery was taken over by X and goodwill by Y. Realisation expenses ₹ 2,000 and Bank Loan along with Interest ₹ 500 were discharged by Y. Contingent Liability of ₹ 200 paid in cash.

Prepare necessary ledger accounts to give effect to the dissolution of firm.

Ans: Realisation Loss = ₹ 13,200; Cash Account Total = ₹ 30,133

Settlement amount paid to Partners: Y = ₹ 10,433; Settlement amount received from Partners: X = ₹ 4,133


Adjustments for Insolvency of one partner – Part amount recovered

Q.22. Rajani, Rohini and Rani were partners in a firm sharing profit and losses in the ratio of 2 : 2 : 1 respectively. Their Balance Sheet as on 31st March, 2013 was as follows:

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Creditors		20,000	Cash at Bank		8,000
Bills Payable		5,000	Debtors	16,000	
General Reserve		6,000	Less: R.D.D.	1,000	15,000
Rajani's Loan		16,000	Stock		20,000
Capital A/c's:			Plant & Machinery		30,000
Rajani	25,000		Furniture		6,000
Rohini	10,000	35,000	Rani's Capital		3,000
		82,000			82,000

They decided to dissolve their firm on the above date.

- The assets realised as Debtors ₹ 9,000; Plant and Machinery ₹ 26,000; Stock ₹ 14,000 and Furniture ₹ 3,000.
- Creditors were paid ₹ 18,000 in full settlement and the Bills Payable were settled without any discount.
- Realisation expenses amounted to ₹ 3,000.
- Rani became insolvent and could bring in only ₹ 1,000 from her private estate.

You are required to prepare Realisation Account; Partner's Capital Accounts and Cash / Bank Account.

Ans: Realisation Loss = ₹ 20,000; Bank Account Total = ₹ 61,800; Deficiency of Rani = ₹ 4,000; Deficiency of Rani shared by: Rajani = ₹ 2,000, Rohini = ₹ 2,000; Settlement amount paid to Partners: Rajani = ₹ 17,400, Rohini = ₹ 2,400

Adjustment for Insolvency of Partner – Part amount recovered from Insolvent Partner

Q.23.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Cash at Bank	2,000
Sony	18,000	Sundry Debtors	7,000
Mony	7,000	Plant & Machinery	14,000
Sundry Creditors	12,000	Stock	4,000
Bills Payable	8,000	Land & Building	10,000
		Goodwill	6,000
		Tony's Capital	2,000
	45,000		45,000

On the above date the firm was dissolved due to insolvency of Mr. Tony. Assets and Liabilities were realised under:

- Sundry Debtors ₹ 4,000; Machinery ₹ 8,000; Goodwill and Building 20% below book value.
- Creditors allowed a discount of 10% and Bills payable were paid in full.
- Tony brought only ₹ 1,000 in cash on a first and final dividend from his private property.
- Partners share 5 : 3 : 2

Prepare necessary Ledger Accounts to effect the dissolution of firm.

Ans: Realisation Loss = ₹ 11,000; Bank Account Total = ₹ 31,800

Deficiency of Tony = ₹ 3,200; Deficiency of Tony shared by: Sony = ₹ 2,000; Mony = ₹ 1,200

Settlement amount paid to Partners: Sony = ₹ 10,500; Mony = ₹ 2,500

**Adjustments for Assets and Liabilities taken over by partners, Insolvency of one partner – Part amount recovered**

Q.24. Following is the Balance Sheet of Rushabh, Rushi and Manali sharing profits and losses in the ratio 7 : 5 : 3.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Building	1,00,000
Rushabh	90,000	Machinery	70,000
Rushi	80,000	Furniture	20,000
General Reserve	15,000	Stock	10,000
Rushabh's Loan	27,000	Debtors	12,000
Creditors	13,000	Bills Receivable	5,000
Bills Payable	9,000	Bank	4,000
		Manali's Capital	10,000
	2,34,000		2,34,000

On the above date the firm was dissolved and assets realised as under:

- Rushi took over Furniture and stock at ₹ 30,000 and agreed to pay creditors at discount of ₹ 1,000.
- Building ₹ 1,20,000 ; Machinery ₹ 60,000, Debtors ₹ 10,000 and Goodwill ₹ 2,000.
- Rushabh took over Bills Receivable at ₹ 5,000 and agreed to settle his loan for ₹ 26,000.
- Dissolution expenses amounted to ₹ 1,500 paid by Rushabh on behalf of firm.
- Manali became insolvent & only 50 paise in a rupee could be recovered from her estate.

Show Realisation A/c, Partner's Capital A/c and Bank A/c.

Ans: Realisation Profit ₹ 7,500; Bank Account Total = ₹ 1,98,750; Amount brought in by Manali = ₹ 2,750
 Deficiency of Manali = ₹ 2,750; Deficiency of Manali shared by: Rushabh = ₹ 1,604; Rushi = ₹ 1,146
 Settlement amount paid to Partner: Rushabh = ₹ 1,21,396; Rushi = ₹ 68,354

Adjustments for Contingent Liability and Insolvency of one partner – Part amount recovered

Q.25. Vijay, Vinod and Vivek share profit in the ratio of 8 : 4 : 3. Their balance sheet was as below:

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	4,000	Machinery	2,000
Overdraft	6,000	Goodwill	3,000
Capital Account's		Stock and Debtors	19,000
Vijay	12,000	Profit and Loss	6,000
Vinod	9,000	Vivek's Capital	1,000
	31,000		31,000

Vivek is declared insolvent, firm is dissolved and assets realised as follows:

- Stock and Debtors ₹ 18,000; Goodwill Nil; Machinery at book value.
- A contingent liability against the firm for ₹ 3,000 is cleared.
- Creditors allowed discount of 10%.
- Vivek could pay only 25 paise in a rupee of the balance due.

Give ledger accounts to close the books of the firm.

Ans: Realisation Loss = ₹ 6,600; Bank Account Total = ₹ 20,880; Amount brought by Vivek = ₹ 880
 Deficiency of Vivek = ₹ 2,640; Deficiency of Vivek shared by: Vijay = ₹ 1,760; Vinod = ₹ 880
 Settlement amount paid to Partners: Vijay = ₹ 3,520; Vinod = ₹ 4,760


Adjustments for Assets & Liabilities taken over by Partners and Insolvency of one partner—No amount recovered

Q.26. Following is the balance sheet of Kulkarni, Solkar and Bhave as on 31st March, 2013. They were sharing profits and losses in the ratio 1/2 : 1/6 : 1/3.

Balance Sheet as on 31st March, 2013

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Buildings	18,000
Kulkarni	24,000	Machinery	13,500
Solkar	21,500	Furniture	4,000
General Reserve	12,000	Stock	20,000
Kulkarni's Loan	7,500	Debtors	10,000
Creditors	12,500	Bills Receivable	6,000
Bills Payable	7,500	Bank	3,000
		Profit & Loss A/c	1,500
		Bhave's Capital	8,500
	85,000		85,000

On the above date the firm was dissolved and the below adjustments are to be made:

- Dissolution Expenses ₹ 1,600.
- Kulkarni took over Stock and Furniture at ₹ 20,000 and paid Sundry Creditors at a discount of ₹ 500.
- Solkar took over Bills Receivable at ₹ 5,200 and paid Bills Payable in full.
- The assets realised as – Building ₹ 18,000; Machinery ₹ 12,000; Debtors ₹ 5,000 and Goodwill ₹ 900;
- Bhave was declared insolvent and no amount was recovered from his private estate.

Prepare: Realisation Account; Partners' Capital Accounts and Bank Account.

Ans: Realisation Loss = ₹ 12,000; Bank Account Total = ₹ 38,900

Deficiency of Bhave = ₹ 9,000; Deficiency of Bhave shared by: Kulkarni = ₹ 6,750, Solkar = ₹ 2,250

Settlement amount paid to Partners: Kulkarni = ₹ 8,500, Solkar = ₹ 21,300

Adjustments for Partner's Current Account, Bank Loan and Outstanding Interest on Bank Loan and Insolvency of Partner – No amount recovered from Insolvent Partner

Q.27. Following is the Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Cash at Bank	4,000
Ramesh	20,000	Stock	24,000
Mahesh	18,000	Machinery	28,000
Suresh	12,000	Sundry Debtors	18,000
Partner's Current A/c's:		Furniture	6,000
Ramesh	4,000	Mahesh's Current A/c	2,000
Suresh	3,000		
Bank Overdraft	4,000		
General Reserve	3,000		
Sundry Creditors	12,000		
Bank Loan	6,000		
	82,000		82,000

On the above date, the firm was dissolved and the assets realised as under:

- Stock and Machinery realised 80% of the book value. Sundry Debtors all proved to be good and Furniture realised ₹ 4,000.
- Realisation Expenses ₹ 1,000 and Sundry Creditors were paid in full.
- Bank Loan was repaid along with interest @ 20% p.a. for 3 months.
- Mahesh became insolvent and nothing could be recovered from his private estate.

Prepare necessary ledger accounts to effect the dissolution of firm.

Ans: Realisation Loss = ₹ 13,700; Bank Account Total = ₹ 67,600

Settlement amount paid to Partners: Ramesh = ₹ 20,433; Mahesh = ₹ 12,433; Suresh = ₹ 11,434

**Adjustments for Assets taken over by partners and Insolvency of two partners – Part amount recovered from one partner**

Q.28. Nayan, Prem & Rupa were partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve the firm when the state of affairs was as follows on 31st Mar, 2012.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Machinery	22,000
Nayan	70,000	Investments	21,000
Prem	5,000	Stock	3,000
Creditors	29,000	Debtors	36,600
Nayan's Loan	18,000	Bank	9,400
		Capital A/c	
		Rupa	3,600
	1,22,000		1,22,000

- Investments were fully taken over by Nayan in full settlement of his share.
 - The other assets except cash at bank realised ₹ 65,000.
 - Creditors were paid at discount of ₹ 500 and the expenses for dissolution were ₹ 1,700.
 - Prem and Rupa declared insolvent and 40 paise in a rupee was recovered from Rupa's estate.
- Prepare necessary ledger accounts and pass journal entries in the books of the firm.

Ans: Realisation Loss = ₹ 27,200; Bank Account Total = ₹ 7,650; Total of Journal Proper: ₹ 3,20,053
 Amount brought in by Rupa = ₹ 3,253; Deficiency of Partners: Prem = ₹ 4,067; Rupa = ₹ 4,880
 Settlement amount paid to Nayan = ₹ 47,453

Adjustments for Insolvency of all partners

Q.29. Mr. Aaba and Mr. Baba are equal partners whose Balance Sheet as on 31st Mar, 2012 was as under

Balance Sheet as on 31st Mar, 2012

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	16,000	Cash in Hand	500
Capital A/c's		Stock	4,500
Aaba	2,000	Debtors	4,000
Baba	2,000	Plant and Machinery	5,000
		Furniture	2,000
		Land and Building	4,000
	20,000		20,000

Due to weak financial position of the partners the firm is dissolved. Aaba and Baba are not able to contribute anything from their private estate, hence they are declared insolvent.

The assets are realised as follows:

Stock ₹ 3,000, Plant and Machinery ₹ 3,000, Furniture ₹ 1,000, Land and Building ₹ 2,000 and Debtors ₹ 1,000 only.

Realisation expenses amounted to ₹ 500.

You are required to prepare necessary Ledger Accounts to close the books of the firm.

[Mar 15]

Ans: Realisation Loss = ₹ 10,000; Cash Account Total = ₹ 10,500; Deficiency Account Total = ₹ 6,000
 Capital Deficiency of Partners: Aaba = ₹ 3,000; Baba = ₹ 3,000



Adjustments for Partners' Loan Account and Insolvency of All Partners

Q.30. Ajit, Sumit and Purohit are equal partners. Their Balance sheet as on 31-03-12 is as given below:

Balance Sheet as on 31.03.12

Liabilities	Amount ₹	Assets	Amount ₹
Partner's Capital A/c's:		Cash in hand	5,000
Ajit	12,000	Stock	4,000
Purohit	14,000	Machinery	3,000
Purohit's Loan	4,000	Furniture	2,000
Sundry Creditors	29,000	Land & Building	12,000
		Debtors	14,000
		Sumit's Capital A/c	7,000
	59,000		59,000

Due to insolvency of all the partners, it was decided to dissolve the firm. The assets were realised as under:

- Stock ₹ 1,000; Machinery ₹ 3,000; Furniture ₹ 4,000; Land & Building ₹ 8,000 and Debtors ₹ 6,000.
- Realisation Expenses ₹ 400 were paid.
- Nothing was recovered from Ajit and Purohit but Mr. Sumit contributed ₹ 1,200 by selling his private property.

Prepare necessary ledger accounts to effect the dissolution of firm.

Ans: Realisation Loss = ₹ 27,400; Cash Account Total = ₹ 26,200; Deficiency Account Total = ₹ 14,933

Capital Deficiency of Partners: Ajit = Nil; Purohit = Nil; Sumit = ₹ 14,933

Adjustments for Partner's Loan Account and Insolvency of all partners

Q.31. Mohit, Amit and Sumit are equal partners, whose Balance Sheet as on 31st March, 2012 was under:

Balance Sheet as at 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	25,000	Cash in hand	250
Mohit's Loan	5,000	Stock	3,000
Capital Account:		Debtors	5,000
Mohit	3,000	Plant & Machinery	10,000
Sumit	3,500	Furniture & Fittings	5,000
		Land & Building	10,000
		Amit's Capital A/c	3,250
	36,500		36,500

As the partners were declared insolvent and the firm was dissolved. Mohit and Sumit were not able to contribute anything and a sum of ₹ 1,000 was received from Amit. The assets realised as below:

Stock ₹ 1,500, Plant & Machinery ₹ 4,000, Furniture & Fittings ₹ 2,000 Land & Building ₹ 5,000 and Debtors ₹ 2,750.

Realisation expenses amounted ₹ 250.

Prepare necessary Ledger Accounts to close the books of the firm.

Ans: Realisation Loss = ₹ 18,000; Cash Account Total = ₹ 16,500; Deficiency Account Total = ₹ 10,750

Capital Deficiency of Partners: Mohit = Nil; Amit = 8,250; Sumit = ₹ 2,500

**Adjustments for Insolvency of all partners and Secured loans settled through Realisation of assets**

Q.32. D & C were partners sharing profits and losses equally. On 31st Mar, 2012, their Balance Sheet was as under:

Balance Sheet as at 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c's:		Building	37,500
D	12,000	Machinery	7,500
C	9,000	Furniture	3,000
Bank Loan (Secured by Building)	33,000	Stock	5,500
Bank Overdraft (Secured by Machinery)	6,000	Debtors	22,500
Creditors	17,100	Cash	750
Bills Payable	5,700		
	82,800		82,800

The firm was dissolved on the above date due to insolvency of D & C.

Assets Realised: Furniture ₹ 3,000; Debtors ₹ 10,000; Stock ₹ 3,500; Building ₹ 33,000; Machinery ₹ 7,000

Nothing recovered from the estate of D and 30% amount recovered from C's estate. Close the books of firm.

[Hint: Since Bank loan and Bank overdraft are secured against assets, they will be paid in full]

Ans: Realisation loss = ₹ 25,550; Cash Account Total = ₹ 58,383; Insolvency Account Total = ₹ 3,417

Amount brought in by C = ₹ 1,133; Deficiency of Partner D = ₹ 775; C = ₹ 2,642

Objective Type Questions

I. Answer in one sentence only:

[1 mark each]

*1. What is dissolution of partnership firm?

Ans: Dissolution of partnership firm means complete closure of partnership business.

*2. When is Realisation Account opened?

Ans: Realisation Account is opened at the time of the dissolution of partnership firm.

*3. Why is Realisation Account opened?

Ans: Realisation Account is opened in order to ascertain the profit or loss on realisation of assets and liabilities.

*4. Which accounts are transferred to Realisation Account?

Ans: Cash / Bank Account, Partner's Capital Account, Partner's Current Account, Partner's Loan Account and General Reserve and any other Reserves are not transferred to Realisation Account.

*5. Which account is debited on payment of dissolution expenses? [Oct 15]

Ans: Realisation Account is debited on payment of dissolution expenses.

*6. Which account is debited on repayment of partner's loan?

Ans: Partner's Loan Account is debited on repayment of Partners Loan.

7. On dissolution, the balance, if any, in Partners Loan Account after repayment is transferred to which account?

Ans: On dissolution, the balance, if any, in Partners Loan Account, is transferred to Realisation account.

*8. In what proportion is the balance on Realisation Account transferred to partner capital Account?

Ans: The balance on Realisation Account is transferred to Partner's Capital Account in their Profit Sharing Ratio.

*9. Who is called Insolvent person?

Ans: A person who is unable to pay off his liabilities in full is called an Insolvent person.

*10. What is Capital Deficiency? [Mar 17]

Ans: When an insolvent partner is unable to contribute his share of cash in the business and his account shows a debit balance it means Capital Deficiency.

***11. Who should bear the capital deficiency of insolvent partner?**

Ans: The Capital deficiency of insolvent partner should be borne by the Solvent Partners.

12. Who bears the deficiency of Partners Capital Account when all partners become Insolvent.

Ans: Creditors bear the deficiency of Partners Capital Account when all the partners become insolvent.

13. Which Account is closed automatically on dissolution of partnership firm?

Ans: Cash / Bank Account is closed automatically on dissolution of partnership firm.

II. Write the word/ term/ phrase which can substitute each of the following statements: [1 mark each]

- *1. Winding up of partnership business. **[Mar 17, Oct 15]**
- *2. Conversion of assets into cash on dissolution of firm.
- *3. An account opened to find out the Profit or Loss on Sale of Assets and Settlement of Liabilities.
- *4. The account which shows Realisation of Assets and Discharge of Liabilities.
- *5. Expenses incurred on dissolution of a firm. **[Mar 14, July 17]**
- *6. Debit balance in Realisation Account. **[Oct 14]**
- *7. Credit balance in Realisation Account.
- *8. Assets which are not recorded in the books of accounts. **[Mar 18]**
- *9. Liability likely to arise in future on happening of certain events.
- 10. A partner who is unable to pay off his debt at the time of dissolution.
- *11. Debit balance of an Insolvent Partner's Capital Account.
- 12. Account opened when all the partners become insolvent.
- 13. In case of insolvency of all the partners balance of Deficiency Account borne by.

- Ans:**
- | | |
|---|-------------------------|
| 1. Dissolution of Partnership | 2. Realisation |
| 3. Realisation Account | 4. Realisation Account |
| 5. Realisation Expenses / Dissolution Expense | |
| 6. Realisation Loss | 7. Realisation Profit |
| 8. Unrecorded Assets | 9. Contingent Liability |
| 10. Insolvent partner | 11. Capital Deficiency |
| 12. Deficiency Account | 13. Creditors |

III. Select the most appropriate alternative from those given below and rewrite the statements:**[1 mark each]**

- *1. All the activities of the partnership firm cease (stop) on _____ of firm.
(A) dissolution (B) admission (C) retirement (D) none of these
- *2. If the number of partners in a firm falls below two, the firm stands _____.
(A) dissolved (B) established (C) Realised (D) None of these
- *3. In case of dissolution, Assets and Liabilities are transferred to _____.
(A) Bank Account (B) Partner's Capital Account
(C) Realisation Account (D) Partner's Current Account
- 4. _____ Account is not transferred to Realisation Account at the time of dissolution.
(A) Creditor (B) R.D.D. (C) Fixed Asset (D) General Reserve
- *5. Realisation account is _____ on realisation of assets.
(A) debited (B) credited (C) deducted (D) none of these
- *6. If any asset is taken over by partner from firm his Capital Account will be _____.
(A) credited (B) debited (C) added (D) none of these
- *7. Assets and Liabilities are transferred to Realisation Account at their _____ value. **[Mar 14, July 17]**
(A) market (B) purchase (C) sale (D) book
- *8. Dissolution expenses are credited to _____. **[Mar 15]**
(A) Realisation Account (B) Cash / Bank Account
(C) Partner's Capital Account (D) Partner's loan Account
- *9. If any unrecorded liability is paid on dissolution of the firm _____ account is debited. **[Mar 18]**
(A) Cash / Bank (B) Realisation (C) Partner's Capital (D) Loan



10. Credit balance of _____ Account means Profit on Realisation.
(A) Realisation (B) Bank (C) Capital (D) Deficiency
11. Debit balance of Realisation Account shows _____ on Realisation.
(A) Loss (B) Deficiency (C) Expenses (D) Profit
12. The loss on Realisation Account is shared by _____.
(A) Creditors (B) All partners (C) Solvent partners (D) Insolvent Partners
- *13. Deficiency of Insolvent Partner will be suffered by solvent partner's in their _____ ratio.
(A) Capital (B) Profit – Sharing (C) Sale (D) Liquidity
- *14. Partnership is compulsorily dissolved when the partners of the firm become _____.
(A) Solvent (B) Insolvent (C) Creditor (D) None of these
15. On payment of Partner's Loan _____ Account is credited.
(A) Realisation (B) Bank (C) Capital (D) Current
- Ans:** 1. (A) 2. (A) 3. (C) 4. (D)
5. (B) 6. (B) 7. (D) 8. (B)
9. (B) 10. (A) 11. (A) 12. (B)
13. (B) 14. (B) 15. (B)

IV. State whether the following statements are TRUE or FALSE:**[1 mark each]**

1. Dissolution of Partnership Firm means total winding up of partnership business.
- *2. Dissolution takes place when the relation among the partner's comes to an end.
- *3. The firm is dissolved automatically on the retirement of a partner.
- *4. At the time of dissolution of partnership firm all the assets should be transferred to Realisation Account. **[July 18]**
- *5. At the time of dissolution, loan from partner will be transferred to Realisation Account. **[July 16]**
6. When a partner takes over any liability, Realisation Account is credited.
7. Unrecorded Assets are also to be considered and realised on dissolution of a firm.
- *8. On dissolution Bank Overdraft is transferred to Realisation Account.
9. The balance of General Reserve will not be transferred to insolvent Partners Capital Account at the time of dissolution.
10. Debit balance of Realisation Account indicates profit on Realisation.
11. Excess of credit over debit in Realisation Account indicates loss on realisation.
12. The Realisation Profit or loss is shared by the partners in their Profit Sharing ratio.
- *13. The insolvency loss at the time of dissolution of the firm is shared by the Solvent Partner's in their Profit Sharing ratio.
14. The balance of Realisation Account is transferred to Bank Account.
- *15. Realisation loss is not transferred to insolvent Partner's Capital Account.
- *16. Debit balance of Insolvent Partner's Capital Account is known as Capital Deficiency. **[Mar 15]**
- *17. A solvent partner having debit balance to his Capital Account does not share the deficiency of Insolvent partner's Capital Account.
- *18. On dissolution Cash or Bank Account is closed automatically. **[July 17, Oct 14]**

- Ans:** 1. True 2. True 3. False 4. False
5. False 6. False 7. True 8. True
9. False 10. False 11. False 12. True
13. True 14. False 15. False 16. True
17. False 18. True



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