

Maharashtra State Board 12th Book Keeping & Accountancy Solutions Chapter 6 Dissolution of Partnership Firm

1. Objective Questions.

A. Select the most appropriate answer from the alternatives given below and rewrite the sentences.

Question 1.

In case of dissolution assets and liabilities are transferred to _____ Account.

- (a) Bank Account
- (b) Partner's Capital Account
- (c) Realisation Account
- (d) Partner's Current Account

Answer:

- (c) Realisation Account

Question 2.

Dissolution expenses are credited to _____ Account.

- (a) Realisation Account
- (b) Cash/Bank Account
- (c) Partner's Capital Account
- (d) Partner's Loan Account

Answer:

- (b) Cash/Bank Account

Question 3.

Deficiency of insolvent partner will be suffered by solvent partners in their _____ ratio.

- (a) capital ratio
- (b) profit sharing ratio
- (c) sale ratio
- (d) liquidity ratio

Answer:

- (b) profit sharing ratio

Question 4.

If any asset is taken over by partner from firm his Capital Account will be _____

- (a) credited
- (b) debited
- (c) added
- (d) divided

Answer:

- (b) debited

Question 5.

If any unrecorded liability is paid on dissolution of the firm _____ account is debited.

- (a) Cash/Bank Account
- (b) Realisation Account
- (c) Partner's Capital Account
- (d) Loan Account

Answer:

- (b) Realisation Account

Question 6.

Partnership is completely dissolved when the partners of the firm become _____

- (a) solvent
- (b) insolvent
- (c) creditor
- (d) debtors

Answer:

- (b) insolvent

Question 7.

Assets and liabilities are transferred to Realisation Account at their _____ values.

- (a) market
- (b) purchase
- (c) sale
- (d) book

Answer:

(d) book

Question 8.

If the number of partners in a firm falls below two, the firm stands _____

(a) dissolved

(b) established

(c) realisation

(d) restructured

Answer:

(a) dissolved

Question 9.

Realisation Account is _____ on realisation of asset.

(a) debited

(b) credited

(c) deducted

(d) closed

Answer:

(b) credited

Question 10.

All activities of partnership firm ceases on _____ of firm.

(a) dissolution

(b) admission

(c) retirement

(d) death

Answer:

(a) dissolution

B. Write a word/phrase/term which can substitute each of the following statements.

Question 1.

Debit balance of Realisation Account.

Answer:

Realization Loss

Question 2.

Winding up of partnership business.

Answer:

Dissolution of Partnership

Question 3.

An account is opened to find out the profit or loss on sale of assets and settlement of liabilities.

Answer:

Realization A/c

Question 4.

Debit balance of an Insolvent Partner's Capital Account.

Answer:

Capital Deficiency

Question 5.

The credit balance of the Realisation Account.

Answer:

Realization Profit

Question 6.

Conversion of asset into cash on the dissolution of the firm.

Answer:

Realisation

Question 7.

Liability is likely to arise in the future on the happening of certain events.

Answer:

Contingent Liabilities

Question 8.

Assets that are not recorded in the books of accounts.

Answer:

Unrecorded Assets

Question 9.

The account shows the realization of assets and discharge of liabilities.

Answer:

Realization A/c

Question 10.

Expenses incurred on the dissolution of the firm.

Answer:

Dissolution/Realisation Expenses

C. State whether the following statements are True or False with reasons.

Question 1.

The firm must be dissolved on the retirement of a partner.

Answer:

This statement is False.

On the retirement of a partner, if the partnership agreement allows, then the remaining partner can continue the business activities. It means the firm is not to dissolve.

Question 2.

On dissolution Cash/Bank Account is closed automatically.

Answer:

This statement is True.

As the firm is dissolved, there is no question of any business activities to be carried out further and so Cash/Bank Account is also not necessary. Therefore on dissolution Cash/Bank Account is closed automatically.

Question 3.

On dissolution, Bank overdraft is transferred to Realisation Account.

Answer:

This statement is True.

As a sundry liability of the business, bank overdraft is a liability of a firm and hence, it is transferred to Realisation Account at the time of dissolution and paid a third party Liability.

Question 4.

A solvent partner having a debit balance to his Capital Account does not share the deficiency of insolvent partner Capital Account.

Answer:

This statement is False.

In the partnership, the partner's liability is unlimited so, a solvent partner having a debit balance to his Capital Account should share the deficiency of the insolvent partner capital account.

Question 5.

At the time of dissolution of the partnership, all assets should be transferred to Realisation Account.

Answer:

This statement is False.

At the time of dissolution of the partnership, the cash account and Bank A/c are not transferred to Realisation A/c. Similarly, if an asset is taken over by a partner or by any creditor then that asset is transferred to the concerned person's account and not to the Realisation Account.

Question 6.

The debit balance of an insolvent partner's Capital Account is known as a capital deficiency.

Answer:

This statement is True.

Debit balance of Partners' Capital Account means the excess of drawings than the capital credit balance. In the case of an insolvent partner, the debit balance of the Capital Account means liabilities which he cannot pay. It means capital deficiency.

Question 7.

At the time of dissolution, a loan from a partner will be transferred to Realisation Account.

Answer:

This statement is False.

At the time of dissolution, a loan from a partner will be paid after the payment of liabilities of third parties to the firm. It is not transferred to Realisation Account. Partner's Loan A/c is separately opened and paid accordingly.

Question 8.

Dissolution takes place when the relationship among the partners comes to an end.

Answer:

This statement is True.

As per definition, Dissolution means to wind up or to close down, and it is possible only when relations among the partners in a partnership firm come to an end.

Question 9.

The insolvency loss at the time of dissolution of the firm is shared by the solvent partners in their profit sharing ratio.

Answer:

This statement is True.

In the partnership, partners' liability is unlimited and in case of insolvency loss, legally solvent partners are ultimately liable and are suppose to bear the loss of an insolvent partner in their profit sharing ratio.

Question 10.

Realization loss is not transferred to insolvent partner's Capital Account.

Answer:

This statement is False.

All partners of the firm are responsible for Loss on realization and hence loss on realization is supposed to be transferred to all Partners' Capital Account, without any discrimination of solvent or insolvent.

D. Calculate the following:

Question 1.

Vinod, Vijay, and Vishal are partners in a firm sharing profit and losses in the ratio of 3 : 2 : 1. Vishal becomes insolvent and his capital deficiency is ₹ 6000. Distribute the capital deficiency among the solvent partner.

Answer:

Here, capital deficiency of ₹ 6000 is to be distributed among continuing partners in their profit and loss sharing ratio, i.e. 3 : 2

Share of deficiency for Vinod = $6,000 \times \frac{3}{5} = ₹ 3,600$

Share of deficiency for Vijay = $6,000 \times \frac{2}{5} = ₹ 2,400$

Vinod and Vijay will bear ₹ 3,600 and ₹ 2,400 of Vishal's capital deficiency.

Question 2.

Creditors ₹ 30,000, Bills Payable ₹ 20,000, and Bank Loan ₹ 10,000. Available Bank balance ₹ 40,000. What will be the amount that creditors will get in case of all partner's insolvency?

Answer:

Ratio of creditors, Bills payable and Bank Loan = 30,000 : 20,000 : 10,000 i.e., 3 : 2 : 1

Amount received by creditors = $\frac{3+2+1}{6} \times 40,000$

= $\frac{3}{6} \times 40,000$

= ₹ 20,000.

Question 3.

Insolvent Partner Capital A/c debit side total is ₹ 10,000 and credit side total is ₹ 6,000. Calculate deficiency.

Answer:

Deficiency of insolvent partner = Debit side total – Credit side total

= 10,000 – 6,000

= ₹ 4,000.

Question 4.

Insolvent Partners Capital A/c debit side is ₹ 15,000 and insolvent partner brought cash ₹ 6,000. Calculate the amount of insolvency loss to be distributed among the solvent partners.

Answer:

₹ 9,000 (15,000 – 6,000) is the amount of insolvency loss to be distributed among the solvent partners.

Question 5.

The realization profit of a firm is ₹ 6,000, partners share profit and loss in the ratio of 3 : 2 : 1. Calculate the amount of realization profit to be credited to Partners' Capital A/c.

Answer:

Distribution of ₹ 6,000 in 3 : 2 : 1 ratio

$6,000 \times \frac{3}{6} = ₹ 3,000$, $6,000 \times \frac{2}{6} = ₹ 2,000$, $6,000 \times \frac{1}{6} = ₹ 1,000$

Amount of realisation profit ₹ 3,000, ₹ 2,000 and ₹ 1,000 is to be credited to Partner's Capital A/c respectively.

E. Answer in one sentence only.

Question 1.

What is the dissolution of the partnership firm?

Answer:

Dissolution of the partnership firm means complete closure of business activities and stoppage of partnership relations among all the partners.

Question 2.

When is Realisation Account opened?

Answer:

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

Question 3.

Which accounts are not transferred to Realisation Account?

Answer:

Cash/Bank balance, Reserve funds, Profit and Loss A/c balance, Partners' Loan accounts, etc. are not transferred to Realisation Account.

Question 4.

Who is called an insolvent person?

Answer:

Whose capital A/c shows debit balance and who is not in a position to meet his capital deficiency even from his private property is called an insolvent person.

Question 5.

What is capital deficiency?

Answer:

The debit balance of the insolvent partner's Capital Account which the insolvent partner cannot pay is called a capital deficiency.

Question 6.

In what proportion is the balance on Realisation Account transferred to Partners Capital/Current Accounts?

Answer:

The balance on the Realisation Account is transferred to Partners Capital/Current Accounts in their profit sharing ratio.

Question 7.

Who should bear the capital deficiency of insolvent partners?

Answer:

The capital deficiency of insolvent partners should be borne by the solvent partners.

Question 8.

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

Answer:

Partner's Loan Account is debited on repayment of partner's loan.

Question 9.

Which account is debited on payment of dissolution expenses?

Answer:

Realisation Account is debited on payment of dissolution expenses.

F. Complete the table.



Question 1.

1) Debit side total of Realisation A/c ₹ 20,000	Credit side total of Realisation A/c ?	Loss on Realisations ₹ 4,000
2) Creditors ₹ 16,000	Bills Payable ₹ 12,000	Third Party Liabilities ?
3) Credit side total of Realisation A/c ₹ 21,000	Debit side total of Realisation A/c ₹ 16,000	Profit on Realisation ?
4) Debit side total of Capital A/c ₹ 51,000	Credit side total of Capital A/c ?	Cash brought by partner ₹ 17,000
5) Capital Deficiency ?	Cash brought by Insolvent Partner ₹ 7,000	Insolvent Loss ₹ 21,000

Answer:

(1) Debit side total of Realisation A/c ₹ 20,000	Credit side total of Realisation A/c ₹ 16,000	Loss on Realisations ₹ 4,000
(2) Creditors ₹ 16,000	Bills Payable ₹ 12,000	Third Party Liabilities ₹ 28,000
(3) Credit side total of Realisation A/c ₹ 21,000	Debit side total of Realisation A/c ₹ 16,000	Profit on Realisation ₹ 5,000
(4) Debit side total of Capital A/c ₹ 51,000	Credit side total of Capital A/c ₹ 34,000	Cash brought by partner ₹ 17,000
(5) Capital Deficiency ₹ 28,000	Cash brought by insolvent partner ₹ 7,000	Insolvent Loss ₹ 21,000

Practical Problems

(Simple Dissolution)

Question 1.

Ganesh and Kartik are partners sharing profits and losses equally. They decided to dissolve the firm on 31st March 2018. Their Balance Sheet was as under:

Balance Sheet as of 31st March 2018

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	18,400	Building	88,000
Bills Payable	5,600	Furniture	12,000
Reserve Fund	20,000	Debtors	32,000
Capital A/c :		Stock	24,000
Genesh	40,000	Bills Receivable	4,000
Kartik	80,000	Cash	4,000
	1,64,000		1,64,000

Assets were realised as under:

Building ₹ 82,000, Debtors ₹ 22,000, Stock ₹ 20,000. Bills Receivable ₹ 3,200 and Ganesh agreed to take over Furniture for ₹ 10,000. Realisation Expenses amounted to ₹ 2,000.

Show Realisation A/c, Partners' Capital A/c, and Cash A/c.

Solution:

In the books of Ganesh and Kartik

Dr. Realisation Account			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	88,000		Creditors	18,400	
Furniture	12,000		Bills Payable	5,600	24,000
Debtors	32,000		By cash A/c		
Stock	24,000		Building	82,000	
Bills Receivable	4,000	1,60,000	Debtors	22,000	
To Cash A/c			Stock	20,000	
Creditors	18,400		Bills Receivable	3,200	1,27,200
Bills Payable	5,600		By Ganesh's Capital A/c		
Realisation Expense	2,000	26,000	Furniture		10,000
			By Partners' Capital A/c		
			(Loss on Realisation transferred)		
			Ganesh	12,400	
			Kartik	12,400	24,800
		1,86,000			1,86,000

Dr. Partners' Capital Accounts			Cr.		
Particulars	Ganesh (₹)	Kartik (₹)	Particulars	Ganesh (₹)	Kartik (₹)
To Realisation A/c (Furniture)	10,000	-	By Balance b/d	40,000	80,000
To Realisation A/c (Loss on Realisation)	12,400	12,400	By Reserve Fund A/c	10,000	10,000
To Cash A/c	27,600	77,600			
	50,000	90,000		50,000	90,000

Dr. Cash Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,000	By Realisation A/c (Liabilities)	26,000
To Realisation A/c (Assets)	1,27,200	By Ganesh's Capital A/c	27,600
		By Kartik's Capital A/c	77,600
	1,31,200		1,31,200

Working Notes:

1. Amount paid to Ganesh and Kartik are ₹ 27,600 and ₹ 77,600 respectively.
2. Loss on Realisation and Reserve fund amounts are equally distributed.
3. Furniture is taken over by Ganesh so his Capital A/c is debited.

Question 2.

Leela, Manda, and Kunda are partners in the firm 'Janki Stores' sharing profits and losses in the ratio of 3 : 2 : 1 respectively. On 31st March 2018, they decided to dissolve the firm when their Balance Sheet was as under.

Balance Sheet as of 31st March 2018

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	28,800	Building	1,02,000
Bills Payable	21,600	Machinery	73,000
Capital A/c's		Motor Car	1,67,600
Leela	2,27,160	Goodwill	45,600
Manda	1,44,000	Investment	62,400
Kunda	1,08,000	Debtors	30,600
		Stock	45,000
		Bank	3,360
	5,29,560		5,29,560

Leela agreed to take over the Building at ₹ 1,23,600. Manda took over Goodwill, Stock, and Debtors at book values and agreed to pay Creditors and Bills payable. Motor car and Machinery realized ₹ 1,51,080 and ₹ 31,680 respectively. Investments were taken by Kunda at an agreed value of ₹ 55,440. Realisation expenses amounted to ₹ 6,800.

Pass necessary entries in the books of 'Janki Stores'.

Solution:

In the books of 'Janki Stores'

Journal Entries

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
1	Realisation A/c Dr. To Building A/c To Machinery A/c To Motor Car A/c To Goodwill A/c To Investments A/c To Debtors A/c To Stock A/c (Being sundry assets transferred to Realisation A/c)		5,26,200	1,02,000 73,000 1,67,600 45,600 62,400 30,600 45,000
2	Creditors A/c Dr. Bills Payable A/c Dr. To Realisation A/c (Being sundry liabilities transferred to Realisation A/c)		28,800 21,600	50,400
3	Bank A/c Dr. To Realisation A/c (Being amount received for assets sold)		1,82,760	1,82,760
4	Realisation A/c Dr. To Bank A/c (Being amount paid for Realisation expense)		6,800	6,800
5	Leela's Capital A/c Dr. To Realisation A/c (Being Building taken over by Leela)		1,23,600	1,23,600
6	Manda's Capital A/c Dr. To Realisation A/c (Being Goodwill, Stock, Debtors taken over by Manda)		1,21,200	1,21,200
7	Kunda's Capital A/c Dr. To Realisation A/c (Being Investments taken over by Kunda)		55,440	55,440
8	Realisation A/c Dr. To Manda's Capital A/c (Being creditors and Bills payable amount paid by Manda)		50,400	50,400
9	Leela's Capital A/c Dr. Manda's Capital A/c Dr. Kunda's Capital A/c Dr. To Realisation A/c (Being loss of Realisation transferred to Partners' Capital A/c)		25,000 16,667 8,333	50,000
10	Leela's Capital A/c Dr. Manda's Capital A/c Dr. Kunda's Capital A/c Dr. To Realisation A/c (Being final settlement made)		78,560 56,533 44,227	1,79,320

Working Notes:
In the books of Leela, Manda, and Kunda

Dr. Realisation Account			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	1,02,000		Creditors	28,800	
Machinery	73,000		Bills Payable	21,600	50,400
Motor Car	1,67,600		By Bank A/c		
Goodwill	45,600		Motor Car	1,51,080	
Investments	62,400		Machinery	31,680	1,82,760
Debtors	30,600		By Leela's Capital A/c		1,23,600
Stock	45,000	5,26,200	Building		
To Bank A/c			By Manda's Capital A/c		
Realisation Expense		6,800	Goodwill	45,600	
To Manda's Capital A/c			Stock	45,000	
Creditors	28,800		Debtors	30,600	1,21,200
Bills Payable	21,600	50,400	By Kunda's Capital A/c		55,440
			Investments		
			By Partners' Capital A/c		
			(Loss on Realisation transferred)		
			Leela	25,000	
			Manda	16,667	
			Kunda	8,333	50,000
		5,83,400			5,83,400

Dr. Partners' Capital Accounts				Cr.			
Particulars	Leela (₹)	Manda (₹)	Kunda (₹)	Particulars	Leela (₹)	Manda (₹)	Kunda (₹)
To Realisation A/c (Building)	1,23,600	-	-	By Balance b/d	2,27,160	1,44,000	1,08,000
To Realisation A/c (Goodwill + Stock + Debtors)	-	1,21,200	-	By Realisation A/c (Creditors + B. P.)	-	50,400	-
To Realisation A/c (Investments)	-	-	55,440				
To Realisation A/c (Loss on Realisation)	25,000	16,667	8,333				
To Bank A/c	78,560	56,533	44,227				
	2,27,160	1,94,400	1,08,000		2,27,160	1,94,400	1,08,000

Dr. Bank Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	3,360	By Realisation Expense A/c	6,800
To Realisation A/c (Assets)	1,82,760	By Leela's Capital A/c	78,560
		By Manda's Capital A/c	56,533
		By Kunda's Capital A/c	44,227
	1,86,120		1,86,120

Question 3.

Shailesh and Shashank were partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as of 31st March 2019 was as follows:

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account :		Building	7000
Shailesh	10,000	Plant	9,000
Shashank	6,000	Debtors	14,000
Current Account :		Stock	5,000
Shailesh	3,000	Bank	6,000
Shashank	2,000		
Creditors	17,400		
Bills payable	2,600		
	41,000		41,000

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

1. Plant ₹ 8,000, Building ₹ 6,000, Stock ₹ 4,000 and Debtors ₹ 12,000.
2. Shailesh agreed to pay off the Bills Payable.
3. Creditors were paid in full.
4. Dissolution expenses were ₹ 1,400.

Prepare Realisation A/c, Partners' Current A/c, Partners' Capital A/c, and Bank A/c.

Solution:

In the books of Shailesh and Shashank

Dr.			Realisation Account		Cr.
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	7,000		Creditors	17,400	
Plant	9,000		Bills Payable	2,600	20,000
Debtors	14,000		By Bank A/c		
Stock	5,000	35,000	Plant	8,000	
To Shailesh's Current A/c			Building	6,000	
Bills Payable		2,600	Stock	4,000	
To Bank A/c			Debtors	12,000	30,000
Dissolution Expense	1,400		By Partners' Current A/c		
Creditors	17,400	18,800	(Loss on Realisation transferred)		
			Shailesh	3,840	
			Shashank	2,560	6,400
		56,400			56,400

Dr.			Partners' Current Account		Cr.
Particulars	Shailesh (₹)	Shashank (₹)	Particulars	Shailesh (₹)	Shashank (₹)
To Realisation A/c - Loss	3,840	2,560	By Balance b/d	3,000	2,000
To Partners' Capital A/c	1,760	-	By Bills Payable A/c	2,600	
			By Partners' Capital A/c	-	560
	5,600	2,560		5,600	2,560

Dr.			Partners' Capital Account		Cr.
Particulars	Shailesh (₹)	Shashank (₹)	Particulars	Shailesh (₹)	Shashank (₹)
To Partner's Current A/c	-	560	By Balance c/d	10,000	6,000
To Bank A/c	11,760	5,440	By Partner's Current A/c	1,760	-
	11,760	6,000		11,760	6,000

Dr.			Bank Account		Cr.
Particulars	Amount (₹)		Particulars	Amount (₹)	
To Balance b/d	6,000		By Realisation A/c (Exp. and Liabilities)	18,800	
To Realisation A/c (Assets)	30,000		By Shailesh's Capital A/c	11,760	
			By Shashank's Capital A/c	5,440	
	36,000			36,000	

Question 4.

Asha, Usha, and Nisha were partners sharing profits and losses in the ratio of 2 : 2 : 1. The following is the Balance Sheet as of 31st March 2019.

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts :		Machinery	1,00,000
Asha	1,20,000	Investment	48,000
Usha	40,000	Debtors	1,10,000
Nisha	40,000	Less : R. D. D.	6,000
General Reserve	12,000	Stock	40,000
Creditors	80,000	Profit and Loss A/c	36,000
Asha's Loan A/c	16,000	Bank	8,000
Bills payable	28,000		
	3,36,000		3,36,000

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

1. Assets were realised at: Machinery ₹ 90,000, Stock ₹ 36,000, Investment ₹ 42,000 and Debtors ₹ 90,000.
2. Dissolution expenses were ₹ 6,000.
3. Goodwill of the firm realized ₹ 48,000.

Pass Journal Entries to close the books of the firm.

Solution:

In the books of Asha, Usha, and Nisha

Journal Entries

Date	Particulars	L.F.	Amount (₹)	Amount (₹)
1	Realisation A/c Dr. To Machinery A/c To Investments A/c To Debtors A/c To Stock A/c (Being sundry assets transferred to Realisation A/c)		2,98,000	1,00,000 48,000 1,10,000 40,000
2	Creditors A/c Dr. Bills Payable A/c Dr. R.D.D. A/c Dr. To Realisation A/c (Being sundry liabilities transferred to Realisation A/c)		80,000 28,000 6,000	1,14,000
3	General Reserve A/c Dr. To Asha's Capital A/c To Usha's Capital A/c To Nisha's Capital A/c (Being General reserve transferred to Partners' Capital A/c)		12,000	4,800 4,800 2,400
4	Bank A/c Dr. To Realisation A/c (Being assets realised)		3,06,000	3,06,000
5	Realisation A/c Dr. To Bank A/c (Being Liabilities paid off)		1,14,000	1,14,000
6	Realisation A/c Dr. To Asha's Capital A/c To Usha's Capital A/c To Nisha's Capital A/c (Being Realisation profit transferred to Partner's Capital A/c)		8,000	3,200 3,200 1,600
7	Asha's Capital A/c Dr. Usha's Capital A/c Dr. Nisha's Capital A/c Dr. To Bank A/c (Being final settlement made)		1,13,600 33,600 36,800	1,84,000

Working Notes:

In the books of Asha, Usha, and Nisha

Dr. Realisation Account			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Machinery	1,00,000		Creditors	80,000	
Investments	48,000		Bills Payable	28,000	
Debtors	1,10,000		R.D.D.	6,000	1,14,000
Stock	40,000	2,98,000	By Bank A/c		
To Bank A/c			Machinery	90,000	
Dissolution Expense	6,000		Stock	36,000	
Creditors	80,000		Investments	42,000	
Bills Payable	28,000	1,14,000	Debtors	90,000	
To Partners' Capital A/c			Goodwill	48,000	3,06,000
(Profit on Realisation transferred)					
Asha	3,200				
Usha	3,200				
Nisha	1,600	8,000			
		4,20,000			4,20,000

Dr. Partners' Capital Accounts				Dr.			
Particulars	Asha (₹)	Usha (₹)	Nisha (₹)	Particulars	Asha (₹)	Usha (₹)	Nisha (₹)
To Profit and Loss A/c	14,400	14,400	7,200	By Balance b/d	1,20,000	40,000	40,000
To Balance c/d	1,13,600	33,600	36,800	By Realisation A/c	3,200	3,200	1,600
				– Profit			
				By General Reserve A/c	4,800	4,800	2,400
	1,28,000	48,000	44,000		1,28,000	48,000	44,000

Dr. Bank Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	8,000	By Realisation A/c (Liabilities)	1,14,000
To Realisation A/c (Assets)	3,06,000	By Asha's Loan A/c	16,000
		By Asha's Capital A/c	1,13,600
		By Usha's Capital A/c	33,600
		By Nisha's Capital A/c	36,800
	3,14,000		3,14,000

Question 5.

Seeta and Geeta are partners in the firm sharing profits and losses in the ratio of 4 : 1. They decided to dissolve the partnership on 31st March 2020 on which date their Balance Sheet stood as follows:

Balance Sheet as of 31st March 2020

Liabilities	Amount ₹	Assets	Amount ₹
Capital		Furniture	14,000
Seeta	90,000	Plant	65,000
Geeta	40,000	Trademark	8,000
Sundry Creditors	35,000	Sundry Debtors	48,000
Bank Loan	15,000	Less - R. D. D.	3,000
		Stock	30,000
		Cash in hand	10,000
		Advertisement Suspense	8,000
	1,80,000		1,80,000

Additional Information:

1. Plant and Stock took over by Seeta at ₹ 78,000 and ₹ 22,000 respectively.
2. Debtors realised 90% of the book value and Trademark at ₹ 5,000 and Goodwill was realised for ₹ 27,000.
3. Unrecorded assets estimated at ₹ 4,500 were sold for ₹ 1,500.
4. ₹ 1,000 Discounts were allowed by creditors while paying their claim.
5. The Realisation expenses amounted to ₹ 3,500.

You are required to prepare Realisation A/c, Cash A/c, and Partners' Capital A/c.

Solution:

In the books of Seeta and Geeta

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Furniture	14,000		Bank Loan	15,000	
Plant	65,000		Sundry Creditors	35,000	50,000
Trademark	8,000		By R.D.D. A/c (Transfer)		3,000
Sundry Debtors	48,000		By Seeta's Capital A/c		
Stock	30,000	1,65,000	Plant	78,000	
To Cash A/c			Stock	22,000	1,00,000
Bank Loan	15,000		By Cash A/c		
Sundry Creditors	34,000		Debtors	43,200	
Expenses	3,500	52,500	Trademark	5,000	
To Partners' Capital A/c			Goodwill	27,000	
(Profit)			Unrecorded Assets	1,500	76,700
Seeta	9,760				
Geeta	2,440	12,200			
		2,29,700			2,29,700

Dr.		Partners' Capital Accounts		Cr.	
Particulars	Seeta (₹)	Geeta (₹)	Particulars	Seeta (₹)	Geeta (₹)
To Advertisement Suspense A/c (Deferred Expense/Loss)	6,400	1,600	By Balance b/d	90,000	40,000
To Realisation A/c (Assets taken over)	1,00,000	-	By Realisation A/c (Profit)	9,760	2,440
To Cash A/c (Final payment)	-	40,840	By Cash A/c (Amount contributed)	6,640	-
	1,06,400	42,440		1,06,400	42,440

Dr.		Cash Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	10,000	By Realisation A/c	52,500		
To Realisation A/c	76,700	By Geeta's Capital A/c	40,840		
To Seeta's Capital A/c	6,640				
	93,340			93,340	

Working Notes:

1. Bank Loan is an external liability of the firm and therefore it is transferred to Realisation A/c.
2. Amount recovered from Debtors = 90% of Gross Debtors = $90/100 \times 48,000 = ₹ 43,200$.
3. Amount paid to creditors = Value of Creditors – Discount given = $35,000 - 1,000 = ₹ 34,000$.
4. Sale of unrecorded assets for ₹ 1,500 is recorded on the credit side of Realisation A/c and debit side of Cash A/c.
5. It is presumed that Furniture realised nothing.

Question 6.

Sangeeta, Anita, and Smita were in partnership sharing profits and losses in the ratio 2 : 2 : 1. Their Balance Sheet as of 31st March 2019 was as under:

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital :		Land	2,10,000
Sangeeta	60,000	Plant	20,000
Anita	40,000	Goodwill	15,000
Smita	30,000	Debtors	1,25,000
Sangeeta's Loan A/c	1,20,000	Loans and Advances	15,000
Sundry Creditors	1,20,000	Bank	5,000
Bills Payable	20,000		
	3,90,000		3,90,000

They decided to dissolve the firm as follows:

1. Assets realised as; Land recovered ₹ 1,80,000; Goodwill for ₹ 75,000; Loans and Advance realised ₹ 12,000; 10% of the Debts proved bad.
2. Sangeeta took Plant at book value.
3. Creditors and Bills payable paid at 5% discount.
4. Sandhya's loan was discharged along with ₹ 6,000 as interest.
5. There was a contingent liability in respect of bills of ₹ 1,00,000 which was under discount. Out of them, a holder of one bill of ₹ 20,000 became insolvent.

Show Realisation Account, Partners' Capital Account, and Bank Account.

Solution:

In the books of Sangeeta, Anita, and Smita

Dr			Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)	
To Sundry Assets A/c			By Sundry Liabilities A/c			
Land	2,10,000		Sundry Creditors	1,20,000		
Plant	20,000		Bills Payable	20,000		
Goodwill	15,000		Sandhya's Loan	1,20,000	2,60,000	
Debtors	1,25,000		By Sangeeta's Capital A/c		20,000	
Loans and Advances	15,000	3,85,000	(Plant)			
To Bank A/c			By Bank A/c			
Creditors	1,14,000		Land	1,80,000		
Bills Payable	19,000	1,33,000	Goodwill	75,000		
To Bank A/c			Loans and Advances	12,000		
Sandhya's Loan		1,26,000	Debtors	1,12,500	3,79,500	
To Bank A/c		20,000	By Partners' Capital A/c			
(Contingent liability paid)			(Loss on Realisation transferred)			
			Sangeeta	1,800		
			Anita	1,800		
			Smita	900	4,500	
		6,64,000			6,64,000	

Dr.				Partners' Capital Accounts				Cr.	
Particulars	Sangeeta (₹)	Anita (₹)	Smita (₹)	Particulars	Sangeeta (₹)	Anita (₹)	Smita (₹)		
To Realisation A/c	20,000	-	-	By Balance b/d	60,000	40,000	30,000		
To Realisation A/c - Loss	1,800	1,800	900						
To Bank A/c	38,200	38,200	29,100						
	60,000	40,000	30,000		60,000	40,000	30,000		

Dr.	Bank Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Sandhya's Loan A/c	1,26,000
To Realisation A/c – Assets	3,79,500	By Realisation A/c	20,000
		By Realisation A/c – Liabilities	1,33,000
		By Sangeeta's Capital A/c	38,200
		By Anita's Capital A/c	38,200
		By Smita's Capital A/c	29,100
	3,84,500		3,84,500

Working Notes:

1. Amount paid towards Sandhya's Loan = Loan amount + Interest due on loan
 = 1,20,000 + 6,000
 = ₹ 1,26,000

2. Amount received from Debtors = Debtors - Bad debts
 = 1,25,000 - 10% of 1,25,000
 = 1,25,000 - 12,500
 = ₹ 1,12,500

3. Amount paid to Creditors = Creditor - 5% discount
 = 1,20,000 - 5% on 1,20,000
 = 1,20,000 - 6,000
 = ₹ 1,14,000

4. Amount paid towards Bills payable = Bills payable - 5% discount
 = 20,000 - 5% on 20,000
 = 20,000 - 1,000
 = ₹ 19,000

5. Bill of ₹ 1,00,000 was discounted with the Bank. On the due date, bank could not recover ₹ 20,000 from one bill holder as he was declared insolvent. Therefore, we are required to settle that contingent liability of ₹ 20,000.

Question 7.

Saiesh, Sumit, and Hemant were in partnership sharing Profits and Losses in the ratio 2 : 2 : 1. They decided to dissolve their partnership firm on 31st March 2019 and their Balance Sheet on that date stood as;

Balance Sheet as of 31st March 2019

Liabilities		Amount ₹	Assets		Amount ₹
Capital :			Plant		1,20,000
Saiesh	90,000		Debtors		45,000
Sumit	60,000		Stock		75,000
Hemant	30,000	1,80,000			
Loan		12,000			
Sundry Creditors		9,000			
Bank Overdraft		39,000			
		2,40,000			2,40,000

It was agreed that;

1. Saiesh to discharge Loan and to take Debtors at book value.
2. Plant realised ₹ 1,35,000.
3. Stock realised ₹ 72,000.
4. Creditors were paid off at a discount of ₹ 45.

Show Realisation Account, Partners' Capital Account, and Bank Account.

Solution:

In the books of Saiesh, Sumit, and Hemant

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Plant	1,20,000		Loan	12,000	
Debtors	45,000		Sundry Creditors	9,000	21,000
Stock	75,000	2,40,000	By Bank A/c		
To Bank A/c		8,955	Plant	1,35,000	
Sundry Creditors			Stock	72,000	2,07,000
To Saiesh's Capital A/c – Loan		12,000	By Saiesh's Capital A/c		45,000
To Partners' Capital A/c			Debtors		
(Profit on Realisation transferred)					
Saiesh	4,818				
Sumit	4,818				
Hemant	2,409	12,045			
		2,73,000			2,73,000

Dr.		Partners' Capital Accounts				Cr.	
Particulars	Saiesh (₹)	Sumit (₹)	Hemant (₹)	Particulars	Saiesh (₹)	Sumit (₹)	Hemant (₹)
To Debtors A/c	45,000	–	–	By Balance b/d	90,000	60,000	30,000
To Bank A/c	61,818	64,818	32,409	By Loan A/c	12,000	–	–
				By Realisation A/c	4,818	4,818	2,409
				– Profit			
	1,06,818	64,818	32,409		1,06,818	64,818	32,409

Dr.		Bank Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Realisation A/c – (Assets)	2,07,000	By Balance b/d (overdraft)	39,000		
		By Realisation A/c	8,955		
		By Saiesh's Capital A/c	61,818		
		By Sumit's Capital A/c	64,818		
		By Hemant's Capital A/c	32,409		
	2,07,000		2,07,000		

(When one partner become Insolvent)

Question 8.

Sitaram, Gangaram, and Rajaram are partners sharing profits and losses in the ratio of 4 : 2 : 3. On 1st April 2019 they agreed to dissolve the partnership, their Balance Sheet was as follows:

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital :		Building	55,000
Sitaram	65,000	Machinery	25,000
Gangaram	45,000	Furniture	12,000
Rajaram	7,000	Investment	15,000
Reserve Fund	18,000	Bills Receivable	3,500
Profit and Loss Account	5,400	Sundry Debtors	21,000
Loan from Tukaram	10,000	Stock	28,000
Sundry Creditors	12,000	Cash in hand	5,500
Bills Payable	4,600	Cash at Bank	2,000
	1,67,000		1,67,000

The assets realised: Building ₹ 46,750; Machinery ₹ 18,550; Furniture ₹ 9,600; Investment ₹ 10,650; Bill Receivable and Debtors ₹ 20,750. All the liabilities were paid off. The cost of realisation was ₹ 800. Rajaram becomes bankrupt and ₹ 1,100 only was recovered from his estate.

Show Realisation Account, Bank Account, and Capital Account of the partners.

Solution:

In the books of Sitaram, Gangaram and Rajaram

Dr.			Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)	
To Sundry Assets A/c			By Sundry Liabilities A/c			
Building	55,000		Loan from Tukaram	10,000		
Machinery	25,000		Sundry Creditors	12,000		
Furniture	12,000		Bills Payable	4,600	26,600	
Investments	15,000		By Bank A/c			
Bills Receivable	3,500		Building	46,750		
Sundry Debtors	21,000		Machinery	18,550		
Stock	28,000	1,59,500	Furniture	9,600		
To Bank A/c			Investments	10,650		
Loan from Tukaram	10,000		Bills Receivable and			
Realisation Expense	800		Debtors	20,750	1,06,300	
Sundry Creditors	12,000		By Partners' Capital A/c			
Bills Payable	4,600	27,400	(Loss on Realisation transferred)			
			Sitaram	24,000		
			Gangaram	12,000		
			Rajaram	18,000	54,000	
		1,86,900			1,86,900	

Dr.			Partners' Capital Accounts		Cr.		
Particulars	Sitaram (₹)	Gangaram (₹)	Rajaram (₹)	Particulars	Sitaram (₹)	Gangaram (₹)	Rajaram (₹)
To Realisation A/c - Loss	24,000	12,000	18,000	By Balance b/d	65,000	45,000	7,000
To Rajaram's Capital A/c	1,400	700	-	By Reserve Fund A/c	8,000	4,000	6,000
To Bank A/c	50,000	37,500		By Profit and Loss A/c	2,400	1,200	1,800
				By Bank A/c	-	-	1,100
				(Amount recovered)			
				By Sitaram's Capital A/c	-	-	1,400
				By Gangaram's Capital A/c	-	-	700
	75,400	50,200	18,000		75,400	50,200	18,000

Dr.		Bank Account		Dr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	2,000	By Realisation A/c - Liabilities	27,400		
To Cash A/c	5,500	By Sitaram's Capital A/c	50,000		
To Realisation A/c - Assets	1,06,300	By Gangaram's Capital A/c	37,500		
To Rajaram's Capital A/c	1,100				
	1,14,900				1,14,900

Working Notes:

1. ₹ 1,100 is recovered from Rajaram's estate which is recorded on the credit side of Rajaram's Capital Account and on the debit side of Bank A/c.

2. Capital deficiency of Rajaram = Debit total of Capital A/c – Credit total of Capital A/c

= 18,000 – 15,900

= ₹ 2,100

The deficit amount of Rajaram A/c ₹ 2,100 is distributed among continuing partners' in 2 : 1 ratio.

Question 9.

Following is the Balance Sheet of Vaibhav, Sanjay, and Santosh

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts :		Machinery	6,000
Vaibhav	36,000	Goodwill	9,000
Sanjay	27,000	Stock and Debtors	57,000
Creditors	12,000	Profit and Loss Account	18,000
Bank Overdraft	18,000	Santosh's Capital	3,000
	93,000		93,000

Santosh is declared insolvent so the firm is dissolved and assets realised as follows:

1. Stock and Debtors ₹ 54,000, Goodwill – NIL, Machinery at book value.

2. Creditors allowed a discount of 10%.

3. Santosh could pay only 25 paise in the rupee of the balance due.

4. Profit sharing ratio was 8 : 4 : 3.

5. A contingent liability against the firm ₹ 9,000 is cleared.

Give Ledger Account to close to books of the firm.

Solution:

In the books of Vaibhav, Sanjay, and Santosh

Dr. Realisation Account Cr.					
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		12,000
Machinery	6,000		– Creditors		
Goodwill	9,000		By Bank A/c		
Stock and Debtors	57,000	72,000	Stock and Debtors	54,000	
To Bank A/c			Machinery	6,000	60,000
Creditors	10,800		By Partners' Capital A/c		
Contingent Liability	9,000	19,800	(Loss on Realisation transferred)		
			Vaibhav	10,560	
			Sanjay	5,280	
			Santosh	3,960	19,800
		91,800			91,800

Dr. Partners' Capital Accounts Cr.							
Particulars	Vaibhav (₹)	Sanjay (₹)	Santosh (₹)	Particulars	Vaibhav (₹)	Sanjay (₹)	Santosh (₹)
To Balance c/d	–	–	3,000	By Balance b/d	36,000	27,000	–
To Profit and Loss A/c	9,600	4,800	3,600	By Bank A/c	–	–	2,640
To Realisation A/c – Loss	10,560	5,280	3,960	(25 % of due amount)	–	–	–
To Santosh's Capital A/c	5,280	2,640	–	By Vaibhav's Capital A/c	–	–	5,280
To Bank A/c	10,560	14,280	–	By Sanjay's Capital A/c	–	–	2,640
	36,000	27,000	10,560		36,000	27,000	10,560

Dr. Bank Account Cr.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Realisation A/c – Assets	60,000	By Balance b/d (overdraft)	18,000
To Santosh's Capital A/c	2,640	By Realisation A/c – Liabilities	19,800
(25 % of amount due received from him)		By Vaibhav's Capital A/c	10,560
	62,640	By Sanjay's Capital A/c	14,280
			62,640

Working Notes:

1. Contingent liability paid, so Realisation A/c is debited and Bank A/c is credited.

2. Santosh could pay only 25 paise in a rupee of the balance due i.e.

Balance due from Santosh (Debit side of Partners Capital A/c) = ₹ 10,560

25% of ₹ 10,560 = ₹ 2,640 (Amount recorded on debit side of Bank A/c)

Capital deficiency of Santosh = 10,560 – 2,640 = ₹ 7,920

₹ 7,920 to be distributed among continuing partner in their profit-loss ratio = 8 : 4 i.e. 2 : 1.

$7,920 \times \frac{2}{3} = ₹ 5,280$

$7,920 \times \frac{1}{3} = ₹ 2,640$

(When Two Partners become Insolvent)

Question 10.

Shweta, Nupur, and Sanika are partners sharing profits and losses in the ratio of 3 : 2 : 1. Their Balance Sheet as of 31st March 2019 was as follows:

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c		Sundry Assets	1,60,000
Shweta	65,000	Cash at Bank	5,000
Nupur	15,000	Capital A/c : Sanika	10,000
Sundry Creditors	95,000		
	1,75,000		1,75,000

The firm is dissolved on 31st March 2019. Sundry assets realised @ 60% of its book value. Realisation expenses ₹ 2,000 paid by Shweta. Nupur and Sanika both are insolvent.

Nupur's private estate has got a surplus of ₹ 3,000 and that of Sanika ₹ 8,000.

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

Solution:

In the books of Shweta, Nupur and Sanika

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c		1,60,000	By Sundry Liabilities A/c		95,000
To Bank A/c		95,000	(Sundry Creditors)		
Sundry Creditors			By Bank A/c		96,000
To Shweta's Capital A/c		2,000	Sundry Assets (60 %)		
(Realisation expense)			By Partners' Capital A/c		
			(Loss on Realisation transferred)		
			Shweta	33,000	
			Nupur	22,000	
			Sanika	11,000	66,000
		2,57,000			2,57,000

Dr.				Partners' Capital Accounts				Cr.			
Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)	Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)	Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)
To Balance b/d	-	-	10,000	By Balance b/d	65,000	15,000	-				
To Realisation A/c – Loss	33,000	22,000	11,000	By Bank A/c	-	3,000	8,000				
To Nupur's Capital A/c	4,000	-	-	(Private assets surplus)							
To Sanika's Capital A/c	13,000	-	-	By Shweta's Capital A/c	-	4,000	13,000				
To Bank A/c	17,000	-	-	(Deficiency)							
				By Realisation A/c	2,000	-	-				
				(Realisation exp.)							
	67,000	22,000	21,000		67,000	22,000	21,000				

Dr.	Bank Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Sundry Creditors A/c	95,000
To Nupur's Capital A/c	3,000	By Shweta's Capital A/c	17,000
To Sanika's Capital A/c	8,000		
To Realisation A/c (Assets)	96,000		
	1,12,000		1,12,000

(When All Partners become Insolvent)

Question 11.

Following is the Balance Sheet as of 31st March 2019 of a firm having three partners Priti, Priya, and Prachi.

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Capital		Machinery	23,000
Priti	40,000	Furniture	16,000
Priya	35,000	Stock	47,000
Prachi	25,000	Cash at Bank	10,000
Trade Creditors	50,000	Profit and Loss Account	84,000
Loan (secured by Machinery)	30,000		
	1,80,000		1,80,000

The firm was dissolved due to the insolvency of all the partners. Machinery was sold for ₹ 18,000, while Furniture fetched ₹ 14,000, Stock realized ₹ 35,000. Realisation expenses amounted to ₹ 2,000. Nothing could be recovered from Priya and Prachi, but ₹ 3,400 could be collected from Priti's private estate.

Close the books of accounts of the firm.

Solution:

In the books of Priti, Priya, and Prachi

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Bank A/c		
Machinery	23,000		Machinery	18,000	
Furniture	16,000		Furniture	14,000	
Stock	47,000	86,000	Stock	35,000	67,000
To Bank A/c		2,000	By Partners' Capital A/c		
(Realisation Expense)			(Loss on Realisation transferred)		
			Priti	7,000	
			Priya	7,000	
			Prachi	7,000	21,000
		88,000			88,000

Dr.	Partners' Capital Accounts						Cr.
Particulars	Priti (₹)	Priya (₹)	Prachi (₹)	Particulars	Priti (₹)	Priya (₹)	Prachi (₹)
To Profit and Loss A/c	28,000	28,000	28,000	By Balance b/d	40,000	35,000	25,000
To Realisation A/c – Loss	7,000	7,000	7,000	By Bank A/c (Asset)	3,400	–	–
To Deficiency A/c	8,400	–	–	By Deficiency A/c	–	–	10,000
	43,400	35,000	35,000		43,400	35,000	35,000

Dr.		Trade Creditors A/c		Cr.	
Particulars		Amount (₹)	Particulars		Amount (₹)
To Deficiency A/c		1,290	By Balance b/d		50,000
To Bank A/c		48,710			
		50,000			50,000

Dr.		Loan A/c		Cr.	
Particulars		Amount (₹)	Particulars		Amount (₹)
To Deficiency A/c		310	By Balance b/d		30,000
To Bank A/c		29,690			
		30,000			30,000

Dr.		Deficiency Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Prachi's Capital A/c	10,000	By Priti's Capital A/c	8,400		
		By Trade Creditors A/c	1,290		
		By Loan A/c	310		
	10,000		10,000		

Dr.		Bank Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	10,000	By Sundry Creditors A/c	48,710		
To Priti's Capital A/c	3,400	By Realisation Expense A/c	2,000		
To Realisation A/c (Assets)	67,000	By Loan A/c	29,690		
	80,400		80,400		

Working Notes:

1. Amount paid to loan from sale of machinery = ₹ 18,000
Balance of Loan 30,000 – 18,000 = ₹ 12,000

2. Ratio of Trade creditors and Loan = 50,000 : 12,000
= 50 : 12
= 25 : 6

3. Balance of cash available = 10,000 + 67,000 + 3,400 – 18,000 – 2,000
= 80,400 – 20,000
= ₹ 60,400

Amount paid towards loan = $\frac{631 \times 60,400}{1} = ₹ 11,690$

Amount paid to Trade creditors = $\frac{2531}{1} \times 60,400 = ₹ 48,710$

Amount paid towards loan = 18,000 + 11,690 = ₹ 29,690.

Question 12.

Shashwat and Shiv are equal partners. Their Balance Sheet stood as under:

Balance Sheet as of 31st March 2019

Liabilities	Amount ₹	Assets	Amount ₹
Shaswat's Capital A/c	6,000	Plant and Machinery	14,750
Creditors	39,000	Furniture	4,000
		Debtors	5,000
		Stock	6,250
		Cash at Bank	3,000
		Shiv's Capital	12,000
	45,000		45,000

Due to weak financial position, all partners were declared bankrupt.

The Assets were realised as follows:

Stock ₹ 3,500, Furniture ₹ 2,000, Debtors ₹ 5,000 and Machinery ₹ 7,000.

The cost of collection and distributing the estate amounted to ₹ 1,500. Shashwat's private estate is not sufficient even to pay his private debts, whereas in Shiv's private estate there is a surplus of ₹ 500.

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

Solution:

In the books of Shashwat and Shiv

Dr. Realisation Account			Cr.		
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Bank A/c		
Plant and Machinery	14,750		Stock	3,500	
Furniture	4,000		Furniture	2,000	
Debtors	5,000		Debtors	5,000	
Stock	6,250	30,000	Machinery	7,000	17,500
To Bank A/c		1,500	By Partners' Capital A/c		
Realisation Exp.			(Loss on Realisation transferred)		
			Shashwat	7,000	
			Shiv	7,000	14,000
		31,500			31,500

Dr. Partners' Capital Accounts			Cr.		
Particulars	Shashwat (₹)	Shiv (₹)	Particulars	Shashwat (₹)	Shiv (₹)
To Balance b/d	-	12,000	By Balance b/d	6,000	-
To Realisation A/c - Loss	7,000	7,000	By Bank A/c	-	500
			By Deficiency A/c	1,000	18,500
	7,000	19,000		7,000	19,000

Dr. Creditors Account			Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Deficiency A/c	19,500	By Balance b/d	39,000	
To Bank A/c	19,500			
	39,000		39,000	

Dr. Deficiency Account			Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Shashwat's Capital A/c	1,000	By Creditors A/c	19,500	
To Shiv's Capital A/c	18,500			
	19,500		19,500	

Dr. Bank Account			Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Balance b/d	3,000	By Realisation Expense A/c	1,500	
To Shiv's Capital A/c	500	By Creditors A/c	19,500	
To Realisation A/c (Assets)	17,500			
	21,000		21,000	

Working Note:

As partners we're not able to pay their loss amount, a difference of amount is considered as deficiency of partners.