Chapter 6 Dissolution of Partnership Firm

Question 1.
What journal entries would you pass in the following cases?
(a) Expenses of realisation ₹ 1,500.
(b) Expenses of realisation ₹ 600 but paid by Mohan, a partner.
(c) Mohan, one of the partners of the firm was asked to look into the dissolution of the firm for which he was allowed a commission of ₹ 2,000.
(d) Motor car of book value ₹ 50,000 taken over by creditors of the book value of ₹ 40,000 in full settlement.
Solution:

Journal

S. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
(a)	Realisation	Dr.		1,500	
	To Cash A/c				1,500
	(Being realisation expenses paid)				
(b)	Realisation A/c	Dr.		600	
	To Mohan's Capital A/c				600
	(Being realisation expenses paid by Mohan)				
(c)	Realisation A/c	Dr.		2,000	
	To Mohan Capital A/c				2,000
	(Being commission allowed to Mohan on dissolution of the firm)				
(d)	No Entry				
	(No journal entry to be passed as motor car and creditors have already been transferred to Realization A/c)				

Question 2.
Pass journal entries for the following:
(a) Realisation expenses of ₹ 15,000 were to be met by Rahul, a partner but were paid by the firm.
(b) Ramesh, a partner was paid remuneration of ₹ 25,000 and he was to meet all expenses.
(c) Anuj, a partner, was paid remuneration of ₹ 20,000 and he was to meet all expenses. Firm paid an expense of ₹ 5,000.

Solution:

Journal

S. No.	Particulars	L.F.	Debit Rs.	Credit Rs.
(a)	Rahul Capital A/c Dr.		15,000	
	To Cash A/c			15,000
	(Being realisation expense paid by rahul)			
(b)	Realisation A/c Dr.		25,000	
	To Ramesh Capital A/c			25,000
	(Being remuneration allowed to ramesh on account of taking responsibility of dissolution)			
(c)	Realisation A/c Dr.		20,000	
	To Anuj's Capital A/c			20,000
	(Being remuneration allowed to Anuj Capital A/c)			
	Anuj's Capital A/c Dr.		5,000	5,000
	To Bank A/c			
	(Being realisation expenses paid by the firm on behalf of Anuj")			

Question 3.
Pass journal entries for the following:
(a) Realisation expenses amounted to ₹ 10,000 were paid by the firm on behalf of Alok, a partner, with whom it was agreed at ₹ 7,500.
(b) Realisation expenses amounted to ₹ 5,000. It was agreed that the firm will pay ₹ 2,000 and balance by Ravinder, a partner.
(c) Dissolution expenses amounted to ₹ 10,000 were paid by Amit, a partner, on behalf of the firm.

Solution:

Journal

S. No.	Particulars	L.F.	Debit Rs.	Credit Rs.
(a)	Realisation A/c Dr.		7,500	
	To Alok's Capital A/c			7,500
	(Being realisation allowed to alok capital A/c)			
	Alok's Capital A/c Dr.		10,000	
	To Bank A/c			10,000
	(Being expenses paid by the firm on behalf of Alok)			
	OR			
	Realisation A/c Dr.		7,500	
	Alok's Capital A/c Dr.		2,500	
	ToBank A/c			10,000
	(Being realisation expense paid)			
(b)	Realisation A/c Dr.		5,000	
	To Ravinder's Capital A/c			3,000
	To Bank A/c			2,000
	(Being realisation expense paid)			
(c)	Realisation A/c Dr.		10,000	
	To Amit Capital A/c			10,000
	(Being realisation expense paid by Amit on behalf of the firm)			

Question 4.
Record necessary journal entries in the following cases:
(a) Creditors worth ₹ 85,000 accepted ₹ 40,000 as cash and Investment worth ₹ 43,000, in full settlement of their claim.
(b) Creditors were ₹ 16,000. They accepted Machinery valued at ₹ 18,000 in settlement of their claim.
(c) Creditors were ₹ 90,000. They accepted Building valued at ₹ 1,20,000 and paid cash to the firm ₹ 30,000.

Solution:

Journal

	Particulars	L.F.	Debit Rs.	Credit Rs.
(a)	Realisation A/c Dr.		40,000	
	To Cash A/c			40,000
	(Creditors worth Rs.85,000 accepted 40,000 as cash and investment worth Rs.43,000 in full settlement)			
(b)	No Entry			
	(Creditors worth Rs.16,000 accepted Machinery worth Rs.18,000 in full settlement. No entry as both asset and liability are already transferred to the Realisation Account)			
(c)	Cash A/c Dr.		30,000	
	To Realisation A/c			30,000
	(Creditors worth Rs.90,000 accepted Building worth Rs.1,20,000 and paid back Rs.30,000 as cash after settlement of claim to the firm)			

Question 5.
Pass journal entries for the following at the time of dissolution of a firm:
(a) Sale of Assets – ₹ 50,000.
(b) Payment of Liabilities – ₹ 10,000.
(c) A commission of 5% allowed to Mr. X, a partner, on sale of assets.
(d) Realisation expenses amounted to ₹ 15,000. The firm had agreed with Amrit, a partner to reimburse him up to ₹ 10,000.
(e) Z, an old customer whose account for ₹ 6,000 was writte off as bad in the previous year paid 60% of the amount written off.
(f) Investment (Book Value ₹ 10,000) realised at 150%.
Solution:

Journal

S. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
(a)	Bank A/c	Dr.		50,000	
	To Realisation A/c				50,000
	(Being assets realized for cash)				
(b)	Realisation A/c	Dr.		10,000	
	ToBank A/c				10,000
	(Being payment of liabilities made)				
(c)	Realisation A/c	Dr.		2,500	
	To X's Capital A/c				2,500
	(Being 5% commission allowed to X's on sale of assets of Rs.50,000)				
(d)	Realisation A/c	Dr.		10,000	
	To Amrit Capital A/c				10,000
	(Being Amrit was allowed remuneration on account of relalisation)				
	Amrit Capital A/c	Dr.		15,000	
	To Bank A/c				15,000
	(Being realisation expense paid on behalf Amrit)				
	Alternatively, only one single entry can also be passed instead of above two entries				
	Realisation A/c	Dr.		10,000	
	Amrit Capital A/c	Dr.		5,000	
	To Bank A/c				15,000
	(Being realisation expenses paid)				
(e)	Bad debts Recovered A/c	Dr.		3,600	
	To Realisation A/c				3,600
	(Being bad debts recovered)				
(f)	Cash A/c	Dr.			
	To Realisation A/c			15,000	
	(Being investments are realized at 150%)				15,000

Question 6.
Pass journal entries for the following transactions at the time of dissolution of the firm:
(a) Loan of ₹ 10,000 advanced by a partner to the firm was refunded.
(b) X, a partner, takes over an unrecorded asset (Typewriter) at ₹ 300.
(c) Undistributed balance (Debit) of Profit and Loss Account ₹ 30,000. The firm has three partners X, Y and Z.
(d) Assets of the firm realised ₹ 1,25,000.
(e) Y who undertakes to carry out the dissolution proceedings is paid ₹ 2,000 for the same Y.
(f) Creditors are paid ₹ 28,000 in full settlement of their account of ₹ 30,000.

Solution:

Journal

Sr. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
a.	Partners Loan A/c	Dr.		10,000	
	To Bank A/c				10,000
	(Being loan refunded)				
b.	X' s Capital A/c	Dr.		300	
	To Realisation A/c				300
	(Being unrecorded assets took over)				
c.	X' s Capital A/c	Dr.		10,000	
	Y's Capital A/c	Dr.		10,000	
	Z's Capital A/c	Dr.		10,000	
	To Profit and Loss A/c				30,000
	(Being loss distribution)				
d.	Bank A/c	Dr.		1,25,000	
	To Realisation A/c				1,25,000
	(Being assets realized)				
e.	Realisation A/c	Dr.		2,000	
	To Y's Capital A/c				2,000
	(Being amount given for dissolution proceedings)				
f.	Realisation A/c	Dr.		28,000	
	To Bank A/c				28,000
	(Being creditors paid)				

Question 7.
Pass necessary journal entries for the following transactions on the dissolution of the firm P and Q after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account:
(a) Bank Loan ₹ 12,000 was paid.
(b) Stock worth ₹ 16,000 was taken over by partner Q.
(c) Partner P paid a creditor ₹ 4,000.
(d) An asset not appearing in the books of accounts realised ₹ 1,200.
(e) Expenses of realisation ₹ 2,000 were paid by partner Q.
(f) Profit on realisation ₹ 36,000 was distributed between P and Q in 5 : 4 ratio.

Solution:

Journal

S. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
a.	Realisation A/c	Dr.		12,000	
	To Bank A/c				12,000
	(Being bank loan paid at the time of dissolution)				
b.	Q's capital A/c	Dr.		16,000	
	To Realisation A/c				16,000
	(Being stock taken over by Q)				
c.	Realisation A/c	Dr.		4,000	
	To P's Capital A/c				4,000
	(Being 5% commission allowed to X's on sale of assets of Rs.50,000)				
d.	Bank A/c	Dr.		1,200	
	To Realisation A/c				1,200
	(Being unrecorded assets realised)				
e.	Realisation A/c	Dr.		2,000	
	To Q' Capital A/c				2,000
	(Being bad debts recovered)				
f.	Realisation A/c	Dr.		36,000	
	To P's Capital A/c				20,000
	To Q's Capital A/c				16,000
	(Being realisation Profit distributed)				

Question 8.
X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 2 : 1 respectively. The firm was dissolved on 1st March, 2013. After transferring assets (other than cash) and third party liabilities to the Realisation Account you are provided with the following information:
(a) There was a balance of ₹ 18,000 in the firm’s Profit and Loss Account.
(b) There was an unrecorded bike of ₹ 50,000 which was taken over by X.
(c) Creditors of ₹ 5,000 were paid ₹ 4,000 in full settlement of accounts.
Pass necessary journal entries for the above at the time of dissolution of firm.

Solution:

Journal

S. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
(a)	Profit and Loss A/c	Dr.		18,000	
	To X's capital A/c				9,000
	To Y's capital A/c				6,000
	To Z's capital A/c				3,000
	(Being balance in P and L A/c divided among Partners in the ratio of 3:2:1)				
(b)	X's capital A/c	Dr.		50,000	
	To Realisation A/c				50,000
	(Being unrecorded asset taken over by X)				
(c)	Realisation A/c	Dr.		4,000	
	To Bank A/c				4,000
	(Being creditors were paid Rs.4,000 in full settlement of their claim of Rs.5,000)				

Question 9.
Pass necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya:
(a) There was an old furniture in the firm which had been written off completely in the books. This was sold for ₹ 3,000.
(b) Ashish, an old customer whose account for ₹ 1,000 was written off as bad in the previous year paid 60% of the amount.
(c) Paras agreed to takeover the firm’s goodwill (not recorded in the books of the firm) at a valuation of ₹ 30,000.
(d) There was an old typewriter which had been written off completely from the books. It was estimated to realise ₹ 400. It was taken by Priya at an estimated price less 25%.
(e) There were 100 shares of ₹ 10 each in Star Limited acquired at a cost of ₹ 2,000 which had been written-off completely from the books. These shares are valued @ ₹ 6 each and divided among the partners in their profit-sharing ratio.

Solution:

Journal

	Particulars		L.F.	Debit Rs.	Credit Rs.
(a)	Cash/Bank A/c	Dr.		3,000	
	To Realisation A/c				3,000
	(Old and unrecorded furniture sold)				
(b)	Cash/Bank A/c	Dr.		600	
	To Realisation A/c				600
	(Bad debts previously written off now recovered)				
(c)	Paras's Capital A/c	Dr.		30,000	
	To Realisation A/c				30,000
	(Unrecorded goodwill taken over by Paras)				
(d)	Priya's Capital A/c	Dr.		300	
	To Realisation A/c				300
	(Unrecorded Typewriter taken over by Priya at 25% less price)				
(e)	Paras's Capital A/c	Dr.		300	
	Priya's Capital A/c	Dr.		300	
	To Realisation A/c				600
	(100 unrecorded shares of Rs.10 each in the books taken @ Rs.6 each by Paras and Priya and divided between them in profit sharing ratio)				

Question 10.

Aman and Harsh were partners in a firm. They decided to dissolve their firm. Pass necessary journal entries for the following after various assets (other than cash and bank) and third party liabilities have been transferred to Realisation Account:

(a) There was furniture worth ₹ 50,000. Aman took over 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on book value.

(b) Profit and Loss Account was showing a credit balance of ₹ 15,000 on the date of dissolution.

(c) Harsh's loan of ₹ 6,000 was discharged at ₹ 6,200.

(d) The firm paid realisation expenses amounting to ₹ 5,000 on behalf of Harsh who had to bear these expenses.

(e) There was a bill for 1,200 under discount. The bill was received from Soham who proved insolvent and a first and final dividend of 25% was received from his estate.

(f) Creditors, to whom the firm owed ₹ 6,000, accepted stock of ₹ 5,000 at a discount of 5% and the balance in cash.

Solution:

Journal

Sr. No.	Particulars		L.F	Debit Rs.	Credit Rs.
(a)	Aman's Capital A/c	Dr.		22,500	
	Bank A/c	Dr.		32,500	
	To Realisation A/c				55,000
	(Being assets realized)				
(b)	Profit and Loss A/c	Dr.		15,000	
	To Aman's Capital A/c				7,500
	To Harsh's Capital A/c				7,500
	(Being profit distributed)				
(c)	Harsh's Loan A/c	Dr.		6,000	
	Realisation A/c	Dr.		200	
	To Bank A/c				6,200
	(Being loan Discharged)				
(d)	Harsh's Capital A/c	Dr.		5,000	
	To Bank A/c				5,000
	(Being expenses paid on behalf of partner)				
(e)	Bank A/c	Dr.		300	
	To Realisation A/c				300
	(Being amount received)				
	Realization A/c	Dr.		1,200	1,200
	To Bank A/c				
	(Being amount paid)				
(f)	Realization A/c	Dr.		1,250	
	To Bank A/c				1,250
	(Being creditors paid)				

Question 11.

Rohit, Kunal and Sarthak are partners in a firm. They decided to dissolve their firm. Pass necessary journal entries for the following after various assets (other than Cash and Bank) and the third party liability have been transferred to Realisation Account :

(a) Kunal agreed to pay off his wife's loan of ₹ 6,000.

(b) Total Creditors of the firm were ₹ 40,000. Creditors worth ₹ 10,000 were given a piece of furniture costing ₹ 8,000 in full and final settlement. Remaining Creditors allowed a discount of 10%.

(c) Rohit had given a loan of ₹ 70,000 to the firm which was duly paid.

(d) A machine which was not recorded in the books was taken over by Kunal at ₹ 3,000, whereas its expected value was ₹ 5,000.

(e) The firm had a debit balance of ₹ 15,000 in the Profit and Loss Account on the date of

dissolution.
(f) Sarthak paid the realisation expenses of ₹ 16,000 out of his private funds, who was to get a remuneration of ₹ 15,000 for completing dissolution process and was responsible to bear all the realisation expenses.
Solution:

Journal

Sr. No.	Particulars		L.F.	Debit Rs.	Credit Rs.
a.	Realisation A/c	Dr.		6,000	
	To Kunal's capital A/c				6,000
	(Being Kunal agrees to pay off his wife's loan)				
b.	Realisation A/c	Dr.		27,000	
	To Cash A/c				27,000
	(Being creditors worth Rs.30,000 paid off at a discount o 10%)				
c.	Rohit Loan A/c	Dr.		70,000	
	To Cash A/c				70,000
	(Being loan paid by firm)				
d.	Kunal Capital A/c	Dr.		3,000	
	To Realisation A/c				3,000
	(Being asset taken over by Kunal)				
e.	Rohit Capital A/c	Dr.		5,000	
	Kunal Capital A/c	Dr.		5,000	
	Sarthak Capital A/c	Dr.		5,000	
	To Profit and Loss A/c				15,000
	(Being loss distributed equally)				
f.	Realisation A/c	Dr.		15,000	
	To Sarthak's Capital A/c				15,000
	(Being remuneration of Rs.15,000 paid for completion of dissolution process)				

Question 12.
Book value of assets (other than cash and bank) transferred to Realisation Account is ₹ 1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%; 40% of the remaining assets are sold at a profit of 30% on cost 5% of the balance being obsolete realised nothing and remaining assets are handed over to a Creditor in full settlement of his claim.
You are required to record the journal entries for realisation of assets.

Solution:

Journal

Date	Particulars	L.F.	Debit Rs.	Credit Rs.
	Realisation A/c Dr. To Sundry Assets A/c (All assets other than cash and bank transferred to Realisation Account)		1,00,000	1,00,000
	Atul's Capital A/c Dr. To Realisation A/c (Atul took over 50% of assets worth Rs 1,00,000 at 20% discount) [1,00,000 @ 50% @ 80%]		40,000	40,000
	Bank A/c Dr. To Realisation A/c (Assets worth Rs 20,000, i.e. 40% of assets of Rs 50,000 are sold at a profit of 30%) [50,000 × (40/100) × (130/100)]		26,000	26,000
	No entry for obsolete assets and for the assets given to the creditors in the full settlement as these are already transferred to the Realisation Account)			

Question 13.

Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1st April, 2015 their firm was dissolved. After transferring assets (other than cash and outsider's liabilities to Realisation Account, you are given the following information :

(a) A creditor of ₹ 3,60,000 accepted machinery valued at ₹ 5,00,000 and paid to the firm ₹ 1,40,000.

(b) A second creditor for ₹ 50,000 accepted stock ₹ 45,000 in full settlement of his claim.

(c) A third creditor amounting to ₹ 90,000 accepted ₹ 45,000 in cash and investments worth ₹ 43,000 in full settlement of his claim.

(d) Loss on dissolution was ₹ 15,000.

Pass necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque.

Solution:

Journal

Sr. No.	Particular		L.F	Debit Rs.	Credit Rs.
a.	Bank A/c	Dr.		1,40,000	
	To Realisation A/c				1,40,000
	(Being a creditor of Rs.3,60,000 accepted machinery valued at Rs.5,00,000 and paid Rs.1,40,000 to the firm)				
b.	No entry**				
c.	Realisation A/c	Dr.		45,000	
	To cash A/c				45,000
	(Being a third creditor of Rs.90,000 accepted Rs.45,000 in cash and investments worth Rs.43,000 in full settlement of his claim)				
d.	Lal's Capital A/c	Dr.		4,500	
	Pal's Capital A/c	Dr.		10,500	
	To Realisation A/c				15,000
	(Being loss on dissolution transferred to partners' capital account)				

Note: **No pass for asset taken over by the creditor

Question 14.
Pass the journal entries for the following transactions on the dissolution of the firm of P and Q after various assets (other than cash) and outside liabilities have been transferred to Realisation Account:
(a) Stock ₹ 2,00,000. P took over 50% of stock at a discount of 10%. Remaining stock was sold at a profit of 25% on cost.
(b) Debtors ₹ 2,25,000. Provision for Doubtful Debts ₹ 25,000; ₹ 20,000 of the book debts proved bad.
(c) Land and Building (Book value ₹ 12,50,000) sold for ₹ 15,00,000 through a broker who changed 2% commission.
(d) Machinery (Book value ₹ 6,00,000) was handed over to a creditor at a discount of 10%.
(e) Investment (Book value ₹ 60,000) realised at 125%.
(f) Goodwill of ₹ 75,000 and prepaid fire insurance of ₹ 10,000.
(g) There was an old furniture in the firm which had been written off completely in the books. This was sold for ₹ 10,000.
(h) Z an old customer whose account for ₹ 20,000 was written off as bad in the previous year paid 60%.
(i) P undertook to pay Mrs. P's loan of ₹ 50,000.
(j) Trade creditors ₹ 1,60,000. Half of the trade creditors accepted Plant and Machinery at an agreed valuation of ₹ 54,000 and cash in full settlement of their claims after allowing a discount of ₹ 16,000.
Remaining trade creditors were paid 90% in final settlement.
Solution:

Journal

Date	Particular		L.F	Debit Rs.	Credit Rs.
(a)	P's Capital A/c Bank A/c To Realisation A/c (Being stock realized)	Dr. Dr.		90,000 1,25,000	 2,15,000
(b)	Bank A/c To Realisation A/c (Being debtors realized)	Dr.		2,05,000	 2,05,000
(c)	Bank A/c To Realisation A/c (Being land and building realized)	Dr.		14,70,000	 14,70,000
(d)	No Entry				
(e)	Bank A/c To Realisation A/c (Being investment realised)	Dr.		75,000	 75,000
(f)	No Entry				
(g)	Bank A/c To Realisation A/c (Being unrecorded furniture realised)	Dr.		10,000	 10,000
(h)	Bank A/c To Realisation A/c (Being bad debts recovered)	Dr.		12,000	 12,000
(i)	Realisation A/c To P's Capital A/c (Being wife's loan paid by partner)	Dr.		50,000	 50,000
(j)	Realization A/c To Bank A/c (Rs.10,000 + Rs.72,000) (Being creditors paid)	Dr.		82,000	 82,000

Question 15.
What journal entries would be passed for discharge of following unrecorded liabilities on the dissolution of a firm of partners A and B:
(a) There was a contingent liability in respect of bills discounted but not matured of ₹ 18,500. An acceptor of one bill of ₹ 2,500 became insolvent and fifty paise in a rupee was recovered. The liability of the firm on account of this bill discounted and dishonoured has not so far been recorded.
(b) There was a contingent liability in respect of a claim fro damages for ₹ 75,000 such liability was settled for ₹ 50,000 and paid by the partner A.
(c) Firm will have to pay ₹ 10,000 as compensation to an injured employee, which was a contingent liability not accepted by the firm.
(d) ₹ 5,000 for damages claimed by a customer has been disputed by the firm. It was settled at 70% by a compromise between the customer and the firm.

Solution:

Journal

Date	Particular		L.F	Debit Rs.	Credit Rs.
(a)	Bank A/c	Dr.		1,250	
	To Realisation A/c				1,250
	(Being amount received)				
	Realisation A/c	Dr.		2,500	
	To Bank A/c				2,500
	(Being liability discharged)				
(b)	Realisation A/c	Dr.		50,000	
	To A's Capital A/c				50,000
	(Being liability paid by a partner)				
(c)	Realisation A/c	Dr.		10,000	
	To Bank A/c				10,000
	(Being liability discharged)				
(d)	Realisation A/c	Dr.		3,500	
	To Bank A/c				3,500
	(Being liability discharged)				

Question 16.
Pass necessary journal entries on the dissolution of a firm in the following cases:
(a) Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of ₹ 12,000 and he had to bear the dissolution expenses. Dissolution expenses ₹ 11,000 were paid by Dharam.
(b) Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of ₹ 15,000. Jay agreed to bear dissolution expenses. Actual dissolution expenses ₹ 16,000 were paid by Vijay, another partner on behalf of Jay.
(c) Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of ₹ 7,000. Deepa agreed to bear dissolution expenses. Actual dissolution expenses ₹ 6,000 were paid from the firm's bank account.
(d) Dev, a partner, agreed to do the work of dissolution for ₹ 7,5000. He took away stock of the same amount as his commission. The stock had already been transferred to Realisation Account.
(e) Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commission of ₹ 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Jeev were ₹ 12,000. These expenses were paid by Jeev by drawing cash from the firm.
(f) A debtor of ₹ 8,000 already transferred to Realisation Account agreed to pay the realisation expenses of ₹ 7,800 in full settlement of his account.

Solution:

Journal

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
(a)	Realisation A/c To Dharam's Capital A/c (Remuneration paid)	Dr.		12,000	12,000
(b)	Realisation A/c To Jay's's Capital A/c (Remuneration paid)	Dr.		15,000	15,000
	Jay's Capital A/c To Vijay's Capital A/c (Expenses borne by Jay, paid by Vijay)	Dr.		16,000	16,000
(c)	Realisation A/c To Deepa's Capital A/c (Remuneration paid)	Dr.		7,000	7,000
	Deepa's Capital A/c To Bank A/c (Expenses paid by firm)	Dr.		6,000	6,000
(d)	***No Entry***				
(e)	Realisation A/c To Jeev's Capital A/c (Remuneration paid)	Dr.		10,000	10,000
	Jeev's Capital A/c To Bank A/c (Expenses paid by firm)	Dr.		12,000	12,000
(f)	***No Entry***				

Question 17.
Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2013, their Balance Sheet was as follows :

Liabilities		₹	Assets	₹
Creditors		1,70,000	Bank	1,10,000
Workmen Compensation Reserve		2,10,000	Debtors	2,40,000
General Reserve		2,00,000	Stock	1,30,000
Ramesh's Current Account		80,000	Furniture	2,00,000
Capital A/cs:			Machinery	9,30,000
Ramesh	7,00,000		Umesh's Current Account	50,000
Umesh	3,00,000			
		16,60,000		**16,60,000**

On the above date the firm was dissolved.
(a) Ramesh took over 50% of stock at ₹ 10,000 less then the book value. The remaining stock was sold at a loss of ₹ 15,000. Debtors were realised at a discount of 5%.

(b) Furniture was taken over by Umesh for ₹ 50,000 and machinery was sold for ₹ 4,50,000.
(c) Creditors were paid in full.
(d) There was an unrecorded bill for repairs for ₹ 1,60,000 which was settled at ₹ 1,40,000.
Prepare Realisation Account.
Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars		Rs.
To Sundry Assets A/c			By Creditors A/c		1,70,000
Debtors	2,40,000		By Ramesh's Current A/c (stock)		55,000
Stock	1,30,000				
Furniture	2,00,000		By Cash A/c (Assets)		
Machinery	9,30,000	15,00,000	Stock	50,000	
			Machinery	4,50,000	
			Debtors	2,28,000	7,28,000
To Cash A/c (Liabilities)			By Umesh's Current A/c (Furniture)		50,000
Creditors	1,70,000				
Outstanding Bill	1,40,000	3,10,000	By Realistion Loss:		
			Ramesh's Current A/c	5,64,900	
			Umesh's Current A/c	2,42,100	8,07,000
		18,10,000			18,10,000

Question 18.
Balance Sheet of a firm as at 31st March, 2018 , when it was decided to dissolve the same was:

Liabilities		₹	Assets	₹
Sundry Creditors		14,000	Cash at Bank	640
Reserve for Contingencies		500	Stock	4,740
Capital A/cs:			Debtors	5,540
X	4,000		Machinery	10,580
Y	3,000	7,000		
		21,500		21,500

₹19,500 were realised from all assets except Cash at Bank. The cost of winding up came to ₹ 440. X and Y shared profits in the ratio of 2 : 1 respectively.
Prepare Realisation Account and Capital Accounts of Partners.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Machinery A/c		10,580	By Sundry Creditors A/c		14,000
To Stock A/c		4,740	By Bank A/c (Assets Realised)		19,500
To Debtors A/c		5,540	By Loss transferred to:		
To Bank A/c:			X's Capital A/c	1,200	
Creditors	14,000		Y's Capital A/c	600	1,800
Expenses	440	14,440			
		35,300			35,300

Partners Capital Account

Dr. Particulars	X	Y	Particulars	X	Cr. Y
To Realisation A/c (Loss)	1,200	600	By Balance b/d	4,000	3,000
To Bank A/c	3,133	2,567	By Reserve for contingencies A/c	333	167
	4,333	3,167		4,333	3,167

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	640	By Realisation A/c	14,440
To Realisation A/c	19,500	By X's Capital A/c	3,133
		By Y's Capital A/c	2,567
	20,140		20,140

Question 19.
Achal and Vichal were partners in a firm sharing profits in the ratio of 3 : 5. On 31st March, 2018 their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	4,00,000
Achal	3,00,000		Machinery	3,00,000
Vichal	5,00,000	8,00,000	Debtors	2,22,000
		1,79,000	Cash at Bank	78,000
		21,000		
		10,00,000		10,00,000

The firm was dissolved on 1st April, 2018 and the Assets and Liabilities were settled as follows:
(a) Land and Building b realised ₹ 4,30,000.
(b) Debtors realised ₹ 2,25,000 (with interest) and ₹ 1,000 were recovered for Bad Debts written off last year.
(c) There was an Unrecorded Investment which was sold for ₹ 25,000.
(d) Vichal took over Machinery at ₹ 2,80,000 for cash.
(e) 50% of the Creditors were paid ₹ 4,000 less in full settlement and the remaining Creditors were paid full amount.
Pass necessary journal entries for dissolution of the firm.
Solution:

Journal

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
	Realisation A/c	Dr.		9,22,000	
	To Land and Building A/c				4,00,000
	T0 Machinery A/c				3,00,000
	To Debtors A/c				2,22,000
	(Being assets transferred)				
	Creditors A/c	Dr.		1,79,000	
	Employees' Provident Fund A/c	Dr.		21,000	
	To Realisation A/c				2,00,000
	(Being liabilities transferred)				
	Bank A/c	Dr.		4,30,000	
	To Realisation A/c				4,30,000
	(Being Land and Building realized)				
	Bank A/c (2,25,000 + 1,000)	Dr.		2,26,000	
	To Realisation A/c				2,26,000
	(Being debtors realized along with Bad- debts recovered)				
	Bank A/c	Dr.		25,000	
	To Realisation A/c				25,000
	(Being unrecorded investment sold)				
	Bank A/c	Dr.		2,80,000	
	To Realisation A/c				2,80,000
	(Being machinery took over by Vichal for Cash)				
	Realisation A/c	Dr.		1,96,000	
	To Bank A/c (85,500 + 89,500 + 21,000)				1,96,000
	(Being 50% creditors of Rs.89,500 were paid at a discount of Rs.4,000 and remaining 50% were settled in full and EPF)				
	Realisation A/c	Dr.		43,000	
	To Achal's Capital A/c				16,125
	To Vichal's Capital A/c				26,875
	(Being profits on realization transferred)				
	Achal's Capital A/c	Dr.		3,16,125	
	Vichal's Capital A/c	Dr.		5,26,875	
	To Bank A/c				8,43,000
	(Being partners paid off)				

Question 20.
Bale and Yale are equal partners of a firm. They decide to dissolve their partnership on 31st March,2018 at which date their Balance Sheet stood as:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	45,000
Bale	50,000		Machinery	15,000
Yale	40,000	90,000	Furniture	12,000
General Reserve		8,000	Debtors	8,000
Bale's Loan A/c		3,000	Stock	24,000
Creditors		14,000	Bank	11,000
		1,15,000		**1,15,000**

(a) The assets realised were:
Stock ₹ 22,000; Debtors ₹ 7,500; Machinery ₹ 16,000; Building ₹ 35,00.
(b) Yale took over the Furniture at ₹ 9,000.
(c) Bale agreed to accept ₹ 2,500 in full settlement of his Loan Account.
(d) Dissolution Expenses amounted to ₹ 2,500.
Prepare the:
(i) Realisation Account
(ii) Capital Accounts of Partners
(iii) Bale’s Loan Account
(iv) Bank Account.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Building A/c		45,000	By Sundry Creditors A/c		14,000
To Machinery A/c		15,000	By Bank A/c:		
To Furniture A/c		12,000	Stock	22,000	
To Debtors A/c		8,000	Debtors	7,500	
To Stock A/c		24,000	Machinery	16,000	
			Building	35,000	80,500
To Bank A/c:			By Bale's Loan A/c		500
Creditors	14,000		By Yale's Capital A/c		9,000
Expenses	2,500	16,500	By Loss transferred to:		
			Bale's Capital A/c	8,250	
			Yale's Capital A/c	8,250	16,500
		1,20,500			1,20,500

Partners Capital Account

Dr. Particulars	Bale	Yale	Particulars	X	Cr. Y
To Realisation A/c (Loss)	8,250	8,250	By Balance b/d	50,000	40,000
To Realisation A/c		9,000	By General Reserve A/c	4,000	4,000
To Bank A/c	45,750	26,750			
	54,000	**44,000**		**54,000**	**44,000**

Bale's Loan Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Bank A/c	2,500	By Balance b/d	3,000
To Realisation A/c	500		
	3,000		**3,000**

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	11,000	By Balance b/d	2,500
To Realisation A/c	80,500	By Realisation A/c	16,500
		By Bale Capital A/c	45,750
		By Yale's Capital A/c	26,750
	91,500		**91,500**

Question 21.
Shilpa, Meena and Nanda decided to dissolve their partnership on 31st March, 2018. Their profit-sharing ratio was 3 : 2 : 1 and their Balance Sheet was as under:

Liabilities		₹	Assets	₹
Capital A/cs:			Land	81,000
Shilpa	80,000		Stock	56,760
Meena	40,000	1,20,000	Debtors	18,600
Bank Loan		20,000	Nanda's Capital	23,000
Creditors		37,000	Cash	10,840
Provision For Doubtful Debts		1,200		
General Reserve		12,000		
		1,90,200		**1,90,200**

It is agreed as follows:

The stock of value of ₹ 41,660 are taken over by Shilpa for ₹ 35,000 and she agreed to discharge bank loan. The remaining stock was sold at ₹ 14,000 and debtors amounting to ₹ 10,000 realised ₹ 8,000. Land is sold for ₹ 1,10,000. The remaining debtors realised 50% at their book value . Cost of realisation amounted to ₹ 1,200. There was a typewriter not recorded in the books worth of ₹ 6,000 which were taken over by one of the Creditors at this value. Prepare Realisation Account, Partners Capital Accounts, and Cash Account to close the books of the firm.

Solution:

Realisation Account

Dr. Particulars		Rs.	Cr. Particulars		Rs.
Land		81,000	Bank Loan		20,000
Stock		56,760	Creditors		37000
Debtors		18,600	Provision for doubtful debts		1,200
Shilpa's Capital A/c		20,000	Shilpa's Capital A/c (Stock)		35,000
Cash:			Cash:		
Creditors	31000		Stock	14000	
Realisation Expenses	1,200	32200	Debtors	12300	
Realisation Profit			Land	1,10,000	1,36,300
Shilpa's Capital A/c	10,470				
Meena's Capital A/c	6,980				
Nanda's Capital A/c	3,490	20,940			
		2,29,500			2,29,500

Partners' Capital Account

Dr. Particulars	Shilpa	Meena	Nanda	Cr. Particulars	Shilpa	Meena	Nanda
Balance b/d	-	-	23,000	Balance b/d	80,000	40,000	-
Realisation	35,000			General Reserve	6,000	4,000	2,000
(Stock)				Realisation	20,000		
Cash	81,470	50,980		(Bank Loan)			
				Realisation (Profit)	10,470	6,980	3,490
				Cash			17,510
	1,16,470	50,980	23,000		1,16,470	50,980	23,000

Cash Account

Dr. Particulars	Rs.	Cr. Particulars	Rs.
Balance b/d	10,840	Realisation (Expenses)	32,200
Realisation (Assets)	1,36,300	Shilpa's Capital A/c	81,470
Nanda's Capital A/c	17,510	Meena's Capital A/c	50,980
	1,64,650		1,64,650

Question 22.

A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows:

Liabilities		₹	Assets	₹
Creditors		38,000	Cash at Bank	11,500
Mrs. A's Loan		10,000	Stock	6,000
B's Loan		15,000	Debtors	19,000
Reserve		5,000	Furniture	4,000
A's Capital	10,000		Plant	28,000
B's Capital	8,000	18,000	Investments	10,000
			Profit and LossA/C	7,500
		86,000		**86,000**

The firm was dissolved on 31st March, 2018 and both the partners agreed to the following:
(a) A took Investments at an agreed value of ₹ 8,000. He also agreed to settle Mrs. A's Loan.
(b) Other assets realised as : Stock – ₹ 5,000; Debtors – ₹ 18,500; Furniture – ₹ 4,500; Plant – ₹ 25,000.
(c) Expenses of realisation came to ₹ 1,600.
(d) Creditors agreed to accept ₹ 37,000 in full settlement of their claims.
Prepare Realisation Account, Partners Capital Accounts and Bank Account.
Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars		Rs.
To Stock A/c		6,000	By Creditors A/c		38,000
To Debtors A/c		19,000	By Mrs. A's Loan A/c		10,000
To Furniture A/c		4,000	By A's Capital A/c		8,000
To Plant A/c		28,000	By Bank A/c:		
To Investment A/c		10,000	Stock	5,000	
To A's Capital A/c: (Mrs. A's Loan)		10,000	Debtors	18,500	
To Bank A/c:			Furniture	4,500	
Creditors	37,000		Plant	25,000	53,000
Expenses	1,600	38,600	By Loss transferred to:		
			A's Capital A/c	3,960	
			B's Capital A/c	2,640	6,600
		1,15,600			**1,15,600**

Partners Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realisation A/c (Loss)	3,960	2,640	By Balance b/d	10,000	8,000
To Realisation A/c	8,000		By Reserve A/c	3,000	2,000
To Profit and Loss A/c	4,500	3,000	By Realisation A/c	10,000	
To Bank A/c	6,540	4,360			
	23,000	**10,000**		**23,000**	**10,000**

B's Loan Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	15,000	By Balance b/d	15,000
	15,000		**15,000**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	11,500	By Realisation A/c	38,600
To Realisation A/c	53,000	By A's Capital A/c	6,540
		By B's Capital A/c	4,360
		By B's Loan A/c	15,000
	64,500		**64,500**

Question 23.

Balance Sheet of P, Q and R as at 31st March, 2018, who were sharing profits in the ratio of 5 : 3 : 1 was:

Liabilities		Amount (₹)	Assets		Amount (₹)
Bills Payable		40,000	Cash at Bank		40,000
Loan from Bank	30,000		Stock		19,000
Reserve Fund		9,000	Sundry Debtors	42,000	
Capital A/cs:		5,800	*Less*: Provision for D. Debts	2,000	40,000
P 44,000					
Q 36,000			Building		40,000
R 20,000		1,00,000	Plant and Machinery		40,000
		1,79,000			**1,79,000**

The partners dissolved the business. Assets realised Stock – ₹ 23,400; Debtors 50%; Fixed Assets 10% less than their book value. Bills Payable were settled for ₹ 32,000. There was an Outstanding Bill of Electricity ₹ 800 which was paid off. Realisation expenses ₹ 1,250 were also paid.

Prepare Realisation Account, Partner's Capital Accounts and Bank Account.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Building A/c		40,000	By Provision for Doubtful Debts A/c		2,000
To Plant and Machinery A/c		40,000	By Bills Payable A/c		40,000
To Stock A/c		19,000	By Loan from Bank A/c		30,000
To Sundry Debtors A/c		42,000	By Bank A/c		
To Bank A/c			Stock	23,400	
Bill Payable	32,000		Debtors	21,000	
Outstanding Bill	800		Building	36,000	
Expenses	1,250		Plant and Machinery	36,000	1,16,400
Loan from Bank	30,000	64,050	By Loss transferred to		
			P's Capital A/c	9,250	
			Q's Capital A/c	5,550	
			R's Capital A/c	1,850	16,650
		2,05,050			**2,05,050**

Partner's Capital Accounts

Dr. Particulars	P	Q	R	Particulars	P	Q	Cr. R
To Realisation A/c (Loss)	9,250	5,550	1,850	By Balance b/d	44,000	36,000	20,000
To Bank A/c	39,750	33,450	19,150	By Reserve A/c	5,000	3,000	1,000
	49,000	**39,000**	**21,000**		**49,000**	**39,000**	**21,000**

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	40,000	By Realisation A/c	64,050
To Realisation A/c	1,16,400	By P's Capital	39,750
		By Q's Capital	33,450
		By R's Capital	19,150
	1,56,400		**1,56,400**

Question 24.
Vinod, Vijay and Venkat are partners sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve their firm on 31st March, 2018 the date on which their Balance Sheet stood as:

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		17,000	Bank		3,500
Bills Payable		12,000	Stock		19,800
Vinod's Loan		5,300	Debtors	15,000	
General Reserve		6,000	*Less*: Provision for D. Debts	1,000	14,000
Capital A/cs:			Investments		4,000
Vinod	25,000		Furniture		10,000
Vijay	11,000		Machinery		33,000
Venkat	8,000	44,000			
		84,300			**84,300**

The following additional information is given:

(a) The Investments are taken over by Vinod for ₹ 5,000

(b)

Assets realised as follows:	₹
Stock	17,500
Debtors	14,500
Furniture	6,800
Machinery	30,300

(c) Expenses on realisation amounted to ₹ 2,000.

Close the books of the firm giving relevant Ledger Accounts.

Solution:

Realisation Account

Dr. Particulars	Rs.	Particulars		Cr. Rs.
To Stock A/c	19,800	By Provision for Doubtful Debts A/c		1,000
To Debtors A/c	15,000	By Creditors A/c		17,000
To Investments A/c	4,000	By Bills Payable A/c		12,000
To Furniture A/c	10,000	By Vindo's Capital A/c		5,000
To Machinery A/c	33,000	By Bank A/c:		
To Bank A/c (Expenses)	2,000	Stock	17,500	
To Bank A/c (Creditors)	17,000	Debtors	14,500	
To Bank A/c (Bills Payable)	12,000	Building	6,800	
		Machinery	30,300	69,100
		By Loss transferred to:		
		Vinod	4,350	
		Vijay	2,900	
		Venkat	1,450	8,700
	1,12,800			**1,12,800**

Partner's Capital Accounts

Dr. Particulars	Vinod	Vijay	Venkat	Particulars	Vinod	Vijay	Cr. Venkat
To Realisation A/c	5,000			By Balance b/d	25,000	11,000	8,000
				By General Reserve			
To Realisation A/c (Loss)	4,350	2,900	1,450	A/c	3,000	2,000	1,000
To Bank A/c	18,650	10,100	7,550				
	28,000	**13,000**	**9,000**		**28,000**	**13,000**	**9,000**

Vinod's Loan Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Bank A/c	5,300	By Balance b/d	5,300
	5,300		**5,300**

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	3,500	By Realisation A/c (Expenses)	2,000
To Realisation A/c (Assets realized)	69,100	By Realisation A/c (Creditors)	17,000
		By Realisation A/c (Bills Payable)	12,000
		By Vinod's Loan A/c	5,300
		By Vinod's Capital A/c	18,650
		By Vijay's Capital A/c	10,100
		By Venkat's Capital A/c	7,550
	72,600		**72,600**

Question 25.

P, Q and R were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. They agreed to dissolve their partnership firm on 31st March, 2018. P was deputed to realise the assets and pay the liabilities. He as paid ₹ 1,000 as commission for his services. The financial position of the firm was:

Balance Sheet
as at 31st March, 2018

Liabilities		₹
Creditors		10,000
Bills Payable		3,700
Investments Fluctuation Reserve		4,500
Capital A/cs:		
P	37,550	
Q	15,000	52,550
		70,750

Assets		₹
Stock		5,500
Investments		15,000
Debtors	7,100	
Less: Provision for Doubtful Debtors	450	6,650
Cash		5,600
R's Capital A/c		8,000
Plant and Machinery		30,000
		70,750

P took over Investments for ₹ 12,500. Stock and Debtors realised ₹ 11,500. Plant and Machinery were sold to Q for ₹ 22,500 for cash. Unrecorded assets realised ₹ 1,500. Realisation expenses paid amounted to ₹ 900.

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

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Plant and Machinery A/c		30,000	By Creditors A/c		10,000
To Stock A/c		5,500	By Bills Payable A/c		3,700
To Investments A/c		15,000	By Investments Fluctuation Reserve A/c		4,500
To Debtors A/c		7,100	By Provision for Doubtful Debts A/c		450
			By P's Capital A/c (Investments)		12,500
To Cash A/c			By Cash A/c:		
Creditors	10,000		Stock and Debtors	11,500	
Bills Payable	3,700		Plant and Machinery	22,500	
Expenses	900	14,600	Unrecorded Assets	1,500	35,500
To P's Capital A/c		1,000	By Loss transferred to:		
			P's Capital A/c	3,275	
			Q's Capital A/c	1,965	
			R's Capital A/c	1,310	6,550
		73,200			**73,200**

Partner's Capital Accounts

Dr. Particulars	P	Q	R	Particulars	P	Q	Cr. R
To Balance b/d			8,000	By Balance b/d	37,550	15,000	
To Realisation A/c (Loss)	3,275	1,965	1,310	By Realisation A/c	1,000		
To Realisation A/c	12,500			By Cash A/c			9,310
To Cash A/c	22,775	13,035					
	38,550	**15,000**	**9,310**		**38,550**	**15,000**	**9,310**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	5,600	By Realisation A/c	14,600
To Realisation A/c	35,500	By P's Capital A/c	22,775
To R's Capital A/c	9,310	By Q's Capital A/c	13,035
	50,410		**50,410**

Question 26.

Ashu and Harish are partners sharing profits and losses as 3 : 2 . They decided to dissolve the firm on 31st March, 2018. Their Balance Sheet on the above date was:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	80,000
Ashu	1,08,000		Machinery	70,000
Harish	54,000	1,62,000	Furniture	14,000
Creditors		88,000	Stock	20,000
Bank Overdraft		50,000	Investments	60,000
			Debtors	48,000
			Cash in Hand	8,000
		3,00,000		3,00,000

The firm was dissolved on 1st April,2018 and the Assets and Liabilities were settled as follows:
(a) Land and Building b realised ₹ 4,30,000.
(b) Debtors realised ₹ 2,25,000 (with interest) and ₹ 1,000 were recovered for Bad Debts written off last year.
(c) There was an Unrecorded Investment which was sold for ₹ 25,000.
(d) Vichal took over Machinery at ₹ 2,80,000 for cash.
(e) 50% of the Creditors were paid ₹ 4,000 less in full settlement and the remaining Creditors were paid full amount.
Pass necessary journal entries for dissolution of the firm.
Ashu is to take over the building at ₹ 95,000 and Machinery and Furniture is taken over by Harish at value of ₹ 80,000. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. Stock and Investments are taken by both partner in profit-sharing ratio. Debtors realised for ₹ 46,000, expenses of realisation amounted to ₹ 3,000. Prepare necessary Ledger Accounts.
Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars	Rs.
Building		80,000	Creditors	88,000
Machinery		70,000	Bank overdraft	50,000
Furniture		14,000	Ashu's Capital A/c (*see working note*)	1,43,000
Stock		20,000	Harish's Capital A/c (*see working note*)	1,12,000
Investments		60,000	Cash (Debtors)	46,000
Debtors		48,000		
Ashu's Capital A/c (Creditors)		88,000		
Harish's Capital A/c (Bank Overdraft)		50,000		
Cash (Expenses)		3,000		
Realisation Profit				
Ashu's Capital A/c	3,600			
Harish's Capital A/c	2,400	6,000		
		4,39,000		4,39,000

Partners' Capital Account

Dr. Particulars	Ashu	Harish	Particulars	Ashu	Cr. Harish
Realisation					
(Assets taken)	1,43,000	1,12,000	Balance b/d	1,08,000	54,000
Cash	56,600		Realisation (Liabilities)	88,000	50,000
			Realisation (Profit)	3,600	2,400
			Cash		5,600
	1,99,600	1,12,000		1,99,600	1,12,000

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
Balance b/d	8,000	Realisation (Expenses)	3,000
Realisation (Debtors)	46,000	Ashu's Capital A/c	56,600
Harish's Capital A/c	5,600		
	59,600		59,600

***Working Notes*:**

	Ashu	Harish
Building	95,000	
Machinery and Furniture		80,000
Stock (3:2)	12,000	8,000
Investment (3:2)	36,000	24,000
	1,43,000	1,12,000

Question 27.
A, B and C were equal partners. On 31st March, 2018, their Balance Sheet stood as:

Liabilities		₹	Assets	₹
Creditors		50,400	Cash	3,700
Reserve		12,000	Stock	20,100
Capital A/cs:			Debtors	62,600
A	30,000		Investments	16,000
B	25,000		Furniture	6,500
C	15,000	70,000	Building	23,500
		1,32,400		1,32,400

The firm was dissolved on the above date on the following terms:
(a) For the purpose of dissolution, Investments were valued at ₹ 18,000 and A took over the Investments at this value.
(b) Fixed Assets realised ₹ 29,700 whereas Stock and Debtors realised ₹ 80,000.
(c) Expenses of realisation amounted to ₹ 1,300.
(d) Creditors allowed a discount of ₹ 800.
(e) One Bill receivable for ₹ 1,500 under discount was dishonoured as the acceptor had become insolvent and was unable to pay anything and hence the bill had to be met by the firm.
Prepare Realisation Account, Partner's Capital Accounts and Cash Account showing how the accounts would finally be settled among the partners.
Solution:

Realisation Account

Dr. Particulars		Rs.	Cr. Particulars		Rs.
To Stock A/c		20,100	By Creditors A/c		50,400
To Debtors A/c		62,600	By A's Capital A/c (Investments)		18,000
To Investments A/c		16,000	By Cash A/c:		
To Furniture A/c		6,500	Furniture and Building	29,700	
To Building A/c		23,500	Stock and Debtors	80,000	1,09,700
To Cash A/c					
Expenses	1,300		By Loss transferred to:		
Creditors	49,600		A's Capital A/c	1,000	
Bills	1,500	52,400	B's Capital A/c	1,000	
			C's Capital A/c	1,000	3,000
		1,81,100			**1,81,100**

Partner's Capital Accounts

Dr. Particulars	P	Q	R	Cr. Particulars	P	Q	R
To Realisation A/c(Investments)	18,000			By Balance b/d	30,000	25,000	15,000
To Realisation A/c (Loss)	1,000	1,000	1,000	By Reserve A/c	4,000	4,000	4,000
To Cash A/c	15,000	28,000	18,000				
	34,000	**29,000**	**19,000**		**34,000**	**29,000**	**19,000**

Cash Account

Dr. Particulars	Rs.	Cr. Particulars	Rs.
To Balance b/d	3,700	By Realisation A/c	52,400
To Realisation A/c	1,09,700	By A's Capital A/c	15,000
		By B's Capital A/c	28,000
		By C's Capital A/c	18,000
	1,13,400		**1,13,400**

Question 28.
A, B and C are in partnership sharing profits and losses in the proportions of 1/2, 1/3 and 1/6 respectively. On 31st March, 2018, they decided to dissolve the partnership and the position of the firm on this date is represented by the following Balance Sheet:

Liabilities		₹	Assets	₹
Creditors		40,000	Cash at Bank	3,000
Loan A/c:			Stock	50,000
A		10,000	Sundry Debtors	50,000
Workmen Compensation Reserve		21,000	Land and Building	57,000
Capital A/cs:			Profit and Loss A/c	6,000
A	60,000		Advertisement Suspense A/c	6,000
B	40,000			
C	10,000	1,10,000		
		1,81,000		1,81,000

During the course of realisation, a liability under a suit for damages is settled at ₹ 20,000 as against

₹ 5,000 only provided for in the books of the firm.
Land and Building were sold for ₹ 40,000 and the Stock and Sundry Debtors realised ₹ 30,000 and ₹ 42,000 respectively. The expenses of realisation amounted to ₹ 1,200.
There was a car in the firm, which was completely written off from the books. Ir was taken over by A for ₹ 20,000. He also agreed to pay Outstanding Salary of ₹ 20,000 not provided in books.
Prepare Realisation Account, Partners Capital Accounts and Bank Account in the books of the firm.
Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Land and Building A/c		57,000	By Creditors A/c		40,000
To Stock A/c		50,000	By A's Capital A/c (car)		20,000
To A's Salary A/c		20,000	By Land and Building A/c	40,000	
To Sundry Debtors A/c		50,000	By Stock A/c	30,000	
To Bank A/c			By Sundry Debtors A/c	42,000	1,12,000
Creditors (40,000 + 15,000)	55,000		By Loss transferred to:		
Expenses	1,200	56,200	A's Capital A/c	30,600	
			B's Capital A/c	20,400	
			C's Capital A/c	10,200	61,200
		2,33,200			**2,33,200**

Partners Capital Accounts

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c (Loss)	30,600	20,400	10,200	By Balance b/d	60,000	40,000	10,000
				By Workmen C.			
To Advt. Suspense A/c	3,000	2,000	1,000	Reserve	10,500	7,000	3,500
To Realisation A/c	20,000			By Realisation A/c	20,000		
To Profit and Loss A/c	7,500	5,000	2,500	By Bank A/c			200
To Bank A/c	29,400	19,600					
	90,500	**47,000**	**13,700**		**90,500**	**47,000**	**13,700**

A's Loan Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	10,000	By Balance b/d	10,000
	10,000		**10,000**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	3,000	By Realisation A/c	56,200
To Realisation A/c	1,12,000	By A's Capital A/c	29,400
To C's Capital A/c	200	By B's Capital A/c	19,600
		By A's Loam A/c	10,000
	1,15,200		**1,15,200**

Question 29.
A and B are partners in a firm sharing profits and losses in the ratio of 2 : 1. On 31st March, 2018 their Balance Sheet was:

Liabilities	₹
Bank Overdraft	30,000
General Reserve	56,000
Investments Fluctuation Reserve	20,000
A's Loan	34,000
Capital A/c:	
A	50,000
	1,90,000

Assets		₹
Cash in Hand		6,000
Bank Balance		10,000
Sundry Debtors	26,000	
Less: Provision for Doubtful Debtors	2,000	24,000
Investments		40,000
Stock		10,000
Furniture		10,000
Building		60,000
B's Capital		30,000
		1,90,000

On that date, the partners decide to dissolve the firm. A took over Investments at an agreed valuation of ₹ 35,000. Other assets were realised as follows:

Sundry Debtors: Full amount. The firm could realise Stock at 15% less and Furniture at 20% less than the book value. Building was sold at ₹ 1,00,000.

Compensation to employees paid by the firm amounted to ₹ 10,000. This liability was not provided for in the above Balance Sheet.

You are required to close the books of the firm by preparing Realisation Account, Partners Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. | Cr.

Particulars		Rs.	Particulars		Rs.
To Sundry Debtors A/c		26,000	By Provision for Doubtful Debts A/c		2,000
To Investments A/c		40,000	By Bank Overdraft A/c		30,000
To Stock A/c		10,000	By Investment Fluctuation Reserve A/c		20,000
To Furniture A/c		10,000	By A's Capital A/c (Investment)		35,000
To Building A/c		60,000	By Bank A/c:		
To Bank A/c:			Sundry Debtors	26,000	
Compensation of Employees	10,000		Stock	8,500	
Bank Overdraft	30,000	40,000	Furniture	8,000	
To Profit transferred to:			Building	1,00,000	1,42,500
A's Capital A/c	29,000				
B's Capital A/c	14,500-	43,500			
		2,29,500			**2,29,500**

Partner's Capital Accounts

Dr. | Cr.

Particulars	A	B	Particulars	A	B
To Balance b/d		30,000	By Balance b/d	50,000	
To Realisation A/c (Investment)	35,000		By General Reserve A/c	37,333	18,667
To Bank A/c	81,333	3,167	By Realisation A/c (Profit)	29,000	14,500
	1,16,333	**33,167**		**1,16,333**	**33,167**

A's Loan Account

Dr. | Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	34,000	By Balance b/d	34,000
	34,000		**34,000**

Bank Account

Dr. | Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,000	By Realisation A/c	40,000
To Cash A/c	6,000	By A's Capital A/c	81,333
To Realisation A/c	1,42,500	By B's Capital A/c	3,167
		By A's Loam A/c	34,000
	1,58,500		**1,58,500**

Question 30.

Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively.They dissolve the partnership of the 31st March,2018 when the Balance Sheet of the firm as under:

Liabilities		₹	Assets	₹
Sundry Creditors		20,000	Bank	7,500
Bills Payable		25,500	Sundry Debtors	58,000
Babu's Loan		30,000	Stock	39,500
Capital A/cs:			Machinery	48,000
Ashok	70,000		Investments	42,000
Babu	55,000		Freehold Property	50,500
Chetan	27,000	1,52,000		
Capital A/cs:				
Ashok	10,000			
Babu	5,000			
Chetan	3,000	18,000		
		2,45,000		**2,45,500**

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

Prepare Realisation Account, Partners Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars		Rs.
Sundry Debtors		58,000	Sundry Creditors		20,000
Stock		39,500	Bills Payable		25,500
Machinery		48,000	Ashok's Current A/c (Investment)		40,000
Investment		42,000	Babu's Current A/c (Machinery)		45,000
Freehold property		50,500	Chetan's Current A/c		55,000
Bank:			(Freehold property)		
Sundry Creditors	18,600		Bank:		
Bills Payable	25,500		Sundry Debtors	56,500	
Expenses	3,000	47,100	Stock	36,500	
Realisation Profit			Unrecorded Computer	9,000	1,02,000
Ashok's Current A/c	1,200				
Babu's Current A/c	800				
Chetan's Current A/c	400	2,400			
		2,87,500			2,87,500

Partners' Current Account

Dr.							Cr.
Particulars	**Ashok**	**Babu**	**Chetan**	**Particulars**	**Ashok**	**Babu**	**Chetan**
Realisation	40,000	45,000	55,000	Balance b/d	10,000	5,000	3,000
(Assets taken)				Realisation (Profit)	1,200	800	400
				Ashok's Capital A/c	28,800		
				Babu's Capital A/c		39200	
				Chetan's Capital A/c			51600
	40,000	45,000	55,000		40,000	45,000	55,000

Partners' Capital Account

Dr.							Cr.
Particulars	**Ashok**	**Babu**	**Chetan**	**Particulars**	**Ashok**	**Babu**	**Chetan**
Ashok's Current A/c	28,800			Balance b/d	70,000	55,000	27,000
Babu's Current A/c		39200		Bank A/c			24,600
Chetan's Current A/c			51600				
Bank A/c	41,200	15,800					
	70,000	55,000	51,600		70,000	55,000	51,600

Babu's Loan A/c

Dr.			Cr.
Particulars	**Rs.**	**Particulars**	**Rs.**
Bank A/c	30,000	Balance b/d	30,000
	30,000		**30,000**

Bank Account

Dr.			Cr.
Particulars	**Rs.**	**Particulars**	**Rs.**
		Realisation A/c	
Balance b/d	7,500	(Payment of Expenses and Liabilities)	47,100
Realisation A/c			
(Assets realised)	102,000		
Chetan's Capital A/c	24,600	Babu's Loan	30,000
		Ashok's Capital A/c	41,200
		Babu's Capital A/c	15,800
	1,34,100		1,34,100

Question 31.
X, Y and Z carrying on business as merchants and sharing profits and losses in the ratio of 2 : 2 : 1, dissolved their firm as at 31st March, 2018 on which date their Balance Sheet was as follows:

Liabilities		₹	Assets		₹
Sundry Creditors		41,500	Cash at Bank		22,500
Bills Payable		20,000	Stock		80,000
Bank Loan		40,000	Debtors	50,000	
General Reserve		50,000	*Less:* Provision for Doubtful Debts	2,500	47,500
Investments Fluctuation Reserve		40,000	Investments		55,000
Capital A/cs:			Premises		1,51,500
X	75,000				
Y	75,000				
Z	15,000	1,65,000			
		3,56,500			**3,56,500**

A bill for ₹ 5,000 received from Mohan discounted from bank is not met on maturity.
The assets except Cash at Bank and Investments were sold to a company which paid ₹ 3,25,000 in cash.The Investments were sold and ₹ 56,500 were received. Mohan proved insolvent and a dividend of 50% was received from his estate. Sundry Creditors (including Bills Payable) were paid ₹ 57,500 in full settlement. Realisation Expenses amounted to ₹ 15,000.
Prepare Realisation Account, Partners Capital Accounts and Bank Account.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Stock A/c		80,000	By Creditor A/c		41,500
To Debtors A/c		50,000	By Bills payable A/c		20,000
To Investment A/c		55,000	By Bank Loan A/c		40,000
To Premises A/c		1,51,500	By Investment Fluctuation Reserve A/c		40,000
To Bank A/c :-			By Provision for Doubtful Debts A/c		2,500
Bill	5,000		By Bank A/c-		
Creditor and Bills payable	57,500		By Assets	3,25,000	
Expenses	15,000		By Investments	56,500	
Bank loan	40,000	1,17,500	By Bill	2,500	3,84,000
To Profit transferred to:					
X's Capital A/c	29,600				
Y's Capital A/c	29,600				
Z's Capital A/c	14,800	74,000			
		5,28,000			**5,28,000**

Partners' Capital Accounts

Dr. Particulars	X	Y	Z	Particulars	X	Y	Cr. Z
To Bank A/c (bal. fig.)	1,24,600	1,24,600	39,800	By Balance b/d	75,000	75,000	15,000
				By General Reserve A/c	20,000	20,000	10,000
				By Realisation A/c	29,600	29,600	14,800
	1,24,600	1,24,600	39,800		1,24,600	1,24,600	39,800

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	22,500	By Realisation A/c	1,17,500
To Realisation A/c	3,84,000	By X's Capital A/c	1,24,600
		By Y 's Capital A/c	1,24,600
		By Z 's Capital A/c	39,800
	4,06,500	-	**4,06,500**

Question 32.

Rita chowdhary and Miss Sobha are partners in a firm, Fancy Garments Exports, sharing profits and losses equally. On 1st April, 2018 the Balance Sheet of the firm was:

Liabilities	₹	Assets		₹
Sundry Creditors	75,000	Cash		6,000
Bills Payable	30,000	Bank		30,000
Mr. Chowdhary's Loan	15,000	Stock		75,000
Reserve Fund	24,000	Book Debts	66,000	
Mrs. Rita Chowdhary's Capital	90,000	*Less:* Provision for Doubtful Debts	6,000	60,000
Miss Sobha's Capital	30,000	Plant and Machinery		45,000
		Land and Building		48,000
	2,64,000			**2,64,000**

The firm was dissolved on the date given above. The following transactions took place:
(a) Mrs. Rita Chowdhary undertook to pay Mr.Chowdhary's Loan and took over 50% of the Stock at a discount of 20%.
(b) Book Debts realised ₹ 54,000; balance of the Stock was sold off at a profit of 30% on cost.
(c) Sundry Creditors were paid out at a discount of 10%. Bills Payable were paid in full.
(d) Plant and Machinery realised ₹ 75,000. Land and Building ₹ 1,20,000.
(e) Mrs. Rita Chowdhary took over the goodwill of the firm at a valuation of ₹ 30,000.
(f) An unrecorded asset of ₹ 6,900 was handed over to an unrecorded liability of ₹ 6,000 in full settlement.
(g) Realisation expenses were ₹ 5,250.
Show Realisation Account, Partners Capital Accounts and Bank Account in the books of the firm.
Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars		Rs.
To Stock A/c		75,000	By Provision for Doubtful Debts		6,000
To Book Debts A/c		66,000	By Sundry Creditors A/c		75,000
To Plant and Machinery A/c		45,000	By Bills Payable A/c		30,000
To Land and Building A/c		48,000	By Mr. Chowdhary's Loan A/c		15,000
To Mrs. Rita Chowdhary's Capital A/c		15,000	By Mrs. Rita Chowdhary's Captial A/c:		
			Stock	30,000	
To Bank A/c:			Goodwill	30,000	60,000
Sundry Creditors	67,500				
Bills Payable	30,000		By Bank A/c:		
Expenses	5,250	1,02,750	Book Debts	54,000	
To Profit transferred to:			Stock	48,750	
Mrs. Rita Chowdhary's Capital A/c	66,000		Plant and Machinery	75,000	
Miss Sobha's Capital A/c	66,000	1,32,000	Land and Building	1,20,000	2,97,750
		4,83,750			**4,83,750**

Partner's Capital Accounts

Dr. Particulars	Mrs. Rita Chowdhary	Miss Sobha	Particulars	Mrs. Rita Chowdhary	Miss Sobha Cr.
To Realisation A/c (Assets)	60,000		By Balance b/d	90,000	30,000
To Bank A/c	1,23,000	1,08,000	By Reserve fund A/c	12,000	12,000
			By Realisation A/c (Mr. Chowdhary's Loan)	15,000	
			By Realisation A/c (Profit)	66,000	66,000
	1,83,000	**1,08,000**		**1,83,000**	**1,08,000**

Bank Account

Dr. Particulars	Rs.	Particulars	Rs. Cr.
To Balance b/d	30,000	By Realisation A/c	1,02,750
To Cash Capital A/c	6,000	By Mrs. Rita Chowdhary's Captial A/c	1,23,000
To Realisation A/c	2,97,750	By Miss Sobha Capital A/c	1,08,000
	3,33,750		**3,33,750**

Working Notes:

1. Value of stock taken by Mrs. Rita

$$= \left(75,000 \times \frac{50}{100}\right) \times \frac{80}{100} = ₹30,000$$

2. Value of Stock sold

$$= \left(75,000 \times \frac{50}{100}\right) \times \frac{130}{100} = ₹48,750$$

Question 33.

Following is the Balance Sheet of Arvind and Balbir as at 31st March, 2018:

Liabilities		Amount (₹)
Trade Creditors		45,000
Bills Payable		12,000
Mrs. Arvind's Loan		7,500
Mrs. Balbir's Loan		15,000
Reserve Fund		15,000
Investments Fluctuation Reserve		1,500
Capital A/cs:		
Arvind	15,000	
Balbir	15,000	30,000
		1,26,000

Assets		Amount (₹)
Cash		750
Bank		12,000
Stock		7,500
Investments		15,000
Book Debts	30,000	
Less: Provision for D. Debts	3,000	27,000
Building		22,500
Plant		30,000
Goodwill		6,000
Profit and Loss A/c		5,250
		1,26,000

The firm was dissolved on the above date under the following arrangement:
(a) Arvind promised to pay off Mrs. Arvind's Loan and took Stock at ₹ 6,000.
(b) Balbir took half the Investments @ 10% discount.
(c) Book Debts realised ₹ 28,500.
(d) Trade Creditors and Bills Payable were due on average basis of one month after 31st March,but were paid immediately on 31st March @ 2% discount per annum.
(e) Plant realised ₹ 37,500; Building ₹ 60,000; Goodwill ₹ 9,000 and remaining Investments ₹ 6,750.
(f) An old typewriter, written off completely from the firm's books now estimated to realise ₹ 450. It was taken by Balbir at this estimated price.
(g) Realisation expenses were ₹ 1,500.
Show Realisation Account, Capital Accounts of Partners and Bank Account.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Stock A/c		7,500	By Provision for Doubtful Debts A/c		3,000
To Investments A/c		15,000	By Trade Creditors A/c		45,000
To Book Debts A/c		30,000	By Bills Payable A/c		12,000
To Building A/c		22,500	By Mrs. Arvind's Loan A/c		7,500
To Plant A/c		30,000	By Mrs. Balbir's Loan A/c		15,000
To Goodwill A/c		6,000	By Investments Fluctuation Reserve A/c		1,500
To Arvind's Capital A/c					
(Mrs. Arvind's Loan)		7,500	By Arvind Capital A/c (Stock)		6,000
To Bank A/c:			By Balbir's Capital A/c		6,750
Trade Creditors	44,925		(Investments 7500 x 90%)		
Bills Payable	11,980		By Balbir's Capital A/c		450
Expense	1,500		(Unrecorded Typewriter)		
Mrs. Balbir's Loan	15,000	73,405	By Bank A/c		
Profit transferred to:			Book Debts	28,500	
Arvind's Capital A/c	23,522.50		Plant	37,500	
Balbir's Capital A/c	23,522.50	47,045	Building	60,000	
			Goodwill	9,000	
			Investments	6,750	1,41,750
		2,38,950			2,38,950

Partner's Capital Accounts

Dr. Particulars	Arvind	Balbir	Particulars	Arvind	Cr. Balbir
To Profit and Loss A/c	2,625	2,625	By Balance b/d	15,000	15,000
To Realisation A/c (Assets)	6,000	7,200	By Realisation A/c	7,500	
To Bank A/c	44,897.50	36,197.50	By Reserve Fund A/c	7,500	7,500
			By Realisation A/c (Profit)	23,522.50	23,522.50
	53,522.50	**46,022.50**		**53,522.50**	**46,022.50**

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	12,000	By Realisation A/c	73,405
To Cash A/c	750	By Arvind's Capital A/c	44,897.5
To Realisation A/c	1,41,750	By Balbir's Capital A/c	36,197.5
	1,54,500		**1,54,500**

Working Notes:

Creditors	45,000
Less: 2% discount for 1 month	(75)
Payment made to Creditors	**44,925**

Bills Payable	12,000
Less: 2% discount for 1 month	(20)
Payment made to for Bills Payable	**11,980**

Question 34.

Anju, Manju and Sanju were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2018, their Balance Sheet was:

Liabilities		₹	Assets	₹
Creditors		50,000	Cash	60,000
Bank Loan		35,000	Debtors	75,000
Employees Provident Fund		15,000	Stock	40,000
Investments Fluctuation Reserve		10,000	Investments	20,000
Commission Received in Advance		8,000	Plant	50,000
Capital A/cs:			Profit and Loss A/c	3,000
Anju	50,000			
Manju	50,000			
Sanju	30,000	1,30,000		
		2,48,000		**2,48,000**

On this date , the firm was dissolved. Anju was appointed to realise the assets. Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation. Anju realised the assets as follows: Debtors ₹ 60,000; Stock ₹ 35,500; Investments ₹ 16,000; Plant 90% of the book value. Expenses of Realisation amounted to ₹ 7,500. Commission received in advance was returned to customers after deducting ₹ 3,000.

Firm had to pay ₹ 8,500 for Outstanding Salary, not provided for earlier, Compensation paid to employees amounted to ₹ 17,000. This liability was not provided for in the above Balance Sheet. ₹ 20,000 had to be paid for Employees Provident Fund.

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

Solution:

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars		Rs.
To Debtors A/c		75,000	By Creditors A/c		50,000
To Stock A/c		40,000	By Bank Loan A/c		35,000
To Investments A/c		20,000	By Provident Fund A/c		15,000
To Plant A/c		50,000	By Commission Received in Advance A/c		8,000
To Cash A/c:			By Investments Fluctuation Fund A/c		10,000
Commission Received in Advance	5,000		By Cash A/c		
Outstanding Salary	8,500		Debtors	60,000	
Compensation paid to Employees	17,000		Stock	35,500	
Provident Funds	20,000		Investments	16,000	
Creditors	50,000		Plant	45,000	1,56,500
Bank Loan	35,000	1,35,500	By Loss transferred to :		
To Anju's Capital A/c (Commission)		7,825	Anju's Capital A/c	21,530	
			Maju's Capital A/c	21,530	
			Sanju's Capital A/c	10,765	53,825
		3,28,325			**3,28,325**

Partner's Capital Accounts

Dr. Cr.

Particulars	Anju	Manju	Sanju	Particulars	Anju	Manju	Sanju
To Profit and Loss A/c	1,200	1,200	600	By Balance b/d	50,000	50,000	30,000
To Realisation A/c	21,530	21,530	10,765	By Realisation A/c	7,825		
To Cash A/c	35,095	27,270	18,635				
	57,825	**50,000**	**30,000**		**57,825**	**50,000**	**30,000**

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	60,000	By Realisation A/c	1,35,500
To Realisation A/c	1,56,500	By Anju's Capital A/c	35,095
		By Manju's Capital A/c	27,270
		By Sanju's Capital A/c	18,635
	2,16,500		**2,16,500**

Working Notes:

1. Calculation of Realisation of Plant

$$\text{Anju's Commission} = \text{Assets Realised} \times \frac{5}{100}$$

$$\text{Anju's Commission} = 1,56,500 \times \frac{5}{100} = ₹7,825$$

2. Calculation of Realisation of Plant

$$\text{Realisation of Plant} = 50,000 \times \frac{90}{100} = ₹45,000$$

Question 35.

A, B and C were in partnership sharing profits in the ratio of 7 : 2 : 1 and the Balance Sheet of the firm as at 31st Marc h, 2018 was:

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital A/cs:			Building	20,000
A	12,410		Plant	31,220
B	8,650		Goodwill	10,000
C	80,620	1,01,680	100 Shares in X Ltd(At cost)	2,400
Creditors		11,210	1,000 Shares in Y Ltd. (At cost)	10,000
Reserve for Depreciation on Plant		20,000	Stock	11,240
			Debtors	8,740
			Bank	1,210
			Patents	38,080
		1,32,890		**1,32,890**

It was agreed to dissolve the partnership as on 31st March, 2018 and the terms of dissolution were-

(a) A to take over the Building at an agreed amount of ₹ 31,500;

(b) B who was to carry on the business to take over the Goodwill, Stock and Debtors at book value, the Patents at ₹ 30,000 and Plant at ₹ 30,000 and Plant at ₹ 5,000. He was also to pay the Creditors;

(c) C to take over shares in X Ltd. at ₹ 15 each and

(d) The shares in Y Ltd.to be divided in the profit-sharing ratio.
Show Ledger Accounts recording the dissolution in the books of the firm.
Solution:

Realisation Account

Dr. **Cr.**

Particulars	Rs.	Particulars		Rs.
To Building A/c	20,000	By Creditors A/c		11,210
To Plant A/c	31,220	By Depreciation on Plant A/c		20,000
To Good will A/c	10,000	By A' Capital A/c		
To 100 Shares in X Ltd. A/c	2,400	Building	31,500	
To 1000 Shares in Y Ltd. A/c	10,000	Shares of Y Ltd	7,000	38,500
To Stock A/c	11,240	By B' Capital A/c		
To Debtors A/c	8,740	Goodwill	10,000	
To Patents A/c	38,080	Stock	11,240	
To B Capital A/c	11,210	Debtors	8,740	
(Creditors)		Patents	30,000	
		Plant	5,000	
		Shares of Y Ltd.	2,000	66,980
		By C's Capital A/c		
		Shares of X Ltd.	1,500	
		Shares of Y Ltd.	1,000	2,500
		By Loss transferred to :		
		A's Capital A/c	2,590	
		B's Capital A/c	740	
		C's Capital A/c	370	3,700
	1,42,890			**1,42,890**

Partner's Capital Accounts

Dr.							Cr.
Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
To Realisation A/c (Assets)	38,500	66,980	2,500	By Balance b/d	12,410	8,650	80,620
To Realisation A/c (Loss)	2,590	740	370	By Realisation A/c (Creditors)		11,210	
To Bank A/c			77,750	By Bank A/c	28,680	47,860	
	41,090	**67,720**	**80,620**		**41,090**	**67,720**	**80,620**

Bank Account

Dr.			Cr.
Particulars	**Rs.**	**Particulars**	**Rs.**
To Balance b/d	1,210	By C's Capital A/c	77,750
To A's Capital A/c	28,680		
To B's Capital A/c	47,860		
	77,750		**77,750**

Working Notes:

Distribution of Shares in Y Ltd.

$$\text{A, s Shares} = 10{,}000 \times \frac{7}{10} = ₹7{,}000$$

$$\text{B, s Shares} = 10{,}000 \times \frac{2}{10} = ₹2{,}000$$

$$\text{C, s Shares} = 10{,}000 \times \frac{1}{10} = ₹1{,}000$$

Question 36.

Following is the Balance Sheet of Vishnu, Sanjiv and Sudhir as at 31st March, 2018:

Liabilities		Amount (₹)
Bills Payable		20,000
Creditors		18,000
Mrs. Vishnu's Loan		20,000
Outstanding Salary		5,000
Profit and Loss A/c		10,000
Workmen Compensation Reserve		15,000
Capital A/cs:		
Vishnu	40,000	
Sanjiv	30,000	
Sudhir	18,000	88,000
		1,76,000

Assets		Amount (₹)
Cash		8,000
Bills Receivable		12,000
Stock		25,000
Sundry Debtors	40,000	
Less: Provision for D. Debts	4,000	36,000
Land and Building		50,000
Furniture		10,000
Computers		5,000
Investments		30,000
		1,76,000

Profit-sharing ratio of the partners is 5 : 3 : 2. At the above date, the partners decided to dissolve the firm.

The assets were realised as follows:

Bill Receivable were realised at a discount of 5%. All Debtors were good. Stock realised ₹ 22,000. Land and Building realised 40% higher than the book value. Furniture was sold for ₹ 8,000 by auction and auctioneer's commission amounted to ₹ 500.

Computers were taken by Vishnu for ana greed valuation of ₹ 3,000. Investments were sold in the open market at a price of ₹ 45,000 for which commission of ₹ 600 was paid to the broker.

Bills Payable were paid at full amount. Creditors however agreed to accept 10% less. All other liabilities were paid off at their book value.

The firm retrenched their employees three months before the dissolution of the firm and firm had to pay ₹ 20,000 as compensation.

Prepare Realisation Account, Partners Capital Accounts and Cash Account.

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
Bills Receivable		12,000	Provision for Doubtful Debts		4,000
Stock		25,000	Bills Payable		20,000
Sundry Debtors		40,000	Creditors		18,000
Land and Building		50,000	Mrs Vishnu's Loan		20,000
Furniture		10,000	Outstanding Salary		5,000
Computers		5,000	**Cash A/c**		
Investments		30,000	Bills Receivable	11,400	
Cash A/c			Debtors	40,000	
Bills Payable	20,000		Stock	22,000	
Creditors	16,200		Land and Building	70,000	
Mrs Vishnu's Loan	20,000		Furniture	7,500	
Outstanding Salary	5,000	61,200	Investments	44,400	1,95,300
Cash A/c					
(Retrenchment Compensation)		20,000	Vishnu's Capital A/c (Computers)		3,000
Realisation Profit					
Vishnu's Capital A/c	6,050				
Sanjiv's Capital A/c	3,630				
Sudhir's Capital A/c	2,420	12,100			
		2,65,300			2,65,300

Partners' Capital Account

Dr. Particulars	Vishnu	Sanjiv	Sudhir	Particulars	Vishnu	Sanjiv	Cr. Sudhir
Realisation (Assets taken)	3,000			Balance b/d	40,000	30,000	18,000
Cash A/c	55,550	41,130	25,420	PandL A/c	5,000	3,000	2,000
				WCR	7,500	4,500	3,000
				Realisation A/c (Profit)	6,050	3,630	2,420
	58,550	41,130	25,420		58,550	41,130	25,420

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
Balance b/d	8,000	Realisation A/c (Liabilities)	81,200
Realisation A/c (Assets)	1,95,300	Vishnu's Capital A/c	55,550
		Sanjiv's Capital A/c	41,130
		Sudhir's Capital A/c	25,420
	2,03,300		2,03,300

Question 37.
A, B and C were partners sharing profits in the ratio of 2 : 2 : 1. They decided to dissolve their firm on 31st March, 2018 when the Balance Sheet was:

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		40,000	Cash		40,000
Bills Payable		46,000	Debtors	70,000	
Employees' Provident Fund		32,000	Furniture	6,000	64,000
Mrs. *A*'s Loan		38,000	Stock		50,000
C's Loan		30,000	Investments		60,000
Investments Fluctuation Reserve		16,000	Furniture		42,000
Capitals A/cs:			Machinery		1,36,000
A	1,20,000		Land		1,00,000
B	1,00,000		Goodwill		30,000
C	1,00,000	3,20,000			
		5,22,000			**5,22,000**

Following transactions took place:
(a) A took over Stock at ₹ 36,000. He also took over his wife's loan.
(b) B took over half of Debtors at ₹ 28,000.
(c) C took over Investments at ₹ 54,000 and half of Creditors at their book value.
(d) Remaining Debtors realised 60% of their book value. Furniture sold for ₹ 30,000; Machinery ₹ 82,000 and Land ₹ 1,20,000.
(e) An unrecorded asset was sold for ₹ 22,000.
(f) Realisation expenses amounted to ₹ 4,000.
Prepare necessary Ledger Accounts to close the books of the firm.
Solution:

Realisation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Debtors A/c	70,000	By Provision for Doubtful Debts A/c		6,000
To Stock A/c	50,000	By Creditors A/c		40,000
To Investment A/c	60,000	By Bills Payable A/c		46,000
To Furniture A/c	42,000	By Employee's Provident Fund A/c		32,000
To Machinery A/c	1,36,000	By Investment Fluctuation Fund A/c		16,000
To Land A/c	1,00,000	By Mrs. A's Loan A/c		38,000
To Goodwill A/c	30,000	By A's Capital A/c (Stock)		36,000
To A's Capital A/c (Mrs. A's Loan)	38,000	By B's Capital A/c (Debtors)		28,000
To C's Capital A/c (Creditors)	20,000	By C's Capital A/c (Investment)		54,000
To Cash A/c (Expense)	4,000	By Cash A/c (Debtors) 60% x 35,000		21,000
To Cash A/c (Creditors)	20,000	By Cash A/c (Furniture)		30,000
To Cash A/c (Bills Payable)	46,000	By Cash A/c (Machinery)		82,000
To Cash A/c (Employees' Provident Fund)	32,000	By Cash A/c (Land)		1,20,000
		By Cash A/c (Unrecorded Assets)		22,000
		By Loss on Revaluation transferred to:		
		A's A/c	30,800	
		B's A/c	30,800	
		C's A/c	15,400	77,000
	6,48,000			**6,48,000**

Partner's Capital Accounts

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c (Stock)	36,000			By Balance b/d	1,20,000	1,00,000	1,00,000
To Realisation A/c (Debtors)		28,000		By Realisation A/c (Mrs. A's Loan)	38,000		
To Realisation A/c (Investments)			54,000	By Realisation A/c (Creditors)			20,000
To Realisation A/c (Loss)	30,800	30,800	15,400				
To Cash A/c	91,200	41,200	50,600				
	1,58,000	**1,00,000**	**1,20,000**		**1,58,000**	**1,00,000**	**1,20,000**

C's Loan Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Cash A/c	30,000	By Balance b/d	30,000
	30,000		**30,000**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	40,000	By Realisation A/c (Creditors)	20,000
To Realisation A/c (Debtros)	21,000	By Realisation A/c (Expenses)	4,000
To Realisation A/c (Furniture)	30,000	By Realisation A/c (Bills Payable)	46,000
To Realisation A/c (Machinery)	82,000	By Realisation A/c (Employees' Provident Fund)	32,000
To Realisation A/c (Land)	1,20,000	By C's Loan A/c	30,000
To Realisation A/c (Unrecorded Assets)	22,000	By A's Capital A/c	91,200
		By B's Capital A/c	41,200
		By C's Capital A/c	50,600
	3,15,000		**3,15,000**

Question 38.

Krishna and Arjun are partners in a firm. They share profits in the ratio of 4 : 1. They decided to dissolve the firm on 31st March, 2018 at which date their Balance Sheet stood as:

Liabilities		Amount (₹)	Assets		Amount (₹)
Bank Loan		1,500	Trademarks		1,200
Creditors for Goods		8,000	Machinery		12,000
Bills Payable		500	Furniture		400
Capital A/cs:			Stock		6,000
Krishna	16,000		Debtors	9,000	
Arjun	6,000	22,000	*Less:* Provision for Bad Debts	400	8,600
			Cash at Bank		2,800
			Advertisement Suspense		1,000
		32,000			**32,000**

The realisation shows the following results:

(a) Goodwill was sold for ₹ 1,000.

(b) Debtors were realised at book value less 10%.

(c) Trademarks were realised for ₹ 800.

(d) Machinery and Stock-in-Trade were taken over by Krishna for ₹ 14,400 and ₹ 3,600 respectively.

(e) An unrecorded asset estimated at ₹ 500 was sold for ₹ 200.

(f) Creditors for goods were settled at a discount of ₹ 80. The expenses on realisation were ₹ 800.
Prepare Realisation Account, Partner's Capital Accounts and Bank Account.
Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Trade Marks A/c		1,200	By Provision for Bad Debts A/c		400
To Machinery A/c		12,000	By Bank Loan A/c		1,500
To Furniture A/c		400	By Creditors for Goods A/c		8,000
To Stock A/c		6,000	By Bills Payable A/c		500
To Debtors A/c		9,000	By Bank A/c		
To Bank A/c:			Goodwill	1,000	
Bank Loan	1,500		Debtors	8,100	
Creditors	7,920		Trade Marks	800	
Bills Payable	500		Unrecorded Assets	200	10,100
Expense	800	10,720	By Krishna's Capital A/c		
			Machinery	14,400	
			Stock in Trade	3,600	18,000
			By Loss transferred to:		
			Krishna's Capital A/c	656	
			Arjun's Capital A/c	164	820
		39,320			**39,320**

Partners Capital Accounts

Dr. Cr

Particulars	Krishna	Arjun	Particulars	Krishna	Arjun
To Advertisement Suspense A/c	800	200	By Balance b/d	16,000	6,000
To Realisation A/c (Assets)	18,000		By Bank A/c	3,456	
To Realisation A/c (Loss)	656	164			
To Bank A/c		5,636			
	19,456	**6,000**		**19,456**	**6,000**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	2,800	By Realisation A/c	10,720
To Realisation A/c	10,100	By Arjun's Capital A/c	5,636
To Krishna's Capital A/c	3,456		
	16,356		**16,356**

Question 39.
There are two partners X and Y in a firm and their capitals are ₹ 50,000 and ₹ 40,000. The creditors are ₹ 30,000. The assets of the firm realise ₹ 1,00,000. How much will X and Y receive ?
Solution:

Realisation Account

Dr. | Cr.

Particulars	Rs.	Particulars		Rs.
To Sundry Assets A/c (WN)	1,20,000	By Creditors A/c		30,000
To Cash A/c	30,000	By Cash A/c		1,00,000
		By Loss transferred to:		
		X's Capital A/c	10,000	
		Y's Capital A/c	10,000	20,000
	1,50,000			**1,50,000**

Partners' Capital Account

Dr. | Cr.

Particulars	X	Y	Particulars	X	Y
To Realisation A/c (Loss)	10,000	10,000	By Balance b/d	50,000	40,000
To Cash A/c	40,000	30,000			
	50,000	**40,000**		**50,000**	**40,000**

Cash Account

Dr. | Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c	1,00,000	By Realisation A/c	30,000
		By X's Capital A/c	40,000
		By Y's Capital A/c	30,000
	1,00,000		**1,00,000**

Working Note:

Memorandum Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital			Sundry Assets (Bal. Fig.)	1,20,000
X	50,000			
Y	40,000	90,000		
Creditors		30,000		
		1,20,000		**1,20,000**

Question 40.

A, B and C were partners sharing profits int he ratio of 5 : 3 : 2. On 31st March, 2018, A's Capital and B's Capital were ₹ 30,000 and ₹ 20,000 respectively but C owed ₹ 5,000 to the firm. the liabilities were ₹ 20,000. The assets of the firm realised ₹ 50,000.

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

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Sundry Assets A/c (WN)		65,000	By Creditors A/c		20,000
To Cash A/c (Creditors)		20,000	By Cash A/c (Assets realized)		50,000
			By Loss transferred to:		
			A's Capital A/c	7,500	
			B's Capital A/c	4,500	
			C's Capital A/c	3,000	15,000
		85,000			**85,000**

Partners Capital Account

Dr. Particulars	A	B	C	Particulars	A	B	Cr. C
To Balance b/d			5,000	By Balance b/d	30,000	20,000	
To Realistion A/c (loss)	7,500	4,500	3,000	By Cash A/c			8,000
To Cash A/c	22,500	15,500					
	30,000	**20,000**	**8,000**		**30,000**	**20,000**	**8,000**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Realisation A/c (Assets)	50,000	By Realisation A/c (Creditors)	20,000
To C's Capital A/c	8,000	By A's Capital A/c	22,500
		By B's Capital A/c	15,500
	58,000		**58,000**

Working Note:

Memorandum Balance Sheet
as on march 31,2018

Liabilities		Rs.	Assets	Rs.
Capital			C's Capital	5,000
A	30,000		Sundry Assets (Bal. Fig.)	65,000
B	20,000	50,000		
Other liabilities		20,000		
		70,000		**70,000**

Question 41.
A and B were partners sharing profits and losses as to 7/11th to A and 4/11th to B. They dissolved the partnership on 30th May, 2018. As on that date their capitals were: A ₹ 7,000 and B ₹ 4,000. There were also due on Loan A/c to A ₹ 4,500 and to B ₹ 750. The other liabilities amounted to ₹ 5,000. The assets proved to have been undervalued in the last Balance Sheet and actually realised ₹ 24,000.
Prepare necessary accounts showing the final settlement between partners.
Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars	Cr. Rs.
To Sundry Assets A/c (WN)		21,250	By Other liabilities A/c	5,000
To Cash A/c (Liabilities)		5,000	By Cash A/c (Assets Realised)	24,000
To Profit transferred to:				
A's Capital A/c	1,750			
B's Capital A/c	1,000	2,750		
		29,000		**29,000**

Partners Capital Account

Dr. Particulars	A	B	Particulars	A	B Cr.
To Cash A/c	8,750	5,000	By Balance B/d	7,000	4,000
			By Realisation A/c (Profit)	1,750	1,000
	8,750	**5,000**		**8,750**	**5,000**

Partners Loan Account

Dr. Particulars	A	B	Particulars	A	B Cr.
To Cash A/c	4,500	750	By Balance b/d	4,500	750
	4,500	**750**		**4,500**	**750**

Cash Account

Dr. Particulars	Rs.	Particulars	Rs. Cr.
To Realistion A/c (Assets)	24,000	By A's Capital A/c	8,750
		By B's Capital A/c	5,000
		By A's Loan A/c	4,500
		By B's Loan A/c	750
		By Realisation A/c	5,000
	24,000		**24,000**

Working Note:

Memorandum Balance Sheet
as on 30th May 2018

Liabilities		Rs.	Assets	Rs.
Capital			Sundry Assets (Balancing fig.)	21,250
A	7,000			
B	4,000	11,000		
A's Loan		4,500		
B's Loan		750		
Other Liabilities		5,000		
		21,250		**21,250**

Question 42.
A and B dissolve their partnership. Their position as at 31st March, 2018 was:

Particulars	₹
A's Capital	25,000
B's Capital	15,000
Sundry Creditors	20,000
Cash in Hand and at Bank	750

The balance of A's Loan Account to the firm stood at ₹ 10,000. The realisation expenses amounted to ₹ 350. Stock realised ₹ 20,000 and Debtors ₹ 25,000. B took a machine at the agreed valuation of ₹ 7,500.
You are required to close the books of the firm.
Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Sundry Assets A/c (WN)		69,250	By Sundry Creditors A/c		20,000
To Bank A/c			By Bank A/c		
Creditors	20,000		---Stock	20,000	
Expenses	350	20,350	---Debtors	25,000	
To Profit transferred to:			---Other Assets	20,000	65,000
A's Capital A/c	1,450		By B's Capital A/c (machinery)		7,500
B's Capital A/c	1,450	2,900			
		92,500			**92,500**

A's Loan Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	10,000	By Balance b/d	10,000
	10,000		**10,000**

Partners Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realisation A/c (Machinery)		7,500	By Balance b/d	25,000	15,000
To Bank A/c	26,450	8,950	By Realisation A/c (Profit)	1,450	1,450
	26,450	**16,450**		**26,450**	**16,450**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	750	By A's Loan A/c	10,000
To Realisation A/c	65,000	By A's Capital A/c	26,450
		By B's Capital A/c	8,950
		By Realisation A/c	20,350
	65,750		**65,750**

Working Note:

Memorandum Balance Sheet

as on 31st March 2018

Liabilities		Rs.	Assets	Rs.
Capital			Cash in Hand and at Bank	750
A	25,000		Sundry Assets	69,250
B	15,000	40,000		
Sundry creditors		20,000		
A's Loan		10,000		
		70,000		**70,000**

Question 43.

Ashok and Kishore were in partnership sharing profits in the ratio of 3 : 1. They agreed to dissolve the firm. The assets (other than cash of ₹ 2,000) of the firm realised ₹ 1,10,000. The liabilities and other particulars on that date were:

Creditors	₹ 40,000
Ashok's Capital	₹ 1,00,000
Kishore's Capital	₹ 10,000
Profit and Loss A/c	₹ 8,000
Realisation Expenses	₹ 1,000

You are required to close the books of the firm.

Solution:

Realisation Account

Dr. Particulars		Rs.	Cr. Particulars		Rs.
To Sundry Assets A/c (WN)		1,20,000	By Creditors A/c		40,000
To Cash A/c			By Cash A/c (Assets Realised)		1,10,000
Creditors	40,000		By Loss transferred to:		
Expenses	1,000	41,000	Ashok's Capital A/c	8,250	
			Kishore's Capital A/c	2,750	11,000
		1,61,000			**1,61,000**

Partners Capital Account

Dr. Particulars	Ashok	Kishore	Cr. Particulars	Ashok	Kishore
To Balance b/d		10,000	By Balance b/d	1,00,000	
To Realisation A/c (Loss)	8,250	2,750	By Cash A/c		14,750
To Profit and Loss A/c	6,000	2,000			
To Cash A/c	85,750				
	1,00,000	**14,750**		**1,00,000**	**14,750**

Cash Account

Dr. Particulars	Rs.	Cr. Particulars	Rs.
By Balance b/d	2,000	By Realisation A/c	41,000
To Realisation A/c	1,10,000	By Ashok's Capital A/c	85,750
To Kishore's Capital A/c	14,750		
	1,26,750		**1,26,750**

Working Note:

Memorandum Balance Sheet

Liabilities	Rs.	Assets	Rs.
Creditors	40,000	Cash	2,000
Ashok's Capital	1,00,000	Kishore's Capital	10,000
		Profit and Loss	8,000
		Sundry Assets (Balancing fig.)	1,20,000
	1,40,000		**1,40,000**

Question 44.
X, Y and Z entered into a partnership and contributed ₹ 9,000; ₹ 6,000 and ₹ 3,000 respectively. They agreed to share profits and losses equally. The business lost heavily during the very first year and they decided to dissolve the firm. After realising all assets and paying off liabilities , there remained a cash balance of ₹ 6,000.
Prepare Realisation Account and Partner's Capital Accounts.
Solution:

Realisation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Sundry Assets A/c (WN 2)	18,000	By Cash A/c (Assets Realised)		6,000
		By Loss transferred to:		
		X's Capital A/c	4,000	
		Y's Capital A/c	4,000	
		Z's Capital A/c	4,000	12,000
	18,000			**18,000**

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Realisation A/c (Loss)	4,000	4,000	4,000	By Balance b/d	9,000	6,000	3,000
To Cash A/c	5,000	2,000		By Cash A/c			1,000
	9,000	**6,000**	**4,000**		**9,000**	**6,000**	**4,000**

Working Note:

1.

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c	6,000	By X's Capital A/c	5,000
To Z's Capital A/c	1,000	By Y's Capital A/c	2,000
	7,000		**7,000**

2.

Memorandum Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital			Sundry Assets (Balancing fig.)	18,000
X'S Capital	9,000			
Y'S Capital	6,000			
Z'S Capital	3,000	18,000		
		18,000		**18,000**

Question 45.

A, B and C started business on 1st April, 2016 with capitals of ₹ 1,00,000; ₹ 80,000 and ₹ 60,000 respectively sharing profits (losses) in the ratio of 4 : 3 : 3. For the year ended 31st March, 2017 the firm suffered a loss of ₹ 50,000. Each of the partners withdrew ₹ 10,000 during the year.

On 31st March, 2017, the firm was dissolved, the creditors of the firm stood at ₹ 24,000 on that date and Cash in Hand was ₹ 4,000. The assets realised ₹ 3,00,000 and Creditors were paid ₹ 23,500 in full settlement of their claims.

Prepare Realisation Account and show your workings clearly.

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars	Cr. Rs.
To Sundry Assets A/c (WN 2)		1,80,000	By Sundry Creditors A/c	24,000
To Cash A/c (Creditors)		23,500	By Cash A/c (Assets)	3,00,000
To Profit transferred to:				
A's Capital A/c	48,200			
B's Capital A/c	36,150			
C's Capital A/c	36,150	1,20,500		
		3,24,000		**3,24,000**

Partners Capital Account

Dr. Particulars	A	B	C	Particulars	X	Y	Cr. Z
To Cash A/c	1,18,200	91,150	71,150	By Balance b/d	70,000	55,000	35,000
				By Realisation A/c	48,200	36,150	36,150
	1,18,200	**91,150**	**71,150**		**1,18,200**	**91,150**	**71,150**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	4,000	By Realisation A/c	23,500
To Realisation A/c	3,00,000	By A's Capital A/c	1,18,200
		By B's Capital A/c	91,150
		By C's Capital A/c	71,150
	3,04,000		**3,04,000**

Working Note:

1. Calculation of partners 'Capital as on March 31,2017

Particulars	A	B	C
Capital as on April 01,2016	1,00,000	80,000	60,000
Less: Drawings	(10,000)	(10,000)	(10,000)
Less: Share of Loss (4:3:3)	(20,000)	(15,000)	(15,000)
Capital as on April 01,2017	**70,000**	**55,000**	**35,000**

2.

Memorandum Balance Sheet

as on March 31, 2017

Liabilities	Rs.	Assets	Rs.
Capital		Cash in Hand	4,000
A	70,000	Sundry Assets (Balancing fig.)	1,80,000
B	55,000		
C	35,000		
Creditors	24,000		
	1,84,000		**1,84,000**

Question 46.

A, B and C were in partnership sharing profits and losses in the ratio of 2 : 1 : 1. They decided to dissolve the partnership. On that date of dissolution, Sundry Assets (including cash ₹ 5,000) amounted to ₹ 88,000, assets realised ₹ 80,000 (including an unrecorded asset which realised ₹ 4,000). A contingent liability on account of bills discounted ₹ 8,000 was paid by the firm. The Capital Accounts of A, B and C showed a balance of ₹ 20,000 each.

Prepare Realisation Account, Partners Capital Accounts and Cash Account.

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Sundry Assets A/c		83,000	By Sundry Liabilities A/c (WN)		28,000
To Cash A/c :			By Cash A/c (Assets realised)		80,000
---Sundry Liabilities	28,000		By Loss transferred to:		
---Contingent Liabilities	8,000	36,000	A's Capital A/c	5,500	
			B's Capital A/c	2,750	
			C's Capital A/c	2,750	11,000
		1,19,000			**1,19,000**

Partners' Capital Account

Dr. Particulars	A	B	C	Particulars	X	Y	Cr. Z
To Realisation A/c	5,500	2,750	2,750	By Balance b/d	20,000	20,000	20,000
To Bank A/c	14,500	17,250	17,250				
	20,000	**20,000**	**20,000**		**20,000**	**20,000**	**20,000**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	5,000	By Realisation A/c	36,000
To Realisation A/c	80,000	By A's Capital A/c	14,500
		By B's Capital A/c	17,250
		By C's Capital A/c	17,250
	85,000		**85,000**

Working Notes:

Memorandum Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital			Cash in Hand	5,000
A	20,000		Sundry Assets	83,000
B	20,000			
C	20,000	60,000		
Sundry Liabilities (Balancing fig.)		28,000		
		88,000		**88,000**

Question 47.
On 1st April, 2017, A, B and C commenced business in partnership sharing profits and losses in proportion of 1/2, 1/3 and 1/6 respectively. They paid into their Bank A/c as their capitals ₹ 22,000; ₹ 10,000 by A, ₹ 7,000 by B, ₹ 5,000 by C. During the year , they drew ₹ 5,000; being ₹ 1,900 by A, ₹ 1,700 by B, ₹ 1,400 by C.
On 31st March, 2018, they dissolved their partnership, A taking up Stock at an agreed valuation of ₹ 5,000, B taking up Furniture at ₹ 2,000 and C taking up Debtors at ₹ 3,000. After paying up their Creditors, there remained a balance of ₹ 1,000 at Bank. Prepare necessary accounts showing the distribution of the cash at the Bank and of the further cash brought in by any partner or partners as the case required.
Solution:

Realisation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Sundry Assets (WN)	17,000	By A's Capital A/c (Stock)		5,000
		By B's Capital A/c (Furniture)		2,000
		By C's Capital A/c (Debtors)		3,000
		By Bank A/c (Assets realised)		1,000
		A's Capital A/c	3,000	
		B's Capital A/c	2,000	
		C's Capital A/c	1,000	6,000
	17,000			**17,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	X	Y	Z
To Realisation A/c	5,000	2,000	3,000	By Balance b/d	8,100	5,300	3,600
To Realisation A/c (Loss)	3,000	2,000	1,000	By Cash A/c			400
To Cash A/c	100	1,300					
	8,100	**5,300**	**4,000**		**8,100**	**5,300**	**4,000**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c	1,000	By A's Capital A/c	100
To C's Capital A/c	400	By B's Capital A/c	1,300
	1,400		**1,400**

Working Note:

Memorandum Balance Sheet

as on 31st March 2018

Liabilities	Rs.	Assets	Rs.
Capital A/c:		Sundry Assets (Balance fig.)	17,000
A (10,000-1,900)	8,100		
B (7,000-1,700)	5,300		
C (5,000-1,400)	3,600		
	17,000		**17,000**

Question 48.

The partnership between A and B was dissolved on 31st March, 2018. On that date the respective credits to the capitals were A ₹ 1,70,000 and B ₹ 30,000. ₹ 20,000 were owed by B to the firm; ₹ 1,00,000 were owed by the firm to A and ₹ 2,00,000 were due to the Trade Creditors. Profits and losses were shared in the proportions of 2/3 to A, 1/3 to B.

The assets represented by the above stated net liabilities realise ₹ 4,50,000 exclusive of ₹ 20,000 owed by B. The liabilities were settled at book figures. Prepare Realisation Account, Partners Capital Accounts and Cash Account showing the distribution to the partners.

Solution:

Realisation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Sundry Assets A/c (WN)	4,80,000	By Trade Creditors A/c		2,00,000
To B's Loan A/c	20,000	By Cash A/c (Assets realized)		4,50,000
To Cash A/c (Creditors)	2,00,000	By B's Capital A/c (B's Loan)		20,000
		By Loss transferred to:		
		A's Capital A/c	20,000	
		B's Capital A/c	10,000	30,000
	7,00,000			**7,00,000**

Partners Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realisation A/c		20,000	By Balance b/d	1,70,000	30,000
To Realisation A/c (Loss)	20,000	10,000			
To Cash A/c	1,50,000				
	1,70,000	**30,000**		**1,70,000**	**30,000**

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c (Assets)	4,50,000	By Realisation A/c (Creditors)	2,00,000
		By A's Capital A/c	1,50,000
		By A's Loan A/c	1,00,000
	4,50,000		**4,50,000**

Working Note:

Memorandum Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital			B'S Loan	20,000
A	1,70,000		Sundry Assets (Balancing fig.)	4,80,000
B	30,000	2,00,000		
A's Loan		1,00,000		
Trade Creditors		2,00,000		
		5,00,000		**5,00,000**

Question 49.

X and Y were partners sharing profits and losses in the ratio of 3 : 2. They decided to dissolve the firm on 31st March, 2018. On that date their Capitals were X ₹ 40,000 and Y ₹ 30,000. Creditors amounted to ₹ 24,000.

Assets were realised for ₹ 88,500. Creditors of ₹ 16,000 were taken over by X at ₹ 14,000. Remaining Creditors were paid at ₹ 76,500. The cost of realisation came to ₹ 500.

Prepare necessary accounts.

Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Sundry Assets A/c		94,000	By Creditors A/c		24,000
To X's Capital A/c (Creditors)		14,000	By Cash A/c (Assets Realised)		88,500
To Cash A/c:			By Loss transferred to:		
Creditors	7,500		X's Capital A/c	2,100	
Expenses	500	8,000	Y's Capital A/c	1,400	3,500
		1,16,000			**1,16,000**

Partners Capital Account

Dr. Cr.

Particulars	X	Y	Particulars	X	Y
To Realisation A/c (Loss)	2,100	1,400	By Balance b/d	40,000	30,000
To Cash A/c	51,900	28,600	By Realisation A/c (creditors)	14,000	
	54,000	**30,000**		**54,000**	**30,000**

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c (Assets)	88,500	By Realisation A/c	8,000
		By X's Capital A/c	51,900
		By Y's Capital A/c	28,600
	88,500		**88,500**

Working Note:

Memorandum Balance Sheet
As on 31st March 2018

Liabilities		Rs.	Assets	Rs.
Capital			Sundry Assets (Balancing Fig.)	94,000
X	40,000			
Y	30,000	70,000		
Creditors		24,000		
		94,000		**94,000**

Question 50.

P, Q and R are three partners sharing profits and losses in the ratio of 3 : 3 : 2 respectively. Their respective capitals are in their profit-sharing proportions. On 1st April, 2017 the total capital of the firm and the balance of General Reserve are ₹ 80,000 and ₹ 20,000 respectively. During the year 2017-18 the firm made a profit of ₹ 28,000 before charging interest on capital @ 5%. The drawings of the partners are P ₹ 8,000; Q ₹ 7,000; and R ₹ 5,000. On 31st March, 2018 their liabilities were ₹ 18,000.

On this date, they decided to dissolve the firm. The assets realised ₹ 1,08,600 and realisation expenses amounted to ₹ 1,800.

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

Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Sundry Assets A/c (WN 1)		1,26,000	By Creditors A/c		18,000
To Cash A/c			By Cash A/c (Assets Realised)		1,08,600
Creditors	18,000		By Loss transferred to:		
Expenses	1,800	19,800	P's Capital A/c	7,200	
			Q's Capital A/c	7,200	
			R's Capital A/c	4,800	19,200
		1,45,800			**1,45,800**

Partners Capital Account

Dr. Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Drawings A/c	8,000	7,000	5,000	By Balance b/d	30,000	30,000	20,000
To Realisation A/c (Loss)	7,200	7,200	4,800	By Interest on Capital A/c	1,500	1,500	1,000
To Cash A/c	32,800	33,800	22,200	By P/L Appropriation A/c (WN 2)	9,000	9,000	6,000
				By General Reserve A/c	7,500	7,500	5,000
	48,000	**48,000**	**32,000**		**48,000**	**48,000**	**32,000**

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Realisation A/c (Assets)	1,08,600	By Realisation A/c	19,800
		By P's Capital A/c	32,800
		By Q's Capital A/c	33,800
		By R's Capital A/c	22,200
	1,08,600		**1,08,600**

Working Note:

1.

Memorandum Balance Sheet

Liabilities		Rs.	Assets	Rs.
Capital			Sundry Assets (Balancing fig.)	1,26,000
P (80,000×3/8)	30,000		Drawings	
Q (80,000×3/8)	30,000		P	8,000
R (80,000×2/8)	20,000	80,000	Q	7,000
General Reserve		20,000	R	5,000
Profit and Loss		28,000		
Creditors		18,000		
		1,46,000		**1,46,000**

2.

Profit and Loss Appropriation Account

Dr. Cr.

Particulars		Rs.	Particulars	Rs.
To Interest on Capital A/cs:			By Profit and Loss A/c	28,000
---P	1,500			
---Q	1,500			
---R	1,000	4,000		
To Profit transferred to:				
---P's Capital A/c	9,000			
---Q's Capital A/c	9,000			
---R's Capital A/c	6,000	24,000		
		28,000		**28,000**

Question 51.

X, Y and Z entered into partnership on 1st April, 2016. They contributed capital ₹ 40,000, ₹ 30,000 and ₹ 20,000 respectively and agreed to share profits in the ratio of 3 : 2 : 1. Interest on capital was to be allowed @ 15% p.a. and interest on drawing was to be charged at an average rate of 5%.

During the two years ended 31st March, 2018, the firm made profit of ₹ 21,600 and ₹ 25,140 respectively before allowing or charging interest on capital and drawings. The drawings of each partner were ₹ 6,000 per year.

On 31st March,2018 the partners decided to dissolve the partnership due to difference of opinion. On that date, the creditors amounted to ₹ 20,000. The assets other than cash ₹ 2,000 realised ₹ 1,21,000. Expenses of dissolution amounted to ₹ 760.

Draw up necessary Ledger Account to close the books of the firm.

Solution:

Profit and Loss Appropriation
For the year ended 31st March 2018

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Interest on Capital A/c			By Profit and Loss A/c		21,600
X (40,000×15%)	6,000		By Interest on Drawings A/c		
Y (30,000×15%)	4,500		X (6,000×5%)	300	
Z (20,000×15%)	3,000	13,500	Y (6,000×5%)	300	
			Z (6,000×5%)	300	900
To Profit transferred to:					
X's Capital A/c	4,500				
Y's Capital A/c	3,000				
Z's Capital A/c	1,500	9,000			
		22,500			**22,500**

Partners' Capital Account
For the year 2016 - 17

Dr. Particulars	X	Y	Z	Particulars	X	Y	Cr. Z
To Drawings A/c	6,000	6,000	6,000	By Cash A/c	40,000	30,000	20,000
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,000	4,500	3,000
To Balance c/d	44,200	31,200	18,200	By P/L Appropriation A/c	4,500	3,000	1,500
	50,500	**37,500**	**24,500**		**50,500**	**37,500**	**24,500**

Profit and Loss Appropriation Account
for the year ended 31st March 2018

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Interest on Capital A/c			By Profit and Loss A/c		25,140
X (44,200×15%)	6,630		By Interest on Drawings A/c		
Y (31,200×15%)	4,680		X (6,000× 5%)	300	
Z (18,200×15%)	2,730	14,040	Y (6,000× 5%)	300	
To Profit transferred to:			Z (6,000× 5%)	300	900
X's Capital A/c	6,000				
Y's Capital A/c	4,000				
Z's Capital A/c	2,000	12,000			
		26,040			**26,040**

Partners' Capital Account
year ended 31st March 2018

Dr. **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
To Drawings A/c	6,000	6,000	6,000	By Balance b/d	44,200	31,200	18,200
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,630	4,680	2,730
To Balance c/d	50,530	33,580	16,630	By P/L Appropriation A/c	6,000	4,000	2,000
	56,830	39,880	22,930		56,830	39,880	22,930
To Cash A/c	51,280	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Realisation A/c (Profit)	750	500	250
	51,280	**34,080**	**16,880**		**51,280**	**34,080**	**16,880**

Realisation Account

Dr. **Cr.**

Particulars		Rs.	Particulars	Rs.
To Sundry Assets A/c		1,18,740	By Creditors A/c	20,000
To Cash A/c			By Cash A/c (Assets realized)	1,21,000
Creditors	20,000			
Expenses	760	20,760		
To Profit transferred to:				
X's Capital A/c	750			
Y's Capital A/c	500			
Z's Capital A/c	250	1,500		
		1,41,000		**1,41,000**

Partners Capital Account

Dr. **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
To Cash A/c	51,280	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Realisation A/c (Profit)	750	500	250
	51,280	**34,080**	**16,880**		**51,280**	**34,080**	**16,880**

Cash Account

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	2,000	By Realisation A/c	20,760
To Realisation A/c	1,21,000	By X's Capital A/c	51,280
		By Y's Capital A/c	34,080
		By Z's Capital A/c	16,880
	1,23,000		**1,23,000**

Memorandum Balance Sheet
as on 31st March 2018

Liabilities		Rs.	Assets	Rs.
Capital			Cash	2,000
X	50,530		Sundry Assets	1,18,740
Y	33,580			
Z	16,630	1,00,740		
creditors		20,000		
		1,20,740		**1,20,740**