



Q16. Ashu and Harish are partners sharing profit and losses as 3:2. They decided to dissolve the firm on December 31, 2014. Their balance sheet on the above date was:

| Balance Sheet of Ashu and Harish as on December 31,2014 | | | | |
|---|----------|----------|-------------|----------|
| Liabilities | | Rs. | Assets | Rs. |
| Capitals: | | | Building | 80,000 |
| Ashu | 1,08,000 | | Machinery | 70,000 |
| Harish | 54,000 | 1,62,000 | Furniture | 14,000 |
| Creditors | | 88,000 | Stock | 20,000 |
| Bank overdraft | | 50,000 | Investments | 60,000 |
| | | | Debtors | 48,000 |
| | | | | |
| | | | | |
| | | 3,00,000 | | 3,00,000 |

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

Solution:

**Books of Ashu and Harish
Realization Account**

| Dr. | | | Cr. | |
|---|-------------|--|-------------|--|
| Particulars | Amount ₹ | Particulars | Amount ₹ | |
| To Building A/c | 80,000 | By Creditors A/c | 88,000 | |
| To Machinery A/c | 70,000 | By Bank overdraft A/c | 50,000 | |
| To Furniture A/c | 14,000 | By Ashu's Capital A/c (Assets taken) | 1,43,000 | |
| To Stock A/c | 20,000 | By Harish's capital A/c (Assets taken) | 1,12,000 | |
| To Investment A/c | 60,000 | By Cash A/c (Debtors) | 46,000 | |
| To Debtors A/c | 48,000 | | | |
| To Ashu's Capital A/c (Creditors) | 88,000 | | | |
| To Harish's Capital A/c (Bank Overdraft) | 50,000 | | | |
| To Cash A/c (Expenses) | 3,000 | | | |
| To Profit transferred to Ashu's Capital A/c | 3,600 | | | |
| Harish's Capital A/c | 2,400 | | | |
| | 4,39,000 | | 4,39,000 | |

Partner's Capital Accounts

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

Cash Account

| Dr. | | Cr. | |
|------------------------------|-------------|-------------------------------|-------------|
| Particulars | Amount ₹ | Particulars | Amount ₹ |
| To Balance b/d | 8,000 | By Realization A/c (Expenses) | 3,000 |
| To Realization A/c (Debtors) | 46,000 | By Ashu's Capital A/c | 56,600 |
| To Harish's Capital A/c | 5,600 | | |
| | 59,600 | | 59,600 |

Note: However, the answer mentioned in the book is Rs. 14,000. But, as per the solution, the Profit on Realization is Rs. 6,000;

Working Notes:

| | Ashu | Harish |
|------------------|-------------|-------------|
| Building | 95,000 | |
| Machinery | | 80,000 |
| Stock (3:2) | 12,000 | 8,000 |
| Investment (3:2) | 36,000 | 24,000 |
| | Rs.1,43,000 | Rs.1,12,000 |

***** END *****