



Q18. THE FOLLOWING IS THE BALANCE SHEET OF GUPTA AND SHARMA AS ON DECEMBER 31,2014:

Balance Sheet of Gupta and Sharma as on December 31,2014				
Liabilities		Rs.	Assets	Rs.
Sundry Creditors		38,000	Cash at Bank	12,500
Mrs. Gupta's Loan		20,000	Sundry Debtors	55,000
Mrs. Sharma's Loan		30,000	Stock	44,000
Reserve fund		6,000	Bills Receivable	19,000
Provision of doubtful debts		4,000	Machinery	52,000
Capital			Investment	38,500
Gupta	90,000		Fixtures	27,000
Sharma	60,000	1,50,000		
		2,48,000		2,48,000

The firm was dissolved on December 31. 2014 and asset realized and settlements of liabilities as follows:

a. The Realization of the assets were as follows:

Sundry Debtors	Rs. 52,000
Stock	Rs. 42,000
Bills receivable	Rs. 16,000

Machinery

Rs. 49,000

- b. Investment was taken over by Gupta at agreed value of **Rs.36,000** and agreed to pay of Mrs. Gupta's loan.
- c. The Sundry Creditors were paid off less 3% discount.
- d. The Realization expenses incurred amounted to **Rs. 1,200**.

Journalize the entries to be made on the dissolution and prepare Realization Account, Bank Account and Partners Capital Accounts

Solution:

Date	Particulars	L.F.	Debit ₹	Credit ₹
2012				
Dec.31	Realization A/c Dr. 2,35,500 To Sundry Debtors A/c 55,000 To Stock A/c 44,000 To Bills Receivable A/c 19,000 To Machinery A/c 52,000 To Investment A/c 38,500 To Fixtures A/c 27,000 (Being assets transferred to Realization Account)			
Dec. 31	Sundry Creditors A/c Dr. 38,000 Mrs. Gupta's Loan A/c Dr. 20,000 Mrs. Sharma's Loan A/c Dr. 30,000 Provision for Doubtful Debts Dr. 4,000 To Realization A/c 92,000 (Being liabilities transferred to Realization Account)			
Dec. 31	Bank A/c Dr. 1,59,000 To Realization A/c 1,59,000 (Being assets realized: sundry Debtors ₹52,000, Stock ₹42,000, bills receivable ₹16,000, Machinery ₹49,000)			
Dec.31	Realization A/c Dr. 20,000 To Gupta's Capital A/c 20,000 (Being Gupta took over Mrs. Gupta's Loan)			
Dec. 31	Gupta's Capital A/c Dr. 36,000 To Realization A/c 36,000 (Being investment taken over by Gupta)			
Dec.31	Realization A/c Dr. 66,860 To Bank A/c 66,860 (Being liabilities paid: Mrs. Sharma's loan ₹ 30,000 and Creditors ₹ 38,000 paid off less 3% discount)			
Dec. 31	Realization A/c Dr. 1,200 To Bank A/c 1,200 (Being realization expenses paid)			
Dec. 31	Gupta's Capital A/c Dr. 18,280 Sharma's Capital A/c Dr. 18,280 To Realization A/c 36,560 (Being Loss on Realization transferred to Partner's capital Account)			
Dec. 31	Reserve Fund A/c Dr. 6,000 To Gupta's Capital A/c 3,000 To Sharma's Capital A/c 3,000 (Being reserve fund distributed among partners ratio)			
Dec. 31	Gupta's Capital A/c Dr. 58,720 Sharma's Capital A/c Dr. 44,720 To Bank A/c 1,03,440 (Being final payment made to partners)			

**Books of Surjit and Rahi
Realization Account**

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
To Sundry Debtors A/c		55,000	By Sundry Creditors A/c		38,000
To Stock A/c		44,000	By Mrs. Gupta's loan A/c		20,000
To Bills Receivable A/c		19,000	By Mrs. Sharma Loan A/c		30,000
To Machinery A/c		52,000	By Provision for Doubtful Debts A/c		4,000
To Investment A/c		38,500	By Bank:		
To Fixtures A/c		27,000	Sundry Debtors	52,000	
To Gupta's Capital A/c (Mrs. Gupta Loan)		20,000	Stock	42,000	
To Bank A/c			Bills Receivable	16,000	
Creditors	36,860		Machinery	49,000	1,59,000
Mrs. Sharma's Loan	30,000		By Gupta's Capital A/c (Investment)		36,000
Expenses	1,200	68,060	By Loss transferred to Gupta's Capital A/c	18,280	
			Sharma's Capital A/c	18,280	36,500
		3,23,560			3,23,560

Partner's Capital Accounts

Dr.			Cr		
Particulars	Gupta	Sharma	Particulars	Gupta	Sharma
Realization (Investment)	36,000		By Balance b/d	90,000	60,000
Realization A/c (Loss)	18,280	18,280	By Realization (Mrs. Gupta Loan)	20,000	
Bank A/c	58,720	44,720	By Reserve Fund	3,000	3,000
	1,13,000	63,000		1,13,000	63,000

Bank Account

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
Balance b/d		12,500	By Realization A/c (Payment of expenses and liabilities)		68,060
Realization A/c (Assets realized)		1,59,000	By Gupta's Capital A/c		58,720
			By Sharma's Capital A/c		44,720
		1,71,500			1,71,500

Note: As per the solution Loss on Realization is Rs. 36,560 and the total of Bank Account is Rs. 1,71,500. However, the answer mentioned in the book are Rs.19,660 and Rs.1,88,500 respectively.

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