



Q11. Rose and Lily shared in the ratio of 2:3. Their Balance Sheet on March 31, 2014 was as follows:

**Balance Sheet of Rose and Lily as on March 31, 2014**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Creditors	40,000	Cash	16,000
Lily's Loan	32,000	Debtors	80,000
Profit and Loss	50,000	Less: Provision for doubtful Debts	3,600
			76,400
		Inventory	1,09,600
Capital		Bills Receivable	40,000
Lily	1,60,000	Buildings	2,80,000
Rose	2,40,000		
	5,22,000		5,22,000

Rose and Lily decided to dissolve the firm on the above date. Assets (except bills receivables) realized Rs.4,84,000. Bills Receivable was taken over by Rose at Rs.30,000. Creditors agreed to take Rs.38,000. Cost of Realization was Rs.2,400. There was a Motor Cycle in the firm which was bought out of the firm's money, was not shown in the books of the firm. It was now sold for Rs.10,000. There was a contingent liability in respect of outstanding electric bill of Rs.5,000, Bill Receivable taken over by Rose at Rs.33,000. Show Realisation Account, Partners Capital Account, Loan Account and Cash Account.

Solution:

**Books of Rose and Lily  
Realization Account**

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
To Debtors A/c		80,000	By Provision for Doubtful Debts A/c		3,600
To Inventory A/c		1,09,000	By Creditors A/c		40,000
To Bills Receivables A/c		40,000	By Cash A/c		
To Buildings A/c		2,80,000	By Assets:		
			Motor cycle	10,000	
To Cash:			Other Assets	4,84,000	4,94,000
Outstanding Electricity Bill	5,000		By Rose's Capital A/c (Bills Receivable)		33,000
Creditors	38,000				
Expenses	2,400	45,400			
To Profit transferred to:					
Rose's Capital A/c	6,240				
Lily's Capital A/c	9,360	15,600			
		5,70,600			5,70,600

**Partner's Capital Accounts**

Dr.			Cr.		
Particulars			Particulars		
	Rose	Lily		Rose	Lily
To Realization A/c (Bills Receivable)	33,000		By Balance b/d	2,40,000	1,60,000
To Cash A/c	2,33,240	1,99,360	By Profit and Loss A/c	20,000	30,000
			By Realization A/c (Profit)	6,240	9,360
	2,66,240	1,99,360		2,66,240	1,99,360

**Lily's Loan Account**

Dr.		Cr.	
Particulars		Particulars	
Amount ₹		Amount ₹	
To Cash A/c	32,000	By Balance c/d	32,000
	32,000		32,000

**Cash Account**

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
To Balance b/d		16,000	By Realization:		
To Realization:			Creditors	38,000	
Motor Cycle	10,000		Outstanding Electricity Bill	5,000	
Other Assets	4,84,000	4,94,000	Expenses	2,400	45,400
			By Lily's Loan		32,000
			By Rose's Capital A/c		2,33,240
			By Lily's Capital A/c		1,99,360
		5,10,000			5,10,000

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