



Q14. RITA, GEETA AND ASHISH WERE PARTNERS IN A FIRM SHARING PROFITS/LOSSES IN THE RATIO OF 3:2:1. ON MARCH 31. 2014 THEIR BALANCE SHEET WAS AS FOLLOWS:

Balance Sheet				
Liabilities		Rs.	Assets	Rs.
Capitals:			Cash	22,500
Rita	80,000		Debtors	52,300
Geeta	50,000		Stock	36,000
Ashish	30,000	1,60,000	Investments	69,000
Creditors		65,000	Plant	91,200
Bills payable		26,000		
General reserve		20,000		
		2,71,000		2,71,000

On the date of above mentioned date the firm was dissolved:

1. Rita was appointed to realise the assets. Rita was to receive 5% commission on the rate of assets (except cash) and was to bear all expenses of Realization,
2. Assets were realized as follows:

Rs.

Debtors	30,000
Stock	26,000
Plant	42,750

3. Investments were realized at 85% of the book value.

4. Expenses of Realization amounted to Rs.4,100,
 5. Firm had to pay Rs.7,200 for outstanding salary not provided for earlier,
 6. Contingent liability in respect of bills discounted with the bank was also materialized and paid off Rs.9,800,
- Prepare Realization Account. Capital Accounts of Partners' and Cash Account

Solution:

In the Books of Rita, Geeta and Ashish Realization Account					
Dr.			Cr.		
Particulars	Amount ₹		Particulars	Amount ₹	
To Debtors A/c		52,300	By Creditors A/c		65,000
To Stock A/c		36,000	By Bills payable A/c		26,000
To Investment A/c		69,000	By Cash:		
To Plant A/c		91,200	Debtors	30,000	
To Cash:			Stock	26,000	
Outstanding Salaries	7,200		Plant	42,750	
Discounted Bill	9,800		Investment	58,650	1,57,400
Creditors	65,000				
Bill's Payable	26,000	1,08,000	By Loss transferred to		
To Rita's capital A/c $\left(1,57,400 \times \frac{5}{100}\right)$		7,870	Rita's Capital A/c	57,985	
			Geeta's Capital A/c	38,657	
			Ashish's Capital A/c	19,328	1,15,970
		3,64,370			3,64,370

Partner's Capital Accounts							
Dr.				Cr.			
Particulars	Rita	Geeta	Ashish	Particulars	Rita	Geeta	Ashish
To Realization A/c (Loss)	57,985	38,657	19,328	By Balance b/d	80,000	50,000	30,000
To Bank A/c	39,885	18,010	14,005	By General Reserve A/c	10,000	6,667	3,333
				By Realization A/c	7,870		
	97,870	56,667	33,333		97,870	56,667	33,333

Cash Account			
Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	22,500	By Realization A/c	1,08,000
To Realization A/c	1,57,400	By Rita's Capital A/c	39,885
		By Geeta's Capital A/c	18,010
		By Ashish's Capital A/c	14,005
	1,79,900		1,79,900

Note: The answer given in the book shows Rs. 1,29,455 and Rs. 1,65,705 respectively. However, as per the solution, the Loss on Realization should be Rs. 1,15,970 and the total of Cash Account should be Rs. 1,79,900

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