



Q5. Give Journal entries for the following transactions :

- To record the realization of various assets and liabilities.
- A Firm has a Stock of Rs.1,60,000. Aziz, a partner took over 50% of the. Stock at a discount of 20%,
- Remaining Stock was sold at a profit of 30% on cost,
- Land and Building (book value Rs.1,60,000) sold for Rs.3,00,000 through a broker who charged 2%. Commission on the deal.
- Plant and Machinery (book value Rs.60,000) was handed over to a Creditor at an agreed valuation of 10% less than the book value.
- Investment whose face value was Rs.4,000 was realized at 50%.

Solution:

Journal Entries

Date	Particulars	L.F.	Debit ₹	Credit ₹
1)				
a)	For Transfer of Assets Realization A/c Dr. To Assets A/c (Individually) (Being assets transferred to Realization Account)			
b)	For Transfer of Liabilities Liabilities A/c (Individually) Dr. To Realizations A/c (Being liabilities transferred to realization account)			
c)	For sale of Asset Cash/Bank A/c Dr. To Realizations A/c (Being assets sold)			
d)	For liabilities paid Realization A/c Dr. To Cash/Bank A/c (Being liabilities paid)			
2)	Aziz's Capital A/c Dr. TO Realization A/c (Being Aziz, a partner took over 50% of stock at 20% discount, the value of the total stock was Rs. 1,60,000) $\left[ 1,60,000 \times \frac{50}{100} \times \frac{80}{100} = 64,000 \right]$		64,000	64,000
3)	Bank A/c Dr. To Realization A/c (Being stock worth Rs 80,000 sold at a profit of 30% on cost) $\left[ 80,000 \times \frac{130}{100} = 1,04,000 \right]$		1,04,000	1,04,000
4)	Bank A/c Dr. To Realization A/c (Being land and building sold for ₹3,00,000 and 2% commission paid to broker)			
5)	No entry (Being plant and machinery ₹ 60,000 handed over to the creditors at a discount of 10%. No entry is required as both the asset and liability are already transferred to the Realization Account)			
6)	Bank A/c Dr. To Realization A/c (Being investment worth ₹4,000 were realized at 50%)		2,000	2,000

\*\*\*\*\* END \*\*\*\*\*

