



Q10. What journal entries would be recorded for the following transactions on the dissolution of a firm after various assets (other than cash) on the third party liabilities have been transferred to Realization Account?

1. Arti took over the Stock worth Rs.80,000 at Rs.68,000.
2. There was unrecorded Bike of Rs.40,000 which was taken over By Mr. Karim.
3. The firm paid Rs.40,000 as compensation to employees.
4. Sundry creditors amounting to Rs.36,000 were settled at a discount of 15%.
5. Loss on Realization Rs.42,000 was to be distributed between Arti and Karim in the ratio of 3:4.

Solution:

Books of Paras and Priya Journal				
Date	Particulars	L.F.	Debit ₹	Credit ₹
1	Arti's Capital A/c To, Realization A/c (Being Arti took over stock worth ₹80,000 at ₹ 68,000)	Dr.	68,000	68,000
2	Karim's Capital A/c To Realization A/c (Being Karim took over an unrecorded bike of ₹ 40,000)	Dr.	40,000	40,000
3	Realization A/c To Bank A/c (Being compensation paid to the employees)	Dr.	40,000	40,000
4	Realization A/c To Bank A/c (Being creditors amounting ₹36,000 were settled discount of 15%) $\left[36,000 \times \frac{85}{100} \right]$	Dr.	30,600	30,600
5	Arti's Capital A/c Karim's Capital A/c To Realization A/c (Being loss on realization transferred to Partner's Capital Account)	Dr. Dr.	18,000 24,000	42,000

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