Chapter 6 – Dissolution of Partnership Firm

Question 1.

What Journal entries would you pass in the following cases?

a. Expenses of realisation Rs.1,500.

b. Expenses of realisation Rs.600 but paid by Mohan, a partner.

c. Mohan, one of the partners of the firm, was asked to look into the dissolution of the firm for which he was allowed a commission of Rs.2,000.

d. Motor car of book value Rs.50,000 taken over by creditors of the book value of Rs.40,000 in final settlement.

Solution:

Journal

S. No.	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Realisation Dr. To Cash A/c (Being realisation expenses paid)		1,500	 1,500
(b)	Realisation A/c Dr. To Mohan's Capital A/c (Being realisation expenses paid by Mohan)		600	 600
(c)	Realisation A/c Dr. To Mohan Capital A/c (Being commission allowed to Mohan on dissolution of the firm)		2,000	 2,000
(d)	No Entry Dr. (No journal entry is passed because both motor car and creditors accounts have already been transferred to Realisation Account and nothing is recovered or paid in terms of Cash and Bank)			

Question 2.

Pass Journal entries for the following:

a. Realisation expenses of Rs.10,000 were paid by Ajay, a partner.

b. Realisation expenses of Rs.15,000 were to be met by Rahul, a partner, but were paid by the firm.

c. Ramesh, a partner, was paid remuneration of Rs.25,000 and he was to meet all expenses.

d. Anuj, a partner, was paid remuneration of Rs.20,000 and he was to meet all expenses. Firm paid an expense of Rs.5,000.

Solution:

Journal

S. No.	Particulars		L.F.	Debit ₹	Credit ₹
(a)	Realisation A/c To Ajay A/c (Being expenses on realisation paid by ajay)	Dr.		10,000	10,000
(b)	Rahul Capital A/c To Cash A/c (Being realisation expense paid by rahul)	Dr.		15,000	15,000
(c)	Realisation A/c To Ramesh Capital A/c (Being remuneration allowed to ramesh on account of taking responsibility of dissolution)	Dr.		25,000	25,000
(d)	Realisation A/c To Anju Capital A/c (Being remuneration allowed to Anju Capital A/c)	Dr.		20,000	20,000
	Anju's Capital A/c To Bank A/c (Being remuneration expenses paid by the firm on behalf of Anju)	Dr.		5,000	5,000

Question 3.

Pass Journal entries for the following:

a. Realisation expenses amounted to Rs.10,000 was paid by the firm on behalf of Alok, a partner, with whom it was agreed at Rs.7,500.

b. Realisation expenses amounted to Rs.5,000. It was agreed that the firm will pay Rs.2,000 and balance by Ravinder, a partner.

c. Dissolution expenses amounted to Rs.10,000 were paid by Amit, a partner, on behalf of the firm.

Solution:

Journal

S. No.	Particulars		L.F.	Debit ₹	Credit ₹
(a)	Realisation A/c To Alok's Capital A/c (Being realisation allowed to alok capital A/c)	Dr.		7,500	7,500
	Alok's Capital A/c To Bank A/c (Being expenses paid by the firm on behalf of Alok)	Dr.		10,000	10,000
	Alternatively, only one single entry can also be passed instead of above two entries Realisation A/c Alok's Capital A/c ToBank A/c (Being realisation expense paid)	Dr. Dr.		7,500 2,500	10,000
(b)	Realisation A/c To Ravinder's Capital A/c To Bank A/c (Being realisation expense paid)	Dr.		5,000	3,000 2,000
(c)	Realisation A/c To Amit Capital A/c (Being realisation expense paid by Amit on behalf of the firm)	Dr.		10,000	10,000

Question 4.

Pass Journal entries for the following at the time of dissolution of a firm:

a. Sale of Assets-Rs.50,000.

b. Payment of Liabilities-Rs.10,000.

c. A commission of 5% allowed to Mr. X, a partner, on sale of assets.

d. Realisation expenses amounted to Rs.15,000. The firm had agreed with Amrit, a partner, to reimburse him up to Rs.10,000.

e. Z, an old customer, whose account for Rs.6,000 was written off as bad in the previous year, paid 60% of the amount written off.

f. Investment (Book Value Rs.10,000) realised 150%.

Solution:

Journal

S. No.	Particulars	L.F.	Debit Rs.	Credit Rs.
(a)	Bank A/c ... Dr.		50,000	
	To Realisation A/c			50,000
	(Being assets realized for cash)			
(b)	Realisation A/c ... Dr.		10,000	
	ToBank A/c			10,000
	(Being payment of liabilities made)			
(c)	Realisation A/c ... Dr.		2,500	
	To X's Capital A/c			2,500
	(Being 5% commission allowed to X's on sale of assets of Rs.50,000)			
(d)	Realisation A/c ... Dr.		10,000	
	To Amrit Capital A/c			10,000
	(Being Amrit was allowed remuneration on account of relalisation)			
	Amrit Capital A/c ... Dr.		15,000	
	To Bank A/c			15,000
	(Being realisation expense paid on behalf Amrit)			
	Alternatively, only one single entry can also be passed instead of above two entries			
	Realisation A/c ... Dr.		10,000	
	Amrit Capital A/c ... Dr.		5,000	
	To Bank A/c			15,000
	(Being realisation expenses paid)			
(e)	Bad debts Recovered A/c		3,600	
	To Realisation A/c			3,600
	(Being bad debts recovered)			
(f)	Cash A/c		15,000	
	To Realisation A/c			15,000
	(Being investments are realized at 150%)			

Question 5.

Pass necessary Journal entries for the following transactions on the dissolution of the firm of P and Q after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account.

a. Bank Loan Rs.12,000 was paid.

b. Stock worth Rs.16,000 was taken over by partner Q.

c. Partner P paid a creditor Rs. 4,000.

d. An asset not appearing in the books of accounts realised Rs.1,200.

e. Expenses of realisation Rs.2,000 were paid by partner Q.

f. Profit on realisation Rs.36,000 was distributed between P and Q in 5:4 ratio.

Solution:

Journal

S. No.	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Realisation A/c Dr. To Bank A/c (Being bank loan paid at the time of dissolution)		12,000	 12,000
(b)	Q's capital A/c Dr. To Realisation A/c (Being stock taken over by Q)		16,000	 16,000
(c)	Realisation A/c Dr. To P's Capital A/c (Being 5% commission allowed to X's on sale of assets of ₹50,000)		4,000	 4,000
(d)	Bank A/c Dr. To Realisation A/c (Being unrecorded assets realised)		1,200	 1,200
(e)	Realisation A/c Dr. To Q' Capital A/c (Being bad debts recovered)		2,000	 2,000
(f)	Realisation A/c Dr. To P's Capital A/c To Q's Capital A/c (Being realisation Profit distributed)		36,000	 20,000 16,000

Question 6.

X, Y and Z are partners in a firm sharing profits in the ratio of 3:2:1 respectively. The firm was dissolved on 1.3.2013. After transferring assets (other than cash) and third party liabilities to the 'Realisation Account' you are provided with the following information:

a. There was a balance of Rs.18,000 in the firm's Profit and Loss Account.

b. There was an unrecorded bike of Rs.50,000 which was taken over by X.

c. Creditors of 5,000 were paid Rs.4,000 in full settlement of accounts.

Pass necessary Journal entries for the above at the time of dissolution of firm.

Solution:

Journal

S. No.	Particulars	L.F.	Debit ₹	Credit ₹
(a)	Profit and Loss A/c** Dr. To X's capital A/c To Y's capital A/c To Z's capital A/c (Being balance in P and L A/c divided among Partners in the ratio of 3:2:1)		18,000	 9,000 6,000 3,000
(b)	X's capital A/c Dr. To Realisation A/c (Being unrecorded asset taken over by X)		50,000	 50,000
(c)	Realisation A/c Dr. To Bank A/c (Being creditors were paid Rs. 4,000 in full settlement of their claim of ₹5,000)		4,000	 4,000

**Balance in Profit and Loss A/c always mean positive balance i.e. credit balance.

Question 7.

Rohit, Kunal and Sarthak are partners in a firm. They decided to dissolve their firm. Pass necessary Jou entries for the following after various assets (other than Cash and Bank) and the third party liability been transferred to Realisation Account:

a. Kunal agreed to pay off his wife's loan of Rs.6,000.

b. Total Creditors of the firm were Rs.40,000. Creditors worth Rs.10,000 were given a piece of furniture costing Rs.8,000 in full and final settlement. Remaining Creditors allowed a discount of 10%.

c. Rohit had given a loan of Rs.70,000 to the firm which was duly paid.

d. A machine which was not recorded in the books was taken over by Rs.Kunal at Rs.3,000, whereas expected value was Rs.5,000.

e. The firm had a debit balance of Rs.15,000 in the Profit and Loss Account on the date of dissolution.

f. Sarthak paid the realisation expenses of Rs.16,000 out of his private funds, who was to get remuneration of Rs.15,000 for completing dissolution process and was responsible to bear all the realisation expenses

Solution:

Journal

Date	Particulars		L.F.	Debit ₹	Credit ₹
	Realisation A/c To Kunal's capital A/c (Being Kunal agrees to pay off his wife's loan)	Dr.		6,000	6,000
	Realisation A/c To Cash A/c (Being creditors worth ₹30,000 paid off at a discount o 10%)	Dr.		27,000	27,000
	Rohit Loan A/c To Cash A/c (Being loan paid by firm)	Dr.		70,000	70,000
	Kunal Capital A/c To Realisation A/c (Being asset taken over by Kunal)	Dr.		3,000	3,000
	Rohit Capital A/c Kunal Capital A/c Sarthak Capital A/c To Profit and Loss A/c (Being loss distributed equally)	Dr. Dr. Dr.		5,000 5,000 5,000	15,000
	Realisation A/c To Sarthak's Capital A/c (Being remuneration of ₹15,000 paid for completion of dissolution process)	Dr.		15,000	15,000

Question 8.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Sundry Assets-			By Creditors A/c		1,70,000
Debtors	2,40,000		By Ramesh's Current A/c		55,000
Stock	1,30,000		(Stock)		
Furniture	2,00,000		**By Cash A/c (Assets Realised)**		
Machinery	9,30,000	15,00,000	Stock	50,000	50,000
			Machinery	4,50,000	
			Debtors	2,28,000	7,28,000
To Cash A/c (Liabilities)			By Umesh's Current A/c		50,000
Creditors	1,70,000		(Furniture)		
Outstanding Bill	1,40,000	3,10,000	**By Realistion Loss:**		
			Ramesh's Current A/c	5,64,900	
			Umesh's Current A/c	2,42,100	8,07,000
		18,100,000			18,10,000

Question 9.

Balance Sheet of firm as at 31st March, 2016, when it was decided to dissolve the same was:

Liabilities		₹	Assets	₹
Sundry Creditors		14,000	Cash at Bank	640
Reserve for Contingencies		500	Stock	4,740
Capital A/c s:			Debtors	5,540
X	4,000		Machinery	10,580
Y	3,000	7,000		
		21,500		21,500

₹19,500 were realised form all assets except Cash at Bank. The cost of winding up came to ₹440.
X and Y shared profits in the ratio of 2:1 respectively.
Prepare Realisation Account and Capital Accounts of Partners.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Machinery A/c		10,580	By Sundry Creditors A/c		14,000
To Stock A/c		4,740	By Bank A/c (Assets Realised)		19,500
To Debtors A/c		5,540			
To Bank A/c:			By Loss transferred to:		
Creditors	14,400		X's Capital A/c	1,200	
Expenses A/c	440	14,400	Y's Capital A/c	600	1,800
		35,300			35,300

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Particulars	X	Y
To Realisation A/c (Loss)	1,200	600	By Balance b/d	4,000	3,000
			By Reserve for contingencies A/c	333	167
To Bank A/c	3,133	2,567			
	4,333	3,1667		4,333	3,167

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	640	By Realisation A/c	14,400
To Realisation A/c	19,500	By X's Capital A/c	3,133
		By Y's Capital A/c	2,567
	20,140		20,140

Question 10.

Achal and Vichal were parents in a firm sharing profits in the ratio 3:5. On 31st March, 2016, their Balance Sheet was a follows:

Liabilities		₹	Assets	₹
Capital A/cs:			Land and Building	4,00,000
Achal	3,00,000		Machinery	3,00,000
Vichal	5,00,000	8,00,000	Debtors	2,22,000
Creditors		1,79,000	Cash at Bank	78,000
Employees' Provident Fund		21,000		
		10,00,000		10,00,000

The firm was dissolved on 1st April, 2016 and the Assets and Liabilities were settled as follows:

a. Land and Building realised ₹4, 30,000.
b. Debtors realised ₹2, 25,000 (with interest) and ₹1,000 were recovered for Bad Debts written off last year.
c. There was an Unrecorded Investment which was sold for t ₹25,000.
d. Vichal took over Machinery at ₹2,80,000 for cash.
e. 50% of the Creditors were paid ₹4,000 less in full settlement and the remaining Creditors were paid full amount.

Pass necessary Journal entries for dissolution of the firm

Solution:

Journal

Date	Particulars		L.F.	Debit Rs.	Credit Rs.
	Realisation A/c	Dr.		9,22,000	
	To Land and Building A/c				4,00,000
	TO Machinery A/c				3,00,000
	To Debtors A/c				2,22,000
	(Being assets transferred)				
	Creditors A/c	Dr.		1,79,000	
	Employees' Provident Fund A/c	Dr.		21,000	
	To Realisation A/c				2,00,000
	(Being liabilities transferred)				
	Bank A/c	Dr.		4,30,000	
	To Realisation A/c				4,30,000
	(Being Land and Building realized)				
	Bank A/c (2,25,000 + 1,000)	Dr.		2,26,000	
	To Realisation A/c				2,26,000
	(Being debtors realized along with Bad- debts recovered)				
	Bank A/c	Dr.		25,000	
	To Realisation A/c				25,000
	(Being unrecorded investment sold)				
	Bank A/c	Dr.		2,80,000	
	To Realisation A/c				2,80,000
	(Being machinery took over by Vichal for Cash)				
	Realisation A/c	Dr.		1,96,000	
	To Bank A/c (85,000 + 89,500 + 21,00)				1,96,000
	(Being 50% creditors of Rs.89,500 were paid at a discount of Rs.4,000 and remaining 50% were settled in full and EPF)				
	Realisation A/c	Dr.		43,000	
	To Achal's Capital A/c				16,125
	To Vichal's Capital A/c				26,875
	(Being profits on realization transferred)				
	Achal's Capital A/c	Dr.		3,16,125	
	Vichal's Capital A/c	Dr.		5,26,875	
	To Bank A/c				8,43,000
	(Being partners paid off)				

Question 11.

Bale and Yale are equal partners of a firm. They deckle to dissolve their partnership on 31st March, 2016 at which date their Balance Sheet stood as:

Liabilities		₹	Assets	₹
Capital A/cs:			Building	45,000
Bale	50,000		Machinery	15,000
Yale	40,000	90,000	Furniture	12,000
General Reserve		8,000	Debtors	8,000
Bale Loan A/c		3,000	Stock	24,000
Creditors		14,000	Bank	11,000
		1,15,000		1,15,000

a. The assets realised were:

Stock ₹22,000; Debtors ₹7,500; Machinery ₹16,000; Building ₹35,000.
b. Yale took over the Furniture at ₹9,000.
c. Bale agreed to accept ₹2,500 in full settlement of his Loan Account.
d. Dissolution Expenses amounted to ₹2,500.

Prepare the:
i. Realisation Account;
ii. Bale's Loan Account;
iii. Capital Accounts of Partners;
iv. Bank Account.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Building A/c		45,000	By Sundry Creditors A/c		14,000
To Machinery A/c		15,000	By Bank A/c:		
To Furniture A/c		12,000	Stock	22,000	
To Debtors A/c		8,000	Debtors	7,500	
To Stock A/c		24,000	Machinery	16,000	
			Building	35,000	80,500
To Bank A/c:			By Bale's Loan A/c		500
Creditors	14,400		By Yale's Capital A/c (Furniture)		9,000
Expenses	2,500	16,500	By Loss transferred to:		
			Bale's Capital A/c	8,250	
			Yale's Capital A/c	8,250	16,500
		1,20,500			1,20,500

Partners' Capital Account

Dr. Cr.

Particulars	Bale	Yale	Particulars	X	Y
To Realisation A/c (Loss)	8,250	8,250	By Balance b/d	50,000	40,000
To Realisation A/c	-	9,000	By General Reserve A/c (Old Ratio)	4,000	4,000
To Bank A/c	45,750	26,750			
	54,000	44,000		54,000	44,000

Bale's Loan Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Bank A/c	2,500	By Balance b/d	3,000
To Realisation A/c	500		
	3,000		3,000

Bank Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Balance b/d	11,000	By Balance b/d	2,500
To Realisation A/c	80,500	By Realisation A/c	16,500
		By Bale Capital A/c	45,750
		By Yale's Capital A/c	26,750
	91,500		91,500

Question 12.

Jathi, Sethi and Rathi were sharing profits in the ratio of 5: 3: 2 respectively. On 31st March, 2016 their Balance Sheet was:

Liabilities	₹	Assets		₹
Jathi's Capital	28,000	Furniture		11,000
Sethi's Capital	19,000	Investments		7,000
Rathi Capital	8,000	Stock		38,000
Sundry Creditors	9,500	Debtors	8,000	
		Less: Provision for Doubtful Debts	400	7,600
		Cash		900
	64,500			64,500

The firm was dissolved. Rathi took over Investments at an agreed value of Rs.7,500. Furniture, Stock and Debtors realised Rs.48,400. Rs.9,000 were paid to Sundry Creditors in full settlement. The expenses of realisation were Rs.600. The partners' accounts were settled by receipt or payment of cash. Show Realisation Account, Partners' Capital Accounts and Cash Account to close the books of the firm.

Solution:

Realisation Account

Dr. Particulars		₹	Particulars		Cr. ₹
To Furniture A/c		11,000	By Provision for Bad Debts A/c		400
To Investments A/c		7,000	By Sundry Creditors A/c		9,500
To Stock A/c		38,000			
To Debtors A/c		8,000	By Rathi's Capital A/c (Investment)		7,500
			By Cash A/c (Furniture, debtors, Stock)		48,400
To Cash A/c:					
Sundry Creditors A/c	9,000		By Loss transferred to:		
Creditors A/c	600	9,600	Jathi's Capital A/c	3,900	
			Sethi's Capital A/c	2,340	
			Rathi's Capital A/c	1,560	7,800
		73,600			73,600

Partner's Capital Accounts

Dr. Particulars	Jathi	Sethi	Rathi	Particulars	Jathi	Sethi	Cr. Rathi
To Realisation A/c (Loss)	3,900	2,340	1,560	By Balance b/d	28,000	19,000	8,000
To Realisation A/c	-	-	7,500				
To Cash A/c	24,100	16,600	-	By Cash A/c	-	-	1,060
	28,000	19,000	9,060		28,000	19,000	9,060

Cash Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Balance b/d	900	By Realisation A/c	9,600
To Realisation A/c	48,400	By Jathi's Capital A/c	24,100
To Rathi Capital A/c	1,060	By Sethi's Capital A/c	16,600
	50,360		50,360

Question 13.

Sharma, Verma and Gupta were partners sharing profits in the ratio of 3:2:1 respectively. Their Balance Sheet as 31st March, 2016 stood as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	21,500	Cash	1,000
Loan	21,500	Stock	25,000
Sharma's Capital	6,000	Debtors	18,000
Verma's Capital	5,000	Furniture	5,000
Gupta's Capital	3,000	Machinery	8,000
	57,000		57,000

The firm was dissolved on 1st April, 2016. The fixed assets realised Rs.2,000 whereas Stock and Debtors realised Rs.33,000 in all. The expenses on dissolution were Rs.600. Prepare necessary Ledger Accounts, assuming that the necessary cash has been brought in by the partners.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Stock A/c		25,000	By Sundry Creditors A/c		21,500
To Debtors A/c		18,000	By Loan A/c		21,500
To Furniture A/c		5,000	By Cash A/c:		
To Machinery A/c		8,000	Fixed Assets	2,000	
			Stock and Debtors	33,000	35,000
To Cash A/c:					
Sundry Creditors	21,500		By Loss transferred to:		
Expenses	600		Sharma's Capital A/c	10,900	
Loan	21,500	43,500	Verma's Capital A/c	7,200	
			Gupta's Capital A/c	3,600	21,600
		99,600			99,600

Partner's Capital Accounts

Dr. Cr.

Particulars	Shrama	Verma	Gupta	Particulars	Shrama	Verma	Gupta
To Realisation A/c (Loss)	10,800	7,200	3,600	By Balance b/d	6,000	5,000	3,000
	24,100	16,600	-	By Cash A/c	4,800	7,200	3,600
	10,800	7,200	3,600		10,800	7,200	3,600

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	1,000	By Realisation A/c	43,600
To Realisation A/c	35,000		
To Sharma's Capital A/c	4,800		
To Verma's Capital A/c	2,200		
To Gupta's Capital A/c	600		
	43,600		43,600

Question 14.

A, B and C were partners sharing profits and losses in the ratio of 2:2:1. On 1st April, 2016, their Balance Sheet was:

Liabilities		₹	Assets		₹
Creditors		24,000	Cash Bank		24,400
Reserve		10,000	Debtors	16,000	
Capital A/cs:			*Less:* Provision for Doubtful Debts	400	15,600
A	30,000		Stock		4,000
B	24,000		Furniture		44,000
C	12,000		Building		
		1,00,000			1,00,000

The firm was dissolved on that date.
The assets realised were:

	₹
Debtors	14,000
Stock	10,000
Furniture	2,000
Building	50,000

The Creditors were settled for ₹22,000. It was found, however, that there was a liability of ₹6,000 for damages which had to be paid.
Realisation expenses amounted to ₹2,000.
Prepare Realisation Account, Partners' Capital Accounts and Bank Account to close the books of the firm.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Debtors A/c		16,000	By Provision for Doubtful Debts A/c		400
To Stock A/c		12,000	By Creditors A/c		24,000
To Furniture A/c		4,000			
To Building A/c		44,000	By Bank A/c:		
			Stock	10,000	
To Bank A/c:			Furniture	2,000	
Creditors	22,000		Building	50,000	
Liability for damages	6,000		Debtors	14,000	76,000
Expenses	2,000	30,000	By Loss transferred to:		
			A's Capital A/c	2,240	
			B's Capital A/c	2,240	
			C's Capital A/c	1,120	5,600
		1,06,000			1,06,000

Partner's Capital Accounts

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c (Loss)	2,240	2,240	1,120	By Balance b/d	30,000	24,000	12,000
To Bank A/c	31,760	25,760	12,880	By Reserve A/c	4,000	4,000	2,000
	34,000	28,000	14,000		34,000	28,000	14,000

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	24,000	By Realisation A/c	30,000
To Realisation A/c	76,000	By A's Capital	31,760
		By B's Capital	25,760
		By C's Capital	12,880
	1,00,400		1,00,400

Question 15.

Following was the Balance Sheet of A and B as at 31^{st} March, 2016:

Liabilities	₹	Assets	₹
Creditors	38,000	Cash Bank	11,500
Mrs. A's Loan	10,000	Stock	6,000
B's Loan	15,000	Debtors	19,000
Reserve	5,000	Furniture	4,000
A' s Capital	10,000	Plant	28,000
B's Capital	8,000	Investment	10,000
		Profit and Loss A/c	7,500
	86,000		86,000

The firm was dissolved on 31st March, 2016 and both the partners agreed to the following:

a. A took Investments at an agreed value of 8,000. He also agreed to settle Mrs. A's Loan.
b. Other assets realised as under: Stock- ₹5,000; Debtors- ₹18,500; Furniture- ₹4,500; Plant- ₹25,000.
c. Expenses of realisation came to ₹1,600.
d. Creditors agreed to accept ₹37,000 in full settlement of their claims.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account. The profits and losses were shared in the ratio of 3:2.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Stock A/c		6,000	By Creditors A/c		38,000
To Debtors A/c		19,000	By Mrs. A's Loan A/c		10,000
To Furniture A/c		4,000			
To Plant A/c		28,000	By A's Capital A/c:		8,000
To Investment A/c		10,000	By Bank A/c:		
To A's Capital A/c: (Mrs. A's Loan)		10,000	Stock	5,000	
To Bank A/c:			Debtors	18,500	
Expenses	1,600		Furniture	4,500	
Creditors	37,000	38,600	Plant	25,000	53,000
			By Loss transferred to:		
			A's Capital A/c	3,960	
			B's Capital A/c	2,640	6,600
		1,15,600			1,15,600

Partner's Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realisation A/c (Loss)	3,960	2,640	By Balance b/d	10,000	8,000
To Realisation A/c	8,000	-	By Reserve A/c	3,000	2,000
To Profit and Loss A/c	4,500	3,000	By Realisation A/c	10,000	-
To Bank A/c	6,540	4,360			
	23,000	10,000		23,000	10,000

B's Loan Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Bank A/c	15,000	By Balance b/d	15,000
	15,000		15,000

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	11,500	By Realisation A/c	38,600
To Realisation A/c	53,000	By A's Capital A/c	6,540
		By B's Capital A/c	4,360
		By C's Capital A/c	15,000
	64,500		64,500

Question 16.

Balance Sheet of P,Q, and R as at 31st March, 2016 who were sharing profits in the ratio of 5:3:1, was

Liabilities		₹	Assets		₹
Bill Payable		40,000	Cash Bank		40,000
Loan from Bank		30,000	Stock		19,000
Reserve Fund		9,000	Sundry Debtors	42,000	
Capital A/c			Less : Provision for Doubtful Debts	2,000	40,000
P	44,000		Building		40,000
Q	36,000		Plant and Machinery		40,000
R	20,000	1,00,000			
		1,79,000			1,79,000

The partners dissolved the business. Assets realized - Stock ₹23,400; Debtors 50%; Fixed Assets 10% less than their book value. Bills Payable were settled for ₹32,000. There was an Outstanding Bill of ₹ 800 which was paid off. Realisation expenses ₹1,250 were also paid.
Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Building A/c		40,000	By Provision for Doubtful Debts A/c		2,000
To Plant and Machinery A/c		40,000	By Bills Payable A/c		40,000
To Stock A/c		19,000	By Loan from Bank A/c		30,000
To Sundry Debtors A/c		42,000	By Bank A/c:		
To Bank A/c:			Stock	23,400	
Bill Payable	32,000		Debtors	21,000	
Outstanding Bill	800		Building	36,000	
Expenses	1,250		Plant and Machinery	36,000	1,16,400
Loan from Bank	30,000	64,050	By Loss transferred to:		
			P's Capital A/c	9,250	
			Q's Capital A/c	5,550	
			R's Capital A/c	1,850	16,650
		2,05,050			2,05,050

Partner's Capital Accounts

Dr. Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Realisation A/c (Loss)	9,250	5,550	1,850	By Balance b/d	44,000	36,000	20,000
To Bank A/c	39,750	33,450	19,150	By Reserve A/c	5,000	3,000	1,000
			-				
	49,000	39,000	21,000		49,000	39,000	21,000

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	40,000	By Realisation A/c	64,050
To Realisation A/c	1,16,000	By P's Capital	39,750
		By Q's Capital	33,450
		By R's Capital	19,150
	1,56,400		1,56,400

Question 17.

Vinod, Vijay and Venkat are partners sharing profits and losses in the ratio of 3:2:1. They decided to dissolve their firm on 31st March, 2016, the date at which their Balance Sheet stood as:

Liabilities		₹	Assets		₹
Creditors		17,000	Bank		3,500
Bill Payable		12,000	Stock		19,800
Vinods Loan		5,300	Sundry Debtors	15,000	
General Reserve		6,000	*Less* : Provision for Doubtful Debts	1,000	14,000
Capital A/c			Investment		4,000
Vinod	25,500		Furniture		10,000
Vijay	11,000		Machinery		33,000
Venkat	8,000	44,000			
		84,300			84,300

The following additional information is given:
a. The Investments are taken over by Vinod for ₹5,000.
b. Assets realised as follows:
Stock
Debtors
Furniture
Machinery
c. Expenses on realisation amounted to ₹2,000.
Close the books of the firm giving relevant Ledger Accounts.

Solution:

Realisation Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Stock A/c	19,800	By Provision for Doubtful Debts A/c		1,000
To Debtors A/c	15,000	By Creditors A/c		17,000
To Investments A/c	4,000	By Bills Payable A/c		12,000
To Furniture A/c	10,000	By Vindo's Capital A/c		5,000
To Machinery A/c	33,000	By Bank A/c:		
To Bank A/c (Expenses)	2,000	Stock	17,500	
To Bank A/c (Creditors)	17,000	Debtors	14,500	
To Bank A/c (Bills Payable)	12,000	Building	6,800	
		Machinery	30,300	69,100
		By Loss transferred to:		
		Vinod	4,350	
		Vijay	2,900	
		Venkat	1,450	8,700
	1,12,800			1,12,800

Partner's Capital Accounts

Dr. Cr.

Particulars	Vinod	Vijay	Venkat	Particulars	Vinod	Vijay	Venkat
To Realisation A/c (Investments)	5,000	-	-	By Balance b/d	25,000	11,000	8,000
To Realisation A/c (Loss)	4,350	2,900	1,450	By General Reserve A/c	3,000	2,000	1,000
To Bank A/c	18,650	10,100	7,550				
	28,000	13,000	9,000		28,000	13,000	9,000

Vinod's Loan Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Bank A/c	5,300	By Balance b/d	5,300
	5,300		5,300

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	3,500	By Realisation A/c (Expenses)	2,000
To Realisation A/c (Assets realized)	69,100	By Realisation A/c (Creditors)	17,000
		By Realisation A/c (Bills Payable)	12,000
		By Vinod's Loan A/c	5,300
		By Vinod's Capital A/c	18,650
		By Vijay's Capital A/c	10,100
		By Venkat's Capital A/c	7,550
	72,600		72,600

Question 18.

P, Q and R were partners in a firm sharing profits and losses in the ratio of 5: 3: 2. They agreed to dissolve their partnership firm on 31st March, 2016. P was deputed to realise the assets and pay the liabilities. He was paid ₹1,000 as commission for his services. The financial position of the firm was:

Liabilities		₹	Assets		₹
Creditors		10,000	Stock		5,500
Bill Payable		3,700	Investments		15,000
Investment Fluctuation Reserve		4,500	Debtors	7,100	
Capital A/c			*Less*: Provision for Doubtful Debts	450	6,650
P	37,550		Cash		5,600
Q	15,000	52,550	R's Capital A/c		8,000
			Plant and Machinery		30,000
		70,750			70,750

P took over Investments for Rs.12,500. Stock and Debtors realised Rs.11,500. Plant and Machinery were sold to Q for Rs.22,500 for cash. Unrecorded assets realised Rs.1,500. Realisation expenses paid amounted to Rs.900.

Prepare necessary Ledger Accounts to close the books of the firm.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Plant and Machinery A/c		30,000	By Creditors A/c		10,000
To Stock A/c		5,500	By Bills Payable A/c		3,700
To Investments A/c		15,000	By Investments Fluctuation Reserve A/c		4,500
To Debtors A/c		7,100	By Provision for Doubtful Debts A/c		450
			By P's Capital A/c (Investments)		12,500
To Cash A/c			By Cash A/c:		
Creditors	10,000		Stock and Debtors	11,500	
Bills Payable	3,700		Plant and Machinery	22,500	
Expenses	900	14,600	Unrecorded Assets	1,500	35,500
To P's Capital A/c		1,000	By Loss transferred to:		
			P's Capital A/c	3,275	
			Q's Capital A/c	1,965	
			R's Capital A/c	1,310	6,550
		73,200			73,200

Partner's Capital Accounts

Dr. Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Balance b/d	-	-	8,00	By Balance b/d	37,550	15,000	-
To Realisation A/c (Loss)	3,275	1,965	1,310	By Realisation A/c	1,000	-	-
To Realisation A/c (Investments)	12,500	-	-				
To Cash A/c	22,775	13,035	-	By Cash A/c	-	-	9,310
	38,500	15,000	9,310		38,500	15,000	9,310

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	5,600	By Realisation A/c	14,600
To Realisation A/c	35,500	By P's Capital A/c	22,775
To R's Capital A/c	9,310	By Q's Capital A/c	13,035
	50,410		50,410

Question 19.

A, B and C were equal partners, On 31st March, 2016, their Balance Sheet stood as:

Liabilities		₹	Assets	₹
Creditors		50,400	Cash	3,700
Reserve		12,000	Stock	20,100
Capital A/c			Debtors	62,600
A	30,000		Investments	16,00
B	25,000		Furniture	6,500
C	15,00	70,000	Building	23,500
		1,32,400		1,32,400

The firm was dissolved on the above date on the following terms:

a. For the purpose of dissolution, Investments were valued at ₹18,000 and A took over the Investments at this value.
b. Fixed Assets realised ₹29,700 whereas Stock and Debtors realised ₹80,000.
c. Expenses of realisation amounted to ₹1,300.
d. Creditors allowed a discount of ₹800.
e. One Bill Receivable for ₹1,500 under discount was dishonored as the acceptor had become insolvent and was unable to pay anything and hence the bill had to be met by the firm.

Prepare Realisation Account Partners' Capital Accounts and Cash Account showing how the accounts would finally be settled among the partners:

Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Stock A/c		20,100	By Creditors A/c		50,400
To Debtors A/c		62,600	By A's Capital A/c (Investments)		18,000
To Investments A/c		16,600	By Cash A/c:		
To Furniture A/c		6,500	Furniture and Building	29,700	
To Building A/c		23,500	Stock and Debtors	80,000	1,09,700
To Cash A/c					
Expenses	1,300		By Loss transferred to:		
Creditors	49,600		A's Capital A/c	1,000	
Bills	1,500	52,400	B's Capital A/c	1,000	
			C's Capital A/c	1,000	3,000
		1,81,00			1,81,000

Partner's Capital Accounts

Dr. Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Realisation A/c (Investments)	18,000	-	-	By Balance b/d	30,000	25,000	15,000
To Realisation A/c (Loss)	1,000	1,000	1,000	By Reserve A/c	4,000	4,000	4,000
To Cash A/c	15,000	28,000	18,000				
			-				
	34,000	29,000	19,000		34,000	29,000	19,000

Cash Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	3,700	By Realisation A/c	52,400
To Realisation A/c	1,09,700	By A's Capital A/c	15,000
		By B's Capital A/c	28,000
		By C's Capital A/c	18,000
	1,13,400		1,13,400

Question 20.

A, B and C are in partnership sharing profits and losses in the proportions of 1/2, 1/3 and 1/6 respectively. On 31st March, 2016, they decide to dissolve the partnership and the position of the firm at this date is represented by the following Balance Sheet:

Liabilities		₹	Assets	₹
Creditors		40,000	Cash at Bank	3,000
Loan A/c			Stock	50,000
A		10,000	Sundry Debtors	50,000
Capital A/c			Land and Building	57,000
A	60,000			
B	40,000			
C	10,000	1,10,000		
		1,60,000		1,60,000

During the course of realisation, a liability under a suit for damages is settled at 20,000 as against Rs.5,000 only provided for in the books of the firm.

Land and Building were sold for Rs.40,000 and the Stock and Sundry Debtors realised Rs.30,000 and Rs.42,000 respectively. The expenses of realisation amounted to Rs.1,200.

You are required to prepare Realisation Account Partners’ Capital Accounts and Bank Account in the books of the firm.

Solution:

Realisation Account

Dr. | Cr.

Particulars		Rs.	Particulars		Rs.
To Land and Building A/c		57,000	By Creditors A/c		50,400
To Stock A/c		50,000	By Bank A/c		18,000
To Sundry Debtors A/c		50,000	By Land and Building A/c	40,000	
			By Stock A/c	30,000	
To Bank A/c			By Sundry Debtors A/c	42,000	1,12,000
Creditors					
(40,000 + 15,000)	55,000				
Expenses	1,200	56,200	By Loss transferred to:		
			A's Capital A/c	30,600	
			B's Capital A/c	20,400	
			C's Capital A/c	10,200	61,200
		2,13,200			**2,13,200**

Partner's Capital Accounts

Dr. | Cr.

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c (Loss)	30,600	20,400	10,200	By Balance b/d	60,000	40,000	10,000
To Bank A/c	29,400	19,600	-	By Reserve A/c	-	-	200
	60,000	**40,000**	**10,200**		**60,000**	**40,000**	**10,200**

A's Loan Account

Dr. | Cr.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	10,000	By Balance b/d	10,000
	10,000		**10,000**

Bank Account

Dr. | Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	3,000	By Realisation A/c	56,200
To Realisation A/c	1,12,000	By A's Capital A/c	29,400
To C's Capital A/c	200	By B's Capital A/c	19,600
		By A's Loam A/c	10,000
	1,15,200		**1,15,200**

Question 21.

A and B are partners in a firm sharing profits and losses in the ratio of 2: 1. On 31st March, 2016, their Balance Sheet was:

Liabilities	₹	Assets		₹
Bank Overdraft	30,000	Cash in Hand		6,000
General Reserve	56,000	Bank Balance		10,000
Investment Fluctuation Reserve	20,000	Sundry Debtors	26,000	
A' Loan	34,000	*Less*: Provision for Doubtful Debts	2,000	24,000
Capital A/c		Investments		40,000
A	50,000	Stock		10,000
		Furniture		10,000
		Building		60,000
		B's Capital		30,000
	1,90,000			1,90,000

On that date, the partners decide to dissolve the firm. A took over Investments at an agreed valuation Rs.35,000. Other assets were realised as follows:

Sundry Debtors: Full amount. The firm could realise Stock at 15% less and Furniture at 20% less than the book value.

Building was sold at Rs.1, 00,000

Compensation to employees paid by the firm amounted to Rs.10,000. This liability was not provided for ii the above Balance Sheet.

You are required to close the books of the firm by preparing Realisation Account, Partners’ Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. Particulars		₹	Particulars		Cr. ₹
To Sundry Debtors A/c		26,000	By Provision for Doubtful Debts A/c		2,000
To Investments A/c		40,000	By Bank Overdraft A/c		30,000
To Stock A/c		10,000	By Investment Fluctuation Reserve A/c		20,000
To Furniture A/c		10,000	By A's Capital A/c (Investment)		35,000
To Building A/c		60,000	By Bank A/c:		
To Bank A/c:			Sundry Debtors	26,000	
Compensation of Employees	10,000		Stock	8,500	
Bank Overdraft	30,000	40,000	Furniture	8,000	
To Profit transferred to:			Building	1,00,000	1,42,500
A's Capital A/c	29,000				
B's Capital A/c	14,5000	43,500			
		2,13,200			2,29,500

Partner's Capital Accounts

Dr. Particulars	A	B	Particulars	A	Cr. B
To Balance b/d	-	30,00	By Balance b/d	50,000	-
To Realisation A/c (Investment)	35,000		By General Reserve A/c	37,333	18,667
To Bank A/c	81,333	3,167	By Realisation A/c (Profit)	29,000	14,500
	1,16,333	33,167		1,16,333	33,167

A's Loan Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Bank A/c	34,000	By Balance b/d	34,000
	34,000		34,000

Bank Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Balance b/d	10,000	By Realisation A/c	40,000
To Cash Capital A/c	6,000	By A's Capital A/c	81,333
To Realisation A/c	1,42,500	By B's Capital A/c	3,167
		By A's Loam A/c	34,000
	1,58,500		1,58,500

Question 22.

Mrs. Rita Chowdhary and Miss Sobha are partners in a firm, Fancy Garments Exports, sharing profits losses equally. On 1st April, 2016, the Balance Sheet of the firm was:

Liabilities	₹	Assets		₹
Sundry Creditors	75,000	Cash		6,000
Bill Payable	30,000	Bank		30,000
Mr. Chowdhary's Loan	15,000	Stock		75,000
		Book Debts	66,000	
Reserve Fund	24,000	Less : Provision for Doubtful Debts	6,000	60,000
Mrs. Rita Chowdhary's Capital	90,000	Plant and Machinery		45,000
Miss Sobha's Capital	30,000	Land and Building		48,000
	2,64,000			2,64,000

The firm was dissolved on the date given above. The following transactions took place:

a. Mrs. Rita Chowdhary undertook to pay Mr. Chowdhary's Loan and took over 50% of the Stock at discount of 20%.

b. Book Debts realised Rs.54,000; balance of the Stock was sold off at a profit of 30% on cost.

c. Sundry Creditors were paid out at a discount of 10%. Bills Payable were paid in full.

d. Plant and Machinery realised Rs.75,000. Land and Building Rs.1, 20,000.

e. Mrs. Rita Chowdhary took over the goodwill of the firm at a valuation of Rs.30,000.

f. Realisation expenses were Rs.5,250.

Show Realisation Account, Partners' Capital Accounts and Bank Account in the books of the firm.

Solution:

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Stock A/c		75,000	By Provision for Doubtful Debts		6,000
To Book Debts A/c		66,000	By Sundry Creditors A/c		75,000
To Plant and Machinery A/c		45,000	By Bills Payable A/c		30,000
To Land and Building A/c		48,000	By Mr. Chowdhary's Loan A/c		15,000
To Mrs. Rita Chowdhary's Capital A/c		15,000	By Mrs. Rita Chowdhary's Captial A/c:		
To Mr. Chowdhary's Loan A/c			Stock	30,000	
To Bank A/c:			Goodwill	30,000	60,000
Sundry Creditors	67,500				
Bills Payable	30,000		By Bank A/c:		
Expenses	5,250	1,02,750	Book Debts	54,000	
To Profit transferred to:			Stock	48,750	
Mrs. Rita Chowdhary's Capital A/c	66,000		Plant and Machinery	75,0000	
Miss Sobha's Capital A/c	66,000	1,32,000	Land and Building	1,20,000	2,97,750
		4,83,750			**4,83,750**

Partner's Capital Accounts

Dr. Cr.

Particulars	Mrs. Rita Chowdhary	Miss Sobha	Particulars	Mrs. Rita Chowdhary	Miss Sobha
To Realisation A/c (Assets)	60,000	-	By Balance b/d	90,000	30,000
			By Mrs. Rita Chowdhary's Captial A/c:	12,000	12,000
To Bank A/c	1,23,000	1,08,000	By Realisation A/c		-
			(Mr. Chowdhary's Loan)	15,000	
			By Realisation A/c (Profit)	66,000	66,000
	1,83,000	**1,08,000**		**1,83,000**	**1,08,000**

Bank Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	30,000	By Realisation A/c	1,02,750
To Cash Capital A/c	6,000	By Mrs. Rita Chowdhary's Captial A/c	1,23,000
To Realisation A/c	2,97,500	By Miss Sobha Capital A/c	1,08,000
	3,33,750		**3,33,750**

Working Notes

1 Value of stock taken by Mrs. Rita Chowdhary

$$= \left(75,000 \times \frac{50}{100}\right) \times \frac{80}{100} = ₹30,000$$

2 Value of stock sold

$$= \left(75,000 \times \frac{50}{100}\right) \times \frac{130}{100} = ₹48,750$$

Question 23.

Following is the Balance Sheet of Arvind and Balbir at 31st March, 2016:

Liabilities		₹	Assets		₹
Trade Creditors		45,000	Cash		750
Bills Payable		12,000	Bank		12,000
Mrs. Arvind's Loan		7,500	Stock		7,500
Mrs. Balbir's Loan		15,000	Investments		15,000
Reserve Fund		15,000	Book Debts	30,000	
Investments		1,500	*Less* : Provision for	3000	27,000
Fluctuation Reserve			Doubtful Debts		
Capital A/cs			Building		22,500
Arvind	15,000		Plant		30,000
Balbir	15,000	30,000	Goodwill		6,000
			Profit and Loss A/c		5,260
		1,26,000			1,26,000

The firm was dissolved on the above date under the following arrangement:

a. Arvind promised to pay off Mrs. Arvind's Loan and took Stock at Rs.6,000.

b. Balbir took half the Investments @ 10% discount.

c. Book Debts realised Rs.28,500.

d. Trade Creditors and Bills Payable were due on average basis of one month after but were paid immediately on 31st March @ 2% discount per annum.

e. Plant realised Rs.37,500; Building Rs.60,000; Goodwill Rs.9,000 and remaining Investments

f. An old typewriter, written off completely from the firm's books, now estimator 450. It was taken by Balbir at this estimated price.

g. Realisation expenses were Rs.1,500.

Show Realisation Account, Capital Accounts of Partners and Bank Account.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Stock A/c		7,500	By Provision for Doubtful Debts A/c		3,000
To Investments A/c		15,000	By Trade Creditors A/c		45,000
To Book Debts A/c		30,000	By Bills Payable A/c		12,000
To Building A/c		22,500	By Mrs. Arvind's Loan A/c		7,500
To Plant A/c		30,000	By Mrs. Balbir's Loan A/c		15,000
To Goodwill A/c		6,000	By Investments Fluctuation Reserve A/c		1,500
To Arvind's Capital A/c (Mrs. Arvind's Loan)		7,500	By Arvind Capital A/c (Stock)		6,000
To Bank A/c:			By Balbir's Capital A/c		6,750
Trade Creditors	44,925		(Investments 7500 x 90%)		
Bills Payable	11,980		By Balbir's Capital A/c		450
Expense	1,500		(Unrecorded Typewriter)		
Mrs. Balbir;s Loan	15,000	73,405	By Bank A/c		
Profit transferred to:			Book Debts	28,500	
Arvind's Capital A/c	23,522.50		Plant	37,500	
Balbir's Capital A/c	23,522.50	47,045	Building	60,000	
			Goodwill	9,000	
			Investments	6,750	1,41,750
		2,38,950			2,38,950

Partner's Capital Accounts

Dr. Cr.

Particulars	Arvind	Balbir	Particulars	Arvind	Balbir
To Profit and Loss A/c	2,625	2,625	By Balance b/d	15,000	15,000
To Realisation A/c (Assets)	6,000	7,200	By Realisation A/c	7,500	-
To Bank A/c	44,879.50	36,197.50	By Reserve Fund A/c	7,500	7,500
			By Realisation A/c (Profit)	23,522.50	46,022.50
	53,522.50	**46,022.50**		**53,522.50**	**46,022.50**

Bank Account

Dr. | | | Cr.

Particulars	₹	Particulars	₹
To Balance b/d	12,000	By Realisation A/c	73,405
To Cash A/c	750	By Arvind's Capital A/c	44,897.5
To Realisation A/c	1,41,750	By Balbir's Capital A/c	36,197.5
	1,54,500		1,54,500

Working Notes:

Creditors	45,000
Less: 2% discount for 1 month	(75)
Payment made to Creditors	44,925

Bills Payable	12,000
Less: 2% discount for 1 month	(20)
Payment made to for Bills Payable	11,980

Question 24.

Anju, Manju and Sanju were partners in a firm sharing profits in the ratio of 2: 2 : 1.0n 28th March, 2016, their Balance Sheet was:

Liabilities		₹	Assets	₹
Creditors		50,000	Cash	60,000
Bank Loan		35,000	Debtors	75,000
Employees' Provident Fund		15,000	Stock	40,000
Investment Fluctuation Reserve		10,000	Investments	20,000
Commission Received in Advance		8,000	Plant	50,000
Capital A/c s:			Profit and Loss A/c	3,000
Anju	50,000			
Manju	50,000			
Samju	30,000	1,30,000		
		2,48,000		2,48,000

On this date, the firm was dissolved. Anju was appointed to realise the assets. Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation.
Anju realised the assets as follows: Debtors ₹60,000; Stock ₹35,500; Investments ₹16,000; Plant 90% of the book value. Expenses of Realisation amounted to t 7,500. Commission received in advance was returned to customers after deducting ₹3,000.
Firm had to pay ₹8,500 for Outstanding Salary, not provided for earlier. Compensation paid to employees amounted to ₹17,000. This liability was not provided for in the above Balance Sheet. ₹20,000 had to be paid for Employees' Provident Fund.
Prepare Realisation Account, Capital Accounts of Partners and Cash Account.

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Debtors A/c		75,000	By Creditors A/c		50,000
To Stock A/c		40,000	By Bank Loan A/c		35,000
To Investments A/c		20,000	By Provident Fund A/c		15,000
To Plant A/c		50,000	By Commission Received in Advance A/c		8,000
To Cash A/c:			By Investments Fluctuation Fund A/c		10,000
Commission	5,000				
Received in Advance	8,500		By Cash A/c		
Outstanding Salary	17,000		Debtors	60,000	
			Stock	35,500	
			Investments	16,000	
Compensation paid to Employees			Plant	45,000	1,56,500
Provident Funds	20,000		By Loss transferred to :		
Creditors	50,000		Anju's Capital A/c	21,530	
Bank Loan	35,000	1,35,500	Maju's Capital A/c	21,530	
To Anju's Capital A/c (Commission)		7,825	Sanju's Capital A/c	10,765	53,825
		3,28,325			**3,28,325**

Partner's Capital Accounts

Dr. Particulars	Anju	Manju	Sanju	Particulars	Anju	Manju	Cr. Sanju
To Profit and Loss A/c	1,200	1,200	600	By Balance b/d	50,000	50,000	30,000
To Realisation A/c	21,530	21,530	10,765	By Realisation A/c	7,825	-	-
To Cash A/c	35,095	27,270	18,635				
	57,825	**50,000**	**30,000**		**57,825**	**50,000**	**30,000**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	60,000	By Realisation A/c	1,25,500
To Realisation A/c	1,56,500	By Anju's Capital A/c	35,095
		By Manju's Capital A/c	27,270
		By Sanju's Loam A/c	18,635
	2,16,500		**2,16,500**

Working Note :

1

$$\text{Anju's Commission} = \text{Assets Realised} \times \frac{5}{100}$$

$$= 1,56,500 \times \frac{5}{100} = ₹7,825$$

2

$$\text{Realisation of Plant} = 50,000 \times \frac{90}{100} = ₹45,000$$

Question 25.

A, B and C were in partnership sharing profits in the ratio of 7:2:1 and the balance sheet of the firm of 31st March, 2016 was:

Liabilities		₹	Assets	₹
Capital			Building	2,000
A	1,241		Plant	3,122
B	865		Goodwill	1,000
C	8,062	10,168	100 Shares in X Ltd. (At cost)	240
Creditors		1,121	1,000 Shares in Y Ltd. (At cost)	1,000
Reserve for Depreciation on Plant		2,000	Stock	1,124
			Debtors	874
			Bank	121
			Patents	3,808
		13,289		13,289

It was agreed to dissolve the partnership as on 31st March, 2016 and the terms of dissolution were-
a. A to take over the Building at an agreed amount of ₹3,150;
b. B, who was to carry on the business, to take over the Goodwill, Stock and Debtors at book value, the Patents at ₹3,000 and Plant at ₹500. He was also to pay the Creditors;
c. C to take over shares in X Ltd. at ₹1.50 each and
d. The shares in Y Ltd. to be divided in the profit-sharing ratio.

Show Ledger Accounts recording the dissolution in the books of the firm.

Solution:

Realisation Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Building A/c	2,000	By Creditors A/c		1,121
To Plant A/c	3,122	By Reserve for Depreciation on Plant A/c		2,000
To Good will A/c	1,000	By A' Capital A/c		
To 100 Shares in X Ltd. A/c	240	Building	3,150	
To 1000 Shares in Y Ltd. A/c	1,000	Shares of Y Ltd	700	3,850
To Stock A/c	1,124	By B' Capital A/c		
		Goodwill	1,000	
		Stock	1,124	
		Debtors	874	
		Patents	3,000	
		Plant	500	
		Shares of Y Ltd.	200	6,698
To Debtors A/c	874	By C's Capital A/c		
To Patents A/c	3,808	Shares of X Ltd.	150	
To B Capital A/c (Creditors)	1,211	Shares of Y Ltd.	100	250
		By Loss transferred to :		
		A's Capital A/c	259	
		B's Capital A/c	74	
		C's Capital A/c	37	370
	14,289			14,289

Partner's Capital Accounts

Dr. Particulars	A	B	C	Particulars	A	B	Cr. C
To Realisation A/c (Assets)	3,850	6,698	250	By Balance b/d	1,241	865	8,062
To Realisation A/c (Loss)	259	74	37	By Realisation A/c (Creditors)	-	1,121	-
To Bank A/c	-	-	7,775	By Bank A/c	2,868	4,7,86	
	4,109	**6,772**	**8,062**		**4,109**	**6,772**	**8,062**

Bank Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	121	By C's Capital A/c	7,775
To A's Capital A/c	2,868		
To B's Capital A/c	4,786		
	7,775		**7,775**

Working Notes:

Distribution of Shares in Y Ltd.

$$\text{A, s Shares } = 1,000 \times \frac{7}{10} = ₹700$$

$$\text{B, s Shares } = 1,000 \times \frac{2}{10} = ₹200$$

$$\text{C, s Shares } = 1,000 \times \frac{1}{10} = ₹100$$

Question 26.

J, S and R were in partnership sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2016 was:

Liabilities		₹	Assets	₹
Capital A/cs			Building	10,000
J	12,000		Plant	22,000
S	8,600		Stock	12,200
R	10,400	31,000	Debtors	5,000
Reserve Fund		3,000	Accrued Interest	1,000
Employees' Provident Fund		3,000	Cash	2,800
Depreciation Reserve		5,000		
Creditors		11,000		
		53,000		53,000

It was agreed to dissolve the firm and the terms of the dissolution were;

a. I took over Building at book value and agreed to pay off Creditors.

b. Accrued Interest was not collected whereas there was a contingent liability of Rs. 600 which was met.

c. Other assets realised Plant- Rs.25,000; Stock-Rs.11,200; Debtors-Rs.4,600.

d. Realisation expenses Rs. 600.

Prepare Realisation Account, Partners' Capital Accounts and Cash Account.

Solution:

Realisation Account

Dr. Particulars		Rs.	Particulars		Cr. Rs.
To Building A/c		10,000	By Employee's Provident Fund		3,000
To Plant A/c		22,000	By Depreciation Reserve		5,000
To Stock A/c		12,200	By Creditors		11,000
To Debtors A/c		5,000	By J's Capital A/c (Building)		10,000
To Accrued Interest A/c		1,000	By Cash A/c		
To J's Capital A/c (Creditors)		11,000	Plant	25,000	
To Cash A/c:			Stock	11,200	
Contingent Liability	600		Debtors	4,600	40,800
Expense	600				
Provident Fund	3,000	4,200			
To Profit transferred to:					
J's Capital A/c	2,200				
S's Capital A/c	1,467				
R's Capital A/c	733	4,400			
		69,800			**69,800**

Partner's Capital Accounts

Dr. Particulars	J	S	R	Particulars	J	S	Cr. R
To Realisation A/c (Building)	10,000	-	-	By Balance b/d	12,000	8,600	10,400
				By Reserve Fund A/c	1,500	1,000	500
				By Realisation A/c			
To Cash A/c	16,700	11,067	11,633	(Creditors)	11,000	-	-
				By Realisation A/c (Profit)	2,200	1,467	733
	26,700	**11,067**	**11,633**		**26,700**	**11,067**	**11,633**

Cash Account

Dr. Particulars	Rs.	Particulars	Cr. Rs.
To Balance b/d	2,800	By Realisation A/c	4,200
To Realisation A/c	40,800	By J's Capital A/c	16,700
	4,786	By S's Capital A/c	11,067
		By R's Capital A/c	11,633
	43,600		**43,600**

Question 27.

A, B and C were partners sharing profits in the ratio of 2 : 2 : 1. They decided to dissolve their firm on 31st March, 2016 when the Balance Sheet was:

Liabilities		₹	Assets		₹
Creditors		40,000	Cash		40,000
Bills Payable		46,000	Debtors	70,000	
Employees' Provident Fund		32,000	Less: Provision for Doubtful Debts	6,000	64,000
Mrs. A's Loan		38,000	Stock		50,000
C's Loan		30,000	Investments		60,000
Investments Fluctuation Reserve		16,000	Furniture		42,000
Capital A/c s:			Machinery		1,36,000
A	1,20,000		Land		1,00,000
B	1,00,000		Goodwill		30,000
C	1,00,000	3,20,000			
		5,22,000			5,22,000

Following transactions took place:

a. A took over Stock at Rs.36,000. He also took over his wife's loan.

b. 8 took over half of Debtors at Rs.28,000.

c. C took over Investments at Rs.54,000 and half of Creditors at their book value.

d. Remaining Debtors realised 60% of their book value. Furniture sold for Rs.30,000; Machinery 82,000 and Land Rs.1, 20,000.

e. An unrecorded asset was sold for Rs.22,000.

f. Realisation expenses amounted to Rs.4,000.

Prepare necessary Ledger Accounts to close the books of the firm.

Solution:

Realisation Account

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Debtors A/c	70,000	By Provision for Doubtful Debts A/c		6,000
To Stock A/c	50,000	By Creditors A/c		40,000
To Investment A/c	60,000	By Bills Payable A/c		46,000
To Furniture A/c	42,000	By Employee's Provident Fund A/c		32,000
To Machinery A/c	1,36,000	By Investment Fluctuation Fund A/c		16,000
To Land A/c	1,00,000	By Mrs. A's Loan A/c		38,000
To Goodwill A/c	30,000	By A's Capital A/c (Stock)		36,000
To A's Capital A/c (Mrs. A's Loan)	38,000	B's Capital A/c (Debtors)		28,000
To C's Capital A/c (Creditors)	20,000	By C's Capital A/c (Investment)		54,000
To Cash A/c (Expense)	4,000	By Cash A/c (Debtors) 60% x 35,000		21,000
To Cash A/c (Creditors)	20,000	By Cash A/c (Furniture)		30,000
To Cash A/c (Bills Payable)	46,000	By Cash A/c (Machinery)		82,000
To Cash A/c (Employees' Provident Fund)	32,000	By Cash A/c (Land)		1,20,000
		By Cash A/c (Unrecorded Assets)		22,000
		By Loss on Revaluation transferred to:		
		A	30,800	
		B	30,800	
		C	15,400	77,000
	6,48,000			**6,48,000**

Partner's Capital Accounts

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To Realisation A/c (Stock)	36,000	-	-	By Balance b/d	1,20,000	1,00,000	1,00,000
To Realisation A/c (Debtors)	-	28,000	-	By Realisation A/c (Mrs. A's Loan)	38,000	-	-
To Realisation A/c (Investments)	-	-	54,000	By Realisation A/c (Creditors)	-	-	20,000
To Realisation A/c (Loss)	30,800	30,800	15,400				
To Cash A/c	91,200	41,200	50,600				
	1,58,000	**1,00,000**	**1,20,000**		**1,58,000**	**1,00,000**	**1,20,000**

C's Loan Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Cash A/c	30,000	By Balance b/d	30,000
	30,000		**30,000**

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	40,000	By Realisation A/c (Creditors)	20,000
To Realisation A/c (Debtros)	21,000	By Realisation A/c (Expenses)	4,000
To Realisation A/c (Furniture)	30,000	By Realisation A/c (Bills Payable)	46,000
To Realisation A/c (Machinery)	82,000	By Realisation A/c (Employees' Provident Fund)	32,000
To Realisation A/c (Land	1,20,000	By C's Loan A/c	30,000
To Realisation A/c (Unrecorded Assets)	22,000	By A's Capital A/c	91,200
		By B's Capital A/c	41,200
		By C's Capital A/c	50,600
	3,15,000		**3,15,000**

Question 28.

Krishna and Arjun are partners in a firm. They share profits in the ratio of 4:1. They decide to dissolve the firm on 31st March, 2016 at which date their Balance Sheet stood as:

Liabilities		₹	Assets		₹
Bank Loan		1,500	Trademarks		1,200
Creditors for Goods		8,000	Machinery		12,000
Bills Payable		500	Furniture		400
Capital A/c s:			Stock		6,000
Krishna	16,000		Debtors	9,000	
Arjun	6,000	22,000	*Less* : Provisions for Bad Debts	400	8,600
			Cash at Bank		2,800
			Advertisement Suspense		1,000
		32.000			32,000

The realisation shows the following results:

a. Goodwill was sold for Rs.1,000.

b. Debtors were realised at book value less 10%.

c. Trademarks were realised for Rs.800.

d. Machinery and Stock-in-Trade were taken over by Krishna for Rs.14,400 and Rs.3,600 respectively.

e. An unrecorded asset estimated at Rs.500 was sold for Rs.200.

f. Creditors for goods were settled at a discount of Rs.80. The expenses on realisation were Rs.800.

Prepare Realisation Account Partners' Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Trade Marks A/c		1,200	By Provision for Bad Debts A/c		400
To Machinery A/c			By Bank Loan A/c		1,500
To Furniture A/c			By Creditors for Goods A/c		8,000
To Stock A/c			By Bills Payable A/c		500
To Debtors A/c			By Bank A/c		
To Bank A/c:			Goodwill	1,000	
Bank Loan	1,500		Debtors	8,100	
Creditors	7,920		Trade Marks	800	
Bills Payable	500		Unrecorded Assets	200	10,100
Expense	800	10,720	By Krishna's Capital A/c		
			Machinery	14,400	
			Stock in Trade	3,600	18,000
			By Loss transferred to:		
			Krishna's Capital A/c	656	
			Krishna's Capital A/c	164	820
		39,320			**39,320**

Partner's Capital Accounts

Dr. Cr.

Particulars	Krishna	Arjun	Particulars	Krishna	Arjun
To Advertisement Suspense A/c	800	200	By Balance b/d	16,000	6,000
To Realisation A/c (Assets)	18,000	-	By Bank A/c	3,456	-
To Realisation A/c (Loss)	656	164			
To Realisation A/c (Loss)	-	5,636			
	19,456	**6,000**		**19,456**	**6,000**

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	2,800	By Realisation A/c	10,720
To Realisation A/c	10,100	By Arjun's Capital A/c	5,636
To Krishna's Capital A/c	3,456		
	16,356		**16,356**

Question 29.

T There are two partners X and Y in a firm and their capitals are Rs.50,000 and Rs.40,000. The creditors are Rs.30,000. The assets of the firm realize Rs.1,00,000. How much will X and Y receive?

Solution:

Realisation Account

Dr. | | | Cr.

Particulars	₹	Particulars		₹
To Sundry Assets A/c (WN)	1,20,000	By Creditors A/c		30,000
To Cash A/c	30,000	By Cash A/c		1,00,000
		By Loss transferred to:		
		X's Capital A/c	10,000	
		Y's Capital A/c	10,000	20,000
	1,50,000			**1,50,000**

Partners' Capital Account

Dr. | | | Cr.

Particulars	X	Y	Particulars	X	Y
To Realisation A/c (Loss)	10,000	10,000	By Balance b/d	50,000	40,000
To Cash A/c	40,000	30,000			
	50,000	**40,000**		**50,000**	**40,000**

Cash Account

Dr. | | | Cr.

Particulars	₹	Particulars	₹
To Realisation A/c	1,00,000	By Realiastion A/c	30,000
		By X's Capital A/c	40,000
		By Y's Capital A/c	30,000
	1,00,000		**1,00,000**

Working Note:

Memorandum Balance Sheet

Liabilities		₹	Assets	₹
To Capital A/c			By Sundry Assets A/c (Balancing figure)	1,20,000
X	50,000			
Y	40,000	90,000		
To Creditors A/c		30,000		
		1,20,000		**1,20,000**

Question 30.

A, B and C were partners sharing profits in the ratio of 5:3:2. On 31st March, 2016, A's Capital an B's Capital were Rs.30,000 and Rs.20,000 respectively but C owed Rs.5,000 to the firm. The liabilities were Rs.20,000. The assets of the firm realized Rs.50,000.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

Solution:

Realisation Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Sundry Assets A/c (WN)	65,000	By Creditors A/c		20,000
To Cash A/c (Creditors)	20,000	By Cash A/c (Assets realized)		50,000
		By Loss transferred to:	7,000	
		A's Capital A/c	4,500	
		B's Capital A/c	3,000	
		C's Capital A/c	3,000	15,000
	85,000			85,000

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	A	B	C
To Balance b/d			5,000	By Balance b/d	30,000	20,000	
To Realistion A/c (loss)	7,500	4,500	3,000	By Cash A/c			8,000
To Cash A/c	22,500	15,500					
	30,000	20,000	8,000		30,000	20,000	8,000

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Realistion A/c (Assets)	50,000	By Realistion A/c (Creditors)	20,000
To C's Capital A/c	8,000	By A's Capital A/c	22,500
		By B's Capital A/c	15,500
	58,000		58,000

Working Note:

Memorandum Balance Sheet
As on march 31,2016

Liabilities		₹	Assets	₹
Capital A/c			C's Capital A/c	5,000
A	30,000		Sundry Assets A/c	65,000
B	20,000	50,000	(Balancing figure)	
Other liabilities A/c		20,000		
		70,000		70,000

Question 31.

A and B were partners sharing profits and losses as to 7/11th to A and 4/11th to B. They dissolved partnership on 30th May, 2016. As on that date their capitals were: A Rs.7,000 and B Rs.4,000. There we also due on Loan A/c to A Rs.4,500 and to B Rs.750. The other liabilities amounted to Rs.5,000. The assets proved to have been undervalued in the last Balance Sheet and actually realised? Rs.24,000.

Prepare necessary accounts showing the final settlement between partners.

Solution:

Realistion Account

Dr. Cr.

Particulars		₹	Particulars	₹
To Sundry Assets A/c (WN)	21,250		By Other liabilities A/c	5,000
To Cash A/c (Laibilities)	5,000		By Cash A/c (Assets Realised)	24,000
To Profit transferred to:				
A's Capital A/c	1,750			
B's Capital A/c	1,000	2,750		
		29,000		**29,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Cash A/c	8,750	5,000	By Balance B/d	7,000	4,000
			By Realistion A/c (Profit)	1,750	1,000
	8,750	**5,000**		**8,750**	**5,000**

Partners' Loan Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Cash A/c	4,500	750	By Balance B/d	4,500	750
	4,500	750		4,500	750

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Realistion A/c (Assets)	24,000	By A's Capital A/c	8,750
		By B's Capital A/c	5,000
		By A's Capital A/c	4,500
		By B's Capital A/c	750
		By Realisation A/c	5,000
	24,000		**24,000**

Working Note:

Memorandum Balance Sheet
As on march 30,2016

Liabilities		₹	Assets	₹
Capital A/c			Sundry Assets A/c	21,250
A	7,000		(Balancing figure)	
B	4,000	11,000		
A's Loan		4,500		
B's Loan		750		
Other liabilities A/c		5,000		
		21,250		**21,250**

Question 32.

A and B dissolve their partnership. Their position as at 31st March, 2016 was:

Particulars	₹
A's Capital	25,000
B's Capital	15,000
Sundry Creditors	20,000
Cash in Hand and at Bank	750

The balance of A's Loan Account to the firm stood at ₹10,000. The realisation expenses amounted to ₹350. Stock realized ₹20,000 and Debtors ₹25,000. B took a machine at the agreed valuation o f ₹7,500. Other fixed assets realised ₹20,000. You are required to close the books of the firm.

Solution:

Realistion Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Sundry Assets (WN)		69,250	By Sundry Creditors A/c		20,000
To Bank A/c			By Bank A/c		
S. Creditors	20,000		Stock	20,000	
Expenses	350	20,350	Debtors	25,000	
To Profit transferred to:			Other Assets	20,000	65,000
A's Capital A/c	1,450		By B's Capital A/c (machinery)		7,500
B's Capital A/c	1,450	2,900			
		92,500			**92,500**

A's Loan Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Bank A/c	10,000	By Balance b/d	10,000
	10,000		**10,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realistion A/c (Machinery)		7,500	By Balance b/d	25,000	15,000
To Bank A/c	26,450	8,950	By Realistion A/c (Profit)	1,450	1,450
	26,450	**16,450**		**26,450**	**16,450**

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	750	By A's Loan A/c	10,000
To Realisation a/c	65,000	By A's Loan A/c	26,450
		By B's Loan A/c	8,950
		By Realisation A/c	20,350
	65,750		**65,750**

Working Note:

Memorandum Balance Sheet
As on march 31,2016

Liabilities		₹	Assets	₹
Capital A/c:			Cash in Hand and at Bank	750
A	25,000		Sundry Assets (Other than Cash and Bank)	69,250
B	15,000	40,000		
Sundry creditors A/c		20,000		
A's Loan		10,000		
		70,000		**70,000**

Question 33.

Ashok and Kishore were in partnership sharing profits in the ratio of 3:1. They agreed to dissolve the firm. The assets (other than cash of 2,000) of the firm realised 1,10,000. The liabilities and other particulars on that date were: You are required to close the books of the firm.

Particulars	₹
Creditors	40,000
Ashok's Capital	1,00,000
Kishore's Capital	10,000(Dr. Balance)
Profit and Loss	8,000(Dr. Balance)
Realisation Expenses	1,000

You are required to close the books of the firm

Solution:

Realistion Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Sundry Assets (WN)		1,20,000	By Creditors A/c		40,000
To Cash A/c			By Cash A/c (Assets Realised)		1,10,000
Creditors	40,000		By Loss transferred to:		
Expenses	1,000	41,000	Ashok's Capital A/c	8,250	
			Kishore's Capital A/c	2,750	11,000
		1,61,000			**1,61,000**

Partners' Capital Account

Dr. Cr.

Particulars	Ashok	Kishore	Particulars	Ashok	Kishore
To Balance b/d		10,000	By Balance b/d	1,00,000	
To Realistion A/c (Loss)	8,250	2,750	By Cash A/c		14,750
To Profit and Loss A/c	6,000	2,000			
To Cash A/c	85,750				
	1,00,000	**14,750**		**1,00,000**	**14,750**

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
By Balance b/d	2,000	By Realiastion A/c	41,000
To Realiastion A/c	1,10,000	By Ashok's Capital A/c	85,750
To Kishore's Capital A/c	14,750		
	1,26,750		**1,26,750**

Memorandum Balance Sheet

Liabilities	₹	Assets	₹
Creditors	40,000	Cash	2,000
Ashok's Capital	1,00,000	Kishore's A/c	10,000
		Profit and Loss A/c	8,000
		Sundry Assets (Balancing figure)	1,20,000
	1,40,000		**1,40,000**

Question 34.

X, Y and Z entered into a partnership and contributed Rs.9,000; Rs.6,000 and Rs.3,000 respectively. They agreed to share profits and losses equally. The business lost heavily during the very first year and they decided to dissolve the firm. After realising all assets and paying off liabilities, there remained a cash balance of Rs.6,000.

Prepare Realisation Account and Partners’ Capital Accounts.

Solution:

Realistion Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Sundry Assets (WN 2)	18,000	By Cash A/c (Assets Realised)		6,000
		By Loss transferred to:		
		X's Capital A/c	4,000	
		Y's Capital A/c	4,000	
		Z's Capital A/c	4,000	12,000
	18,000			**18,000**

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Realistion A/c (Loss)	4,000	4,000	4,000	By Balance b/d	9,000	6,000	3,000
To Cash A/c	5,000	2,000		By Cash A/c			1,000
	9,000	**6,000**	**4,000**		**9,000**	**6,000**	**4,000**

Working Note:

1

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Realiastion A/c	6,000	By X's Capital A/c	5,000
Z's Capital A/c	1,000	By Y's Capital A/c	2,000
	7,000		**7,000**

2

Memorandum Balance Sheet

Liabilities		₹	Assets	₹
Capital A/c :			Sundry Assets (Balancing figure)	**18,000**
X'S Capital A/c	9,000			
Y'S Capital A/c	6,000			
Z'S Capital A/c	3,000	18,000		
		18,000		**18,000**

Question 35.

A, B and C started business on 1st April, 2011 with capitals of Rs.1,00,000; Rs.80,000 and Rs.60,000 respectively sharing profits (losses) in the ratio of 4 : 3 : 3. For the year ended 31st March, 2012, the firm suffered a loss of Rs.50,000. Each of the partners withdrew Rs.10,000 during the year. On 31st March, 2012, the firm was dissolved, the creditors of the firm stood at Rs.24,000 on that date and Cash in Hand was Rs.4,000. The assets realised? Rs.3,00,000 and Creditors were paid Rs.23,500 in full settlement of their claims.

Prepare Realisation Account and show your workings clearly.

Solution:

Realistion Account

Dr. Cr.

Particulars		₹	Particulars	₹
To Sundry Assets (WN 2)		1,80,000	By Sundry Creditors	24,000
To Cash A/c (Creditors)		23,500	By Cash A/c (Assets)	3,00,000
To Profit transferred to:				
A's Capital A/c	48,200			
B's Capital A/c	36,150			
C's Capital A/c	36,150	1,20,500		
		3,24,000		3,24,000

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	X	Y	Z
To Cash A/c	1,18,200	91,150	71,150	By Balance b/d	70,000	55,000	35,000
				By Realistion A/c	48,200	36,150	36,150
	9,000	6,000	4,000		9,000	6,000	4,000

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	4,000	By Realiastion A/c	23,500
To Realiastion A/c	3,00,000	By A's Capital A/c	1,18,200
		By B's Capital A/c	91,150
		By C's Capital A/c	71,150
	3,04,000		3,04,000

Working Note:

1 Calculation of partners 'Capital as on March 31,2012

Particulars	X	Y	Z
Capital as on April 01,2011	1,00,000	80,000	60,000
Less: Drawings	(10,000)	(10,000)	(10,000)
Less: Share of Loss (4:3:3)	(20,000)	(15,000)	(15,000)
Capital as on April 01,2012	70,000	55,000	35,000

2

Memorandum Balance Sheet
as on March 31,2012

Liabilities	₹	Assets	₹
Capital A/c:		Cash in Hand	4,000
A	70,000	Sundry Assets (Balancing figure)	1,80,000
B	55,000		
C	35,000		
Creditors	24,000		
	1,84,000		1,84,000

Question 36.

A, B and C were in partnership sharing profits and losses in the ratio of 2:1:1. They decided to dissolve the partnership. On that date of dissolution, Sundry Assets (including cash Rs.5,000) amounted to Rs.88,000, assets realised Rs.80,000 (including an unrecorded asset which realised Rs.4,000). A contingent liability on account of bills discounted Rs.8,000 was paid by the firm. The Capital Accounts of A, B and C showed a balance of Rs.20,000 each.

Prepare Realisation Account, Partners' Capital Accounts and Cash Account.

Solution:

Realistion Account

Dr. Cr.

Particulars		₹	Particulars		₹
To Sundry Assets		83,000	By Sundry Liabilities (WN)		28,000
To Cash A/c :			By Cash A/c (Assets realised)		80,000
Sundry Liabilities	28,000		By Loss transferred to:		
Contingent Liabilites	8,000	36,000	A's Capital A/c	5,500	
			B's Capital A/c	2,750	
			C's Capital A/c	2,750	11,000
		1,19,000			**1,19,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	X	Y	Z
To Realistion A/c	5,500	2,750	2,750	By Balance b/d	20,000	20,000	20,000
To Bank A/c	14,500	17,250	17,250	By Realistion A/c			
	20,000	**20,000**	**20,000**		**20,000**	**20,000**	**20,000**

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Balance b/d	5,000	By Realiastion A/c	36,000
To Realiastion A/c	80,000	By A's Capital A/c	14,500
		By B's Capital A/c	17,250
		By C's Capital A/c	17,250
	85,000		**85,000**

Working Note:

Memorandum Balance Sheet
As on March 31,2012

Liabilities		₹	Assets	₹
Capital A/c:			Cash in Hand	5,000
A	20,000		Sundry Assets	83,000
B	20,000			
C	20,000	60,000		
Sundry Liabilities(Balancing figure)		28,000		
		88,000		**88,000**

Question 37.

On 1st April, 2015, A, B and C commenced business in partnership sharing profits and losses in proportion of 1/2, 1/3 and 1/6 respectively. They paid into their Bank A/c as their capitals Rs.22,000; Rs.10,000 by A, Rs.7,000 by B and Rs.5,000 by C. During the year, they drew Rs.5,000; being Rs.1,900 by A, Rs.1,700 by B and Rs.1,400 by C On 31st March, 2016, they dissolved their partnership, A taking up Stock at an agreed valuation of Rs. 5,000, B taking up Furniture at Rs.2,000 and C taking up Debtors at Rs.3,000. After paying up their Creditors, there remained a balance of Rs.1,000 at Bank.

Prepare necessary accounts showing the distribution of the cash at the Bank and of the further cash brought in by any partner or partners as the case required.

Solution:

Realistion Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Sundry Assets (WN)	17,000	By A's Capital A/c (Stock)		5,000
		By B's Capital A/c (Furniture)		2,000
		By C's Capital A/c (Debtors)		3,000
		By Bank A/c (Assets realised)		1,000
		A's Capital A/c	3,000	
		B's Capital A/c	2,000	
		C's Capital A/c	1,000	6,000
	17,000			17,000

Partners' Capital Account

Dr. Cr.

Particulars	A	B	C	Particulars	X	Y	Z
To Realistion A/c	5,000	2,000	3,000	By Balance b/d	8,100	5,300	3,600
To Realistion A/c (Loss)	3,000	2,000	1,000	By Cash A/c			400
To Cash A/c	100	1,300					
	8,100	5,300	4,000		8,100	5,300	4,000

Bank Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Realiastion A/c	1,000	By A's Capital A/c	100
To C's Capital A/c	400	By B's Capital A/c	1,300
	1,400		1,400

Working Note:

Memorandum Balance Sheet
as on March 31,2016

Liabilities	₹	Assets	₹
Capital A/c:		Sundry Assets (Balance figure)	17,000
A (10,000-1,900)	8,100		
B (7,000-1,700)	5,300		
C (5,000-1,400)	3,600		
	17,000		17,000

Question 38.

The partnership between A and B was dissolved on 31st March, 2016. On that date the respective credits to the capitals were A-Rs.1,70,000 and B-Rs.30,000. Rs.20,000 were owed by B to the firm; Rs.1,00,000 were owed by the firm to A and Rs.2,00,000 were due to the Trade Creditors. Profits and losses were shared in the proportions of, 2/3 to A, 1/3 to B. The assets represented by the above stated net liabilities realised Rs.4,50,000 exclusive of Rs.20,000 owed by B. The liabilities were settled at book figures.

Prepare Realisation Account, Partners’ Capital Accounts and Cash Account showing the distribution to the partners.

Solution:

Realistion Account

Dr. Cr.

Particulars	₹	Particulars		₹
To Sundry Assets (WN)	4,80,000	By Trade Creditors A/c		2,00,000
To B's Loana/c	20,000	By Cash A/c (Assets realized)		4,50,000
To Cash A/c (Creditors)	2,00,000	By B's Capital A/c (B's Loan)		20,000
		By Loss transferred to:		
		A's Capital A/c	20,000	
		B's Capital A/c	10,000	30,000
	7,00,000			**7,00,000**

Partners' Capital Account

Dr. Cr.

Particulars	A	B	Particulars	A	B
To Realisation A/c		20,000	By Balance b/d	1,70,000	30,000
To Realisation A/c (Loss)	20,000	10,000			
To Cash A/c	1,50,000				
	1,70,000	**30,000**		**1,70,000**	**30,000**

Cash Account

Dr. Cr.

Particulars	₹	Particulars	₹
To Realiation A/c (Assets)	4,50,000	By Realisation A/c (Creditors)	2,00,000
		By A's Capital A/c	1,50,000
		By B's Capital A/c	1,00,000
	4,50,000		**4,50,000**

Working Note:

Memorandum Balance Sheet

Liabilities		₹	Assets	₹
Capital A/c:			B'S Loan	20,000
A	1,70,000		Sundry Assets (Balancing figure)	4,80,000
B	30,000	2,00,000		
A's Loan		1,00,000		
Trade Creditors		2,00,000		
		5,00,000		**5,00,000**

Question 39.

X and Y were partners sharing profits and losses in the ratio of 3:2. They decided to dissolve the firm on 31st March, 2016. On that date, their Capitals were X – Rs.40,000 and Y- Rs.30,000. Creditors amounted to Rs.24,000.

Asssts were realised for Rs.88,500. Creditors of Rs.16,000 were taken over by X at Rs.14,000. Remaining Creditors were paid at Rs.7,500. The cost of realisation came to Rs.500.

Prepare necessary accounts.

Solution:

Realistion Account

Dr. Particulars		₹	Particulars		Cr. ₹
To Sundry Assets		94,000	By Creditors A/c		24,000
To X's Capital A/c (Creditors)		14,000	By Cash (Assets Realised)		88,500
To Cash A/c:			By Loss transferred to:		
Creditors	7,500		X's Capital A/c	2,100	
Expenses	500	8,000	Y's Capital A/c	1,400	3,500
		1,16,000			**1,16,000**

Partners' Capital Account

Dr. Particulars	X	Y	Particulars	X	Cr. Y
To Realiastion A/c (Loss)	2,100	1,400	By Balance b/d	40,000	30,000
To Cash A/c	51,900	28,600	By Realiastion A/c (creditors)	14,000	-
	54,000	**30,000**		**54,000**	**30,000**

Cash Account

Dr. Particulars	₹	Particulars	Cr. ₹
To Realiastion A/c (Assets)	88,500	By Realiastion A/c	8,000
		By X's Capital A/c	51,900
		By Y's Capital A/c	28,600
	88,500		**88,500**

Working Note:

Memorandum Balance Sheet
As on March 31,2016

Liabilities		₹	Assets	₹
Capital A/c:			Sundry Assets (balancing figure)	94,000
X	40,000			
Y	30,000	70,000		
Creditors		24,000		
		94,000		**94,000**

Question 40.

P, Q and R are three partners sharing profits and losses in the ratio of 3:3:2 respectively. Their respective capitals are in their profit-sharing proportions. On 1st April, 2015, the total capital of the firm and the balance of General Reserve are Rs.80,000 and Rs.20,000 respectively. During the year 2015-16, the firm made a profit of Rs.28,000 before charging interest on capital @ 5%. The drawings of the partners are P-Rs. 8,000; Q-Rs.7,000; and Rs.5,000. On 31st March, 2016, their liabilities were Rs.18,000.

On this date, they decided to dissolve the firm. The assets realised Rs.1,08,600 and realization expenses amounted to Rs.1,800.

Prepare necessary Ledger Accounts to close the books of the firm.

Solution:

Realisation Account

Dr. | | | | | Cr.

Particulars		Rs.	Particulars		Rs.
To Sundry Assets (WN 1)		1,26,000	By Creditors A/c		18,000
To Cash A/c:			By Cash A/c (Assets Realised)		1,08,600
Creditors	18,000		By Loss transferred to:		
Expenses	1,800	19,800	P's Capital A/c	7,200	
			Q's Capital A/c	7,200	3,500
			R's Capital A/c	4,800	19,200
		1,45,800			**1,45,800**

Partners' Capital Account

Dr. | | | | | | | Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Drawings A/c	8,000	7,000	5,000	By Balance b/d	30,000	30,000	20,000
To Realistion A/c (Loss)	7,200	7,200	4,800	By Interest on Capital A/c	1,500	1,500	1,000
To Cash A/c	32,800	33,800	22,200	By P/L Appropriation A/c (WN 2)	9,000	9,000	6,000
				By General Reserve A/c	7,500	7,500	5,000
	48,000	**48,000**	**32,000**		**48,000**	**48,000**	**32,000**

Cash Account

Dr. | | | Cr.

Particulars	Rs.	Particulars	Rs.
To Realiastion A/c (Assets)	1,08,600	By Realiastion A/c	19,800
		By P's Capital A/c	32,800
		By Q's Capital A/c	33,800
		By R's Capital A/c	22,200
	1,08,600		**1,08,600**

Working Note:
1

Memorandum Balance Sheet

Liabilities		₹	Assets	₹
Capital A/c:			Sundry Assets (Balancing figure)	1,26,000
P(80,000×3/8	30,000			
Q(80,000×3/8	30,000		Drawings A/c	
R(80,000×2/8	20,000	80,000	P	8,000
General Reserve		20,000	Q	7,000
Profit and Loss A/c		28,000	R	5,000
Creditors		18,000		
		1,46,000		**1,46,000**

2

Profit and Loss Appropriation Account

Dr. | | | | Cr.

Particulars		₹	Particulars	₹
To Interest on Capital A/cs:			By Profit and Loss A/c	28,000
P	1,500			
Q	1,500			
R	1,000	4,000		
To Profit transferred to:				
P's Capital A/c	9,000			
Q's Capital A/c	9,000			
R's Capital A/c	6,000	24,000		
		28,000		**28,000**

Question 41.

X, Y and Z entered into partnership on 1st April, 2012. They contributed capital Rs.40,000, Rs.30,000 a Rs.20,000 respectively and agreed to share profits in the ratio of 3:2:1. Interest on capital was to allowed @ 15% p.a. and interest on drawings was to be charged at an average rate of 5%. During the years ended 31st March, 2014, the firm made profit of Rs.21,600 and Rs.25,140 respectively before allow or charging interest on capital and drawings. The drawings of each partner were Rs.6,000 per year. On 31st March, 2014, the partners decided to dissolve the partnership due to difference of opinion. that date, the creditors amounted to Rs.20,000.The assets, other than cash Rs.2,000, realized Rs.1,21,01 Expenses of dissolution amounted to Rs.760.

Draw up necessary Ledger Accounts to close the books of the firm.

Solution:

Profit and Loss Appropriation
For the year ended March 31,2013

Dr. Cr.

Particulars		₹	Particulars		₹
To Interest on Capital A/c			By Profit and Loss A/c		21,600
X (40,000×15%)	6,000		By Interest on Drawings A/c		
Y (30,000×15%)	4,500		X (6,000×5%)	300	
Z (20,000×15%)	3,000	13,500	Y (6,000×5%)	300	
			Z (6,000×5%)	300	900
To Profit transferred to:					
X's Capital A/c	4,500				
Y's Capital A/c	3,000				
Z's Capital A/c	1,500	9,000			
		22,500			**22,500**

Partners' Capital Account
For the year 2012-13

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Drawings A/c	6,000	6,000	6,000	By Cash A/c	40,000	30,000	20,000
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,000	4,500	3,000
To Balance c/d	44,200	31,200	18,200	By P/L Appropriation A/c	4,500	3,000	1,500
	50,500	**37,500**	**24,500**		**50,500**	**37,500**	**24,500**

Profit and Loss Appropriation Account
for the year ended March 31,2014

Dr. Cr.

Particulars		Rs.	Particulars		Rs.
To Interest on Capital A/c			By Profit and Loss A/c		25,140
X (44,200×15%)	6,630		By Interest on Drawings A/c		
Y (31,200×15%)	4680		X (6,000× 5%)	300	
Z (18,200×15%)	2,730	14,040	Y (6,000× 5%)	300	
To Profit transferred to:			Z (6,000× 5%)	300	900
X's Capital A/c	6,000				
Y's Capital A/c	4,000				
Z's Capital A/c	2,000	12,000			
		26,040			**26,040**

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Drawings A/c	6,000	6,000	6,000	By Balance b/d	44,200	31,200	18,200
To Interest on Drawings A/c	300	300	300	By Interest on Capital A/c	6,630	4,680	2,730
To Balance c/d	50,530	33,580	16,630	By P/L Appropriation A/c	6,000	4,000	2,000
	56,830	39,080	22,930		56,830	39,080	22,930
To Cash A/c	51,830	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Realisation A/c (Profit)	750	500	250
	51,280	**34,080**	**16,880**		**51,280**	**34,080**	**16,880**

Realisation Account

Dr. Cr.

Particulars		Rs.	Particulars	Rs.
To Sundry Assets		1,18,740	By Creditors A/c	20,000
To Cash A/c			By Cash A/c (Assets realized)	1,21,000
Creditors	20,000			
Expenses	760	20,760		
To Profit transferred to:				
X's Capital A/c	750			
Y's Capital A/c	500			
Z's Capital A/c	250	1,500		
		1,41,000		**1,41,000**

Partners' Capital Account

Dr. Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
To Cash A/c	51,280	34,080	16,880	By Balance b/d	50,530	33,580	16,630
				By Realisation A/c (Profit)	750	500	250
	51,280	**34,080**	**16,880**		**51,280**	**34,080**	**16,880**

Cash Account

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	2,000	By Realiastion A/c	20,760
To Realiastion A/c	1,21,000	By X's Capital A/c	51,280
		By Y's Capital A/c	34,080
		By Z's Capital A/c	16,880
	1,23,000		**1,23,000**

Memorandum Balance Sheet
As on March 31, 2014

Liabilities		Rs.	Assets	Rs.
Capital A/c:			Cash	2,000
X	50,530		Sundry Assets	1,18,740
Y	33,580			
Z	16,630	1,00,740		
creditors		20,000		
		1,20,740		**1,20,740**