

## Chapter 7- Dissolution of Partnership Firm

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### Question 1

What does Dissolution of Partnership Firm mean?

**Answer:** Dissolution of Partnership Firm means the change in the association among the partners; however, the enterprise perpetuates.

### Question 2

What does Dissolution of Firm mean?

**Answer:** Dissolution of Firm means closure of the enterprise and end of the business association among all the partners.

### Question 3

What are the modes of Dissolution of Firm?

**Answer:** The modes by which a Firm can be dissolved are:

- Mutual agreement
- Compulsory dissolution
- By notice
- The occurrence of an event
- Dissolution by court

### Question 4

Mention the accounting treatment on the dissolution of the firm.

**Answer:** Dissolution process begins by preparing the following accounts in the enterprise's books:

- Realisation a/c
- Partner's loan a/c
- Partner's capital a/c
- Bank or cash a/c

### Question 5

Pass the necessary journal entry 'for closing the asset a/c'.

**Answer:** The journal entry passed is,

Realisation a/c Dr.

To Various assets a/c

**Question 6**

Pass the necessary journal entry when realisation expenses are borne and paid by the enterprise.

**Answer:** The journal entry passed is,

Realisation a/c Dr.

To Cash/bank a/c

**Question 7**

Pass the necessary journal entry when realisation expenses were to be borne by the enterprise but are paid by a partner.

**Answer:** The journal entry passed is,

Realisation a/c Dr.

To Concerned partner's capital a/c

**Question 8**

During the dissolution of a firm, if goodwill appears in the balance sheet, it is transferred to,

**Answer:** Realisation a/c

**Question 9**

An unrecorded asset when realised is credited to,

- Realisation a/c
- Partners' capital a/c
- None of the above

**Answer:** Realisation a/c

**Question 10**

An unrecorded liabilities when paid is debited to,

- Realisation a/c
- Partners' capital a/c
- None of the above

**Answer:** Realisation a/c

**Question 11**

Pass the necessary journal entry when realisation expenses are borne and paid by the same partner.

**Answer:** No entry

**Question 12**

Pass the necessary journal entry when realisation expenses are borne by a partner and paid by the firm.

**Answer:** The journal entry passed is,

Concerned partner's capital a/c Dr.

To Cash/bank a/c