

## Dissolution of Partnership Firm

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### EXERCISE - 6 [PAGE 241]

#### Exercise - 6 | Q 1 | Page 241

Select the most appropriate answer from the alternative given below and rewrite the sentence.

In case of dissolution assets and liabilities are transferred to \_\_\_\_\_ A/c.

1. Bank A/c
2. Partner's capital A/c
3. **Realisation A/c**
4. Partner's current A/c

**Solution:** In case of dissolution, assets and liabilities are transferred to Realisation A/c.

**Explanation:** All the assets (except cash or bank balances) are transferred to the debit side, whereas all the liabilities (except bank overdraft) are transferred to the credit side of Realisation Account. Thereafter, at the time of realisation, the assets so realised are shown on the credit side and the settlement of liabilities is shown on the debit side.

#### Exercise - 6 | Q 2 | Page 241

Select the most appropriate alternative from those given below :

Dissolution expenses are credited to \_\_\_\_\_

1. Realisation account
2. **Cash/Bank account**
3. Partners' capital account
4. Partners' loan account

**Solution:** Dissolution expenses are credited to **Cash/Bank account**.

**Explanation:** Payment of realisation expenses results in outflow of cash. Therefore, they are credited to Cash/Bank A/c (as these lead to decrease in cash balance).

#### Exercise - 6 | Q 3 | Page 241

Select the most appropriate alternative from those given below :

Deficiency of Insolvent partner will be suffered by solvent partners in their \_\_\_\_\_ ratio.

1. capital ratio
2. **profit-sharing ratio**
3. sale ratio
4. liquidity ratio

**Solution:** Deficiency of Insolvent partner will be suffered by solvent partners in their **profit-sharing ratio**.

**Explanation:** If deficiency of insolvent partner (i.e. the debit balance in the insolvent partner's capital account) is treated as an ordinary loss, then this loss is to be borne by the other solvent partners in their profit-sharing ratio.

#### **Exercise - 6 | Q 4 | Page 241**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence.**

If an asset is taken over by partner from firm his capital account will be \_\_\_\_\_.

1. credited
2. **debited**
3. added
4. none of these

**Solution:** If an asset is taken over by partner from firm his capital account will be **debited**.

**Explanation:** When an asset is taken over by a partner, then the Realisation A/c is credited and the Concerned Partner's Capital A/c is debited with the agreed price at which the asset is taken over by him.

#### **Exercise - 6 | Q 5 | Page 241**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence.**

If any unrecorded liability is paid on dissolution of the firm \_\_\_\_\_ is debited.

1. Cash/Bank Account
2. **Realization Account**
3. Partners' Capital Account
4. Partners' Loan Account

**Solution:** If any unrecorded liability is paid on dissolution of the firm, then Realisation account is debited.

**Explanation:** All the liabilities are paid-off by debiting the Realisation A/c. This is because all the payments are made through the Realisation Account, so that the true profits or losses can be ascertained.

#### Exercise - 6 | Q 6 | Page 241

**Select the most appropriate answer from the alternative given below and rewrite the sentence.**

Partnership is completely dissolved when the partners of the firm become \_\_\_\_\_

1. Solvent
2. **Insolvent**
3. Creditor
4. Debtors

**Solution:** Partnership is completely dissolved when the partners of the firm become insolvent

#### Exercise - 6 | Q 7 | Page 241

**Select the most appropriate answer from the alternative given below and rewrite the sentence.**

Assets and liabilities are transferred to Realisation Account at their \_\_\_\_\_ value.

1. market
2. purchase
3. sale
4. **book**

**Solution:** Assets and liabilities are transferred to Realisation Account at their book value.

**Explanation:** In order to determine the correct amount of profit or loss on the eve of dissolution of a partnership firm, all assets and liabilities are transferred to the Realisation Account at their book values.

#### Exercise - 6 | Q 8 | Page 241

**Select the most appropriate answer from the alternatives given below and rewrite the sentence.**

If the number of partners in a firm falls below two, the firm stands\_\_\_\_\_

1. **dissolved**
2. established
3. realisation
4. None of these

**Solution:** If the number of partners in a firm falls below two, the firm stands **dissolved**.

**Explanation:** As per the Indian Partnership Act of 1932, at least two people are required to form a partnership firm. Thus, if the minimum number of members falls below two, then the partnership firm gets automatically dissolved.

#### **Exercise - 6 | Q 9 | Page 241**

**Select most appropriate answer from the alternative given below and rewrite the sentence.**

Realisation account is\_\_\_\_\_on realisation of assets.

1. Debited
2. **Credited**
3. Deducted
4. Closed

**Solution:** Realisation account is **credited** on realisation of assets.

#### **Exercise - 6 | Q 10 | Page 241**

**Select most appropriate answer from the alternative given below and rewrite the sentence.**

All activities of partnership firm cease on \_\_\_\_\_ of firm.

1. **Dissolution**
2. Admission
3. Retirement
4. Death

**Solution:** All activities of partnership firm cease on **dissolution** of firm.

## EXERCISE - 6 [PAGE 242]

### Exercise - 6 | Q 1 | Page 242

**Give the word/term/phrase which can substitute the following statement.**

Debit balance of Realisation account.

**Solution:** Debit balance of Realisation account. - **Realisation Loss**

### Exercise - 6 | Q 2 | Page 242

**Give the word/term/phrase which can substitute the following statement.**

Winding up of partnership business.

**Solution:** **Dissolution of Partnership**

**Explanation:** Winding-up of partnership business is known as dissolution of partnership, which means there is a change in the business relationship among the partners but the firm may continue its business.

### Exercise - 6 | Q 3 | Page 242

**Give the word/term/phrase which can substitute the following statement.**

An account opened to find out the Profit or Loss on realisation of Assets and settlement of Liabilities.

**Solution:** An account opened to find out the Profit or Loss on realisation of Assets and settlement of Liabilities. - **Realisation A/c**

### Exercise - 6 | Q 4 | Page 242

**Write the word / term / phrase, which can substitute the following statement.**

Debit balance of an insolvent Partner's Capital Account.

**Solution:** Debit balance of an insolvent Partner's Capital Account. - **Capital Deficiency**

**Explanation:** The debit balance of an insolvent partner's capital account is known as capital deficiency. This deficiency is to be borne by all the solvent partners in their profit-sharing ratio.

### Exercise - 6 | Q 5 | Page 242

**Give the word/term/phrase which can substitute the following statement.**

Credit balance of realisation Account.

**Solution:** Credit balance of realisation Account - **Realisation Profit.**

**Exercise - 6 | Q 6 | Page 242**

**Write the word / term / phrase, which can substitute the following statement.**

Conversion of assets into cash on dissolution of firm.

**Solution:** Conversion of assets into cash on dissolution of firm. - **Realisation**

**Explanation:** The procedure of converting assets into cash at the time of dissolution of a firm is termed as realisation. In this procedure, Realisation Account is opened in order to determine the correct amount of profits or losses.

**Exercise - 6 | Q 7 | Page 242**

**Write the word / term / phrase, which can substitute the following statement.**

Liability likely to arise in future on happening of certain events.

**Solution:** Liability likely to arise in future on happening of certain events. - **Contingent Liabilities**

**Explanation:** Liability likely to arise in future on happening of certain events is known as contingent liabilities. These are termed as contingent, as their occurrence is dependent upon the happening of a future event, which may or may not happen (i.e. it is uncertain). Therefore, these are not shown in a company's Balance Sheet.

**Exercise - 6 | Q 8 | Page 242**

**Give the word/term/phrase which can substitute the following statement.**

Assets which are not recorded in the books of account.

**Solution:** Assets which are not recorded in the books of account. - **Unrecorded Assets**

**Explanation:** Those assets that go unrecorded or are skipped in the books of accounts are termed as unrecorded assets. Thus, as these are unrecorded in the books, they are not transferred to the Realisation Account. However, if any unrecorded asset is taken over by any partner, then it is recorded by crediting the Realisation Account and debiting the Concerned Partner's Capital Account.

**Exercise - 6 | Q 9 | Page 242**

**Give the word/term/phrase which can substitute the following statement.**

The account which shows realisation of assets and discharge of liabilities.

**Solution:** The account which shows realisation of assets and discharge of liabilities. -

**Realisation Account**

**Explanation:** The account that shows realisation of assets and discharge of liabilities is Realisation Account. It is opened to ascertain the profit or the loss on sale of assets and settlement of liabilities.

**Exercise - 6 | Q 10 | Page 242**

**Give the word/term/phrase which can substitute the following statement.**

Expenses incurred on dissolution of firm.

**Solution:** Expenses incurred on dissolution of firm. - **Dissolution/realisation Expenses**

**EXERCISE - 6 [PAGE 242]**

**Exercise - 6 | Q 1 | Page 242**

**State whether the following statement is True or False with reason.**

The firm must be dissolved on the retirement of a partner.

1. True
2. **False**

**Solution: This statement is False.**

On the retirement of a partner, if partnership agreement allows, then the remaining partner can continue the business activities. It means firm is not to dissolve.

**Exercise - 6 | Q 2 | Page 242**

**State whether the following statement is True or False.**

On dissolution Cash or Bank Account is closed automatically.

1. **True**
2. False

**Solution: This statement is True.**

**Explanation:** On dissolution, the Cash or Bank Account is closed automatically because if the capital accounts show any balance, then such balance is transferred to the Cash or Bank Account. This is done so that both the sides of the Cash or the Bank Account show the same balance. This is because of the double-entry system of book-keeping.

### Exercise - 6 | Q 3 | Page 242

**State whether the following statement is True or False.**

On dissolution Bank Overdraft is transferred to Realisation Account.

1. True
2. False

**Solution: This statement is True.**

As a sundry liability of the business, bank overdraft is a liability of a firm and hence, it is transferred to realisation Account at the time of dissolution and paid as third party Liability.

### Exercise - 6 | Q 4 | Page 242

**State whether the following statement is True or False with reason.**

A solvent partner having debit balance to his Capital Account does not share the deficiency of insolvent partner Capital Account.

1. True
2. False

**Solution: This statement is False.**

In the partnership, the partner's liability is unlimited so, a solvent partner having the debit balance to his Capital Account should share the deficiency of insolvent partner capital account.

### Exercise - 6 | Q 5 | Page 242

**State whether the following statement is True or False with reason.**

At the time of the dissolution of partnership, all assets should be transferred to Realisation Account.

1. True
2. False

**Solution: This statement is False.**

At the time of the dissolution of the partnership, a cash account and Bank A/c are not transferred to realization A/c. Similarly, if an asset is taken over by a partner or by any creditor then that asset is transferred to the concerned person's account and not to the realization Account.

### Exercise - 6 | Q 6 | Page 242



**State whether the following statement is True or False with reason.**

The debit balance of insolvent partner's Capital Account is known as a capital deficiency.

1. **True**

2. False

**Solution: This statement is True.**

Debit balance of Partners' Capital Account means an excess of drawings than the capital credit balance. In the case of an insolvent partner, the debit balance of Capital Account means liabilities which he cannot pay. It means capital deficiency.

**Exercise - 6 | Q 7 | Page 242**

**State whether the following statement is True or False with reason.**

At the time of dissolution, a loan from the partner will be transferred to Realisation Account.

1. True

2. **False**

**Solution: This statement is False.**

At the time of dissolution, a loan from a partner will be paid after the payment of liabilities of third parties to the firm. It is not transferred to realisation Account. Partner's Loan A/c is separately opened and paid accordingly.

**Exercise - 6 | Q 8 | Page 242**

**State whether the following statement is True or False with reason.**

Dissolution takes place when the relation among the partner's comes to an end.

1. **True**

2. False

**Solution: This statement is True.**

**Explanation:** Dissolution takes place when the business relation among the existing partners comes to an end. This can be done either voluntarily or compulsorily, as per the order of the court of justice.

**Exercise - 6 | Q 9 | Page 242**

**State whether the following statement is True or False with reason.**

The insolvency loss at the time of dissolution of the firm is shared by the solvent partners in their profit sharing ratio.

1. True

2. False

**Solution: This statement is True.**

In the partnership, partners' liability is unlimited and in case of insolvency loss, legally solvent partners are ultimately liable and are supposed to bear the loss of an insolvent partner in their profit sharing ratio.

### Exercise - 6 | Q 10 | Page 242

**State whether the following statement is True or False with reason.**

Realisation Loss is not transferred to the insolvent partner's capital account.

1. True

2. False

**Solution: This statement is False.**

All partners of the firm are responsible for Loss on realisation and hence loss on realisation is supposed to be transferred to all Partners' Capital Account, without any discrimination of solvent or insolvent.

### EXERCISE - 6 [PAGE 242]

### Exercise - 6 | Q 1 | Page 242

**Calculate the following :**

Vinod, Vijay, and Vishal are partners in a firm, sharing profit & Losses in the ratio 3:2:1.

Vishal becomes insolvent and his capital deficiency is ₹ 6,000. Distribute the capital deficiency among the solvent partners.

**Solution:**

Here, capital deficiency of ₹ 6000 is to be distributed among continuing partners in their profit and loss sharing ratio. i.e. 3:2

Share of deficiency for Vinod =  $6,000 \times \frac{3}{5} = ₹ 3,600$

Share of deficiency for Vijay =  $6,000 \times \frac{2}{5} = ₹ 2,400$

Vinod and Vijay will bear ₹ 3,600 and ₹ 2,400 of Vishal's capital deficiency.

### Exercise - 6 | Q 2 | Page 242

**Calculate the following :**

Creditors ₹ 30,000, Bills Payable ₹ 20,000 and Bank Loan ₹ 10,000. Available Bank Balance ₹ 40,000 what will be the amount that creditors will get in case of all partner's insolvency.

**Solution:** Ratio of creditors, Bills payable and Bank Loan = 30,000 : 10,000 : 10,000  
i.e., 3 : 2 : 1

$$\begin{aligned}\text{Amount received by creditors} &= \frac{3}{3 + 2 + 1} \times 40,000 \\ &= \frac{3}{6} \times 40,000 \\ &= ₹ 20,000.\end{aligned}$$

### Exercise - 6 | Q 3 | Page 242

**Calculate the following :**

Insolvent Partner Capital A/c debit side total is ₹ 10,000 and the credit side total is ₹ 6,000. Calculate deficiency.

**Solution:**

$$\begin{aligned}\text{Deficiency of insolvent partner} &= \text{Debit side total} - \text{Credit side total} \\ &= 10,000 - 6,000 \\ &= ₹ 4,000.\end{aligned}$$

### Exercise - 6 | Q 4 | Page 242

**Calculate the following :**

Insolvent partners capital A/c Debit side is ₹ 15,000 & insolvent partner brought cash ₹ 6,000. Calculate the amount of Insolvency Loss to be distributed among the solvent partners.

**Solution:** ₹ 9,000 (15,000 – 6,000) is the amount of insolvency loss to be distributed among the solvent partners.

### Exercise - 6 | Q 5 | Page 242

**Calculate the following :**

Realisation profit of a firm is ₹ 6,000, partners share Profit & Loss in the ratio of 3: 2: 1. Calculate the amount of Realisation Profit to be credited to Partners Capital A/c.

**Solution:**

Distribution of ₹ 6,000 in 3: 2: 1 ratio

$$6,000 \times \frac{3}{6} = ₹ 3,000$$

$$6,000 \times \frac{2}{6} = ₹ 2,000$$

$$6,000 \times \frac{1}{6} = ₹ 1,000$$

Amount of realisation profit ₹ 3,000, ₹ 2,000 and ₹ 1,000 is to be credited to Partner's Capital A/c respectively.

**EXERCISE - 6 [PAGE 243]****Exercise - 6 | Q 1 | Page 243****Answer in one sentence only.**

What is dissolution of partnership firm?

**Solution1:** Dissolution means termination of the existing relationship between the partners of a firm. It means that the business will come to an end and the firm will wind up its business. Accordingly, all the assets will be realised and liabilities will be paid off. It can be dissolved either voluntarily by the partners or compulsorily by the order of the court.

**Solution2:** Dissolution of the partnership firm means complete closure of business activities and stoppage of partnership relations among all the partners.

**Exercise - 6 | Q 2 | Page 243****Answer in one sentence only.**

When is Realisation Account opened?

**Solution 1:** Realisation Account is opened at the time of dissolution of a partnership firm. In this account, the assets and liabilities are transferred at their book values. Also, the firm's assets are realised and liabilities are paid off.

**Solution 2:** Realization Account is opened at the time of the dissolution of the partnership firm.

### Exercise - 6 | Q 3 | Page 243

**Answer in one sentence only.**

Which accounts are not transferred to Realisation account?

**Solution :**

The following accounts are not transferred to Realisation Account:

1. Cash/Bank A/c,
2. Bank overdraft,
3. Reserve fund,
4. Credit/Debit balance of Profit & Loss Account,
5. Partners' Capital Accounts and
6. Partner's Loan Account.

### Exercise - 6 | Q 4 | Page 243

**Answer in one sentence only.**

Who is called Insolvent person?

**Solution 1:**

When a person is unable to contribute fully or partially to discharge his/her liabilities out of his/her private assets, then that person is regarded as an insolvent. Thus, in the following two situations, a partner is declared as insolvent:

- a. When his/her personal assets are insufficient
- b. When his/her debit capital balance cannot be covered

**Solution 2:**

Whose capital A/c shows debit balance and who is not in a position to meet his capital deficiency even from his private property is called an insolvent person.

### Exercise - 6 | Q 5 | Page 243

**Answer in one sentence only.**

What is a capital deficiency?

**Solution1:**

The debit balance of insolvent partner's capital account which insolvent partner cannot pay is called capital deficiency.

**Solution2:**

The debit balance of an insolvent partner's capital account that cannot be satisfied due to lack of surplus balance is called capital deficiency. This deficiency is to be borne by all the solvent partners in their profit sharing ratio.

**Exercise - 6 | Q 6 | Page 243**

**Answer in one sentence only.**

In what proportion is the balance on Realisation Account transferred to Partners' Capital / Current Accounts?

**Solution1:**

The balance of the Realisation Account is to be transferred to Partners' Capital Accounts in their profit-sharing ratio. If the partnership deed is silent, then profits or losses arising from Realisation Account are to be distributed in equal proportion amongst all the partners of the firm.

**Solution2:**

The balance on realisation Account is transferred to Partners' Capital / Current Accounts in their profit sharing ratio.

**Exercise - 6 | Q 7 | Page 243**

**Answer in one sentence only.**

Who should bear the capital deficiency of an insolvent partner?

**Solution:** The capital deficiency of an insolvent partner is borne by all other solvent partners in their profit-sharing ratio.

**Exercise - 6 | Q 8 | Page 243**

**Answer in one sentence only.**

Which account is debited on repayment of Partner's Loan?

**Solution1:**

Partner's loan appearing in the Balance Sheet is not transferred to Realisation Account. In fact, a separate account named as Partner's Loan Account is maintained. At the time of repayment of partner's loan, Partner's Loan A/c is debited and Cash A/c is credited.

**Solution2:**

Partner's Loan Account is debited on repayment of partner's loan.

**Exercise - 6 | Q 9 | Page 243**

**Answer in one sentence only.**

Which account is debited on payment of dissolution expenses?

**Solution1:**

On payment of dissolution expenses, Realisation Account is to be debited. These are a firm's expenses and should be paid by the firm. However, when such expenses are paid by the firm on behalf of a partner, then the Concerned Partner's Capital Account is debited.

**Solution2:**

Realisation Account is debited on payment of dissolution expenses.

**EXERCISE - 6 [PAGE 243]**

**Exercise - 6 | Q 1 | Page 243**

**Complete the table.**

1)	Debit side total of Realisation A/c	Credit side total of Realisation A/c	Loss on Realisations
	₹ 20,000	_____?	₹ 4,000
2)	Creditors	Bills Payable	Third-Party Liabilities
	₹16,000	₹12,000	_____?
3)	Credit side total Profit ion of Realisation A/c	Debit side total of Realisation A/c	Profit of realisation
	₹ 21,000	₹16,000	_____?
4)	Debit side total of Capital A/c	Credit side total of Capital A/c	Cash brought by partner
	₹ 51,000	_____?	₹ 17,000
5)	capital deficiency	Cash brought by Insolvent Partner	Insolvent loss
	_____?	₹ 7,000	₹ 21,000

**Solution:**

1)	Debit side total of Realisaton A/c	Credit side total of Realisation A/c	Loss on Realisations
	₹ 20,000	<b>₹16,000</b>	₹ 4,000
2)	Creditors	Bills Payable	Third-Party Liabilities
	₹16,000	₹12,000	<b>₹ 28,000</b>
3)	Credit side total Profit ion of Realisaton A/c	Debit side total of Realisation A/c	Profit of realisation
	₹ 21,000	₹16,000	<b>₹ 5,000</b>
4)	Debit side total of Capital A/c	Credit side total of Capital A/c	Cash brought by partner
	₹ 51,000	<b>₹ 34,000</b>	₹ 17,000
5)	capital deficiency	Cash brought by Insolvent Partner	Insolvent loss
	<b>₹ 28,000</b>	₹ 7,000	₹ 21,000



## PRACTICAL PROBLEM [PAGES 244 - 250]

### Practical problem | Q 1 | Page 244

Ganesh and Kartik are partners sharing Profits and Losses equally. They decided to dissolve the firm on 31<sup>st</sup> March 2018. Their Balance Sheets was as under :

**Balance Sheets as on 31<sup>st</sup> March 2018.**

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	18,400	Building	88,000
Bills Payable	5,600	Furniture	12,000
Reserve Fund	20,000	Debtors	32,000
Capital A/c :		Stock	24,000
Ganesh	40,000	Bills Receivable	4,000
Kartik	80,000	Cash	4,000
	<b>1,64,000</b>		<b>1,64,000</b>

Assets were realised as under :

Building ₹82,000, Debtors ₹ 22,000, Stock ₹ 20,000. Bills Receivable ₹ 3,200 and Ganesh agreed to take over Furniture for ₹10,000. Realisation Expenses amounted to ₹ 2,000.

**Show Realisation A/c, Partners' Capital A/c and Cash A/c.**

**Solution:**

Dr	In the books of Ganesh and Kartik Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	88,000		Creditors	18,400	
Furniture	12,000		Bills Payable	5,600	24,000
Debtors	32,000		By cash A/c		
Stock	24,000		Building	82,000	
Bills receivable	4,000	1,60,000	Debtors	22,000	
To Cash A/c			Stock	20,000	
Creditors	18,400		Bills receivable	3,200	1,27,200
Bills Payable	5,600		By Ganesh's Capital A/c		
realisation Expense	2,000	26,000	Furniture		10,000
			By Partners' Capital A/c		

			(Loss on realisation transferred)		
			Ganesh	12,400	
			Kartik	12,400	24,800
		<b>1,86,000</b>			<b>1,86,000</b>

Dr	Partners' Capital Accounts					Cr
Particulars	Ganesh (₹)	Kartik (₹)	Particulars	Ganesh (₹)	Kartik (₹)	
To realisation A/c (Furniture)	10,000		By Balance b/d	40,000	80,000	
To realisation A/c (Loss on realisation)	12,400	12,400	By reserve Fund A/c	10,000	10,000	
To Cash A/c	27,600	77,600				
	<b>50,000</b>	<b>90,000</b>		<b>50,000</b>	<b>90,000</b>	

Dr	Cash Account			Cr
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Balance b/d	4,000	By realisation A/c (Liabilities)	26,000	
To realisation A/c (Assets)	1,27,200	By Ganesh's Capital A/c	27,600	
		By Kartik's Capital A/c	77,600	
	<b>1,31,200</b>		<b>1,31,200</b>	

#### Working Notes :

- (1) Amount paid to Ganesh and Kartik are ₹ 27,600 and ₹ 77,600 respectively.
- (2) Loss on realisation and reserve fund amounts are equally distributed.
- (3) Furniture is taken over by Ganesh so his Capital A/c is debited.

**Practical problem | Q 2 | Page 244**

**Leela, Manda, and Kunda are partners in the firm 'Janki Stores' sharing Profits and Losses in the ratio of 3:2:1 respectively. On 31<sup>st</sup> March 2018, they decided to dissolve the firm when their Balance Sheet was as under.**

<b>Balance Sheets as on 31<sup>st</sup> March 2018.</b>			
<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>	<b>Amount ₹</b>
Creditors	28,800	Building	1,02,000
Bills Payable	21,600	Machinery	73,000
Capital A/c's		Motor Car	1,67,600
Leela	2,27,160	Goodwill	45,600
Manda	1,44,000	Investment	62,400
Kunda	1,08,000	Debtors	30,600
		Stock	45,000
		Bank	3,360
	<b>5,29,560</b>		<b>5,29,560</b>

Leela agreed to take over the Building at ₹ 1,23,600.

Manda took over Goodwill, Stock, and Debtors at Book values and agreed to pay Creditors and Bills payable.

Motor Car and Machinery realised ₹ 1,51,080 and ₹ 31,680 respectively.

Investments were taken by Kunda at an agreed value of ₹ 55,440.

Realisation expenses amounted to ₹ 6,800.

**Pass necessary entries in the books of 'Janki Stores.'**

**Solution:**

<b>In the books of 'Janki Stores'</b>				
<b>Journal Entries</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F</b>	<b>Debit (₹)</b>	<b>Credit (₹)</b>
1	Realisation A/c Dr.		5,26,200	
	To Building A/c			1,02,000
	To Machinery A/c			73,000
	To Motor Car A/c			1,67,600
	To Goodwill A/c			45,600
	To Investments A/c			62,400

	To Debtors A/c			30,600
	To Stock A/c			45,000
	(Being sundry assets transferred to Realisation A/c)			
2	Creditors A/c Dr		28,800	
	Bills Payable A/c Dr		21,600	
	To Realisation A/c			50,400
	(Being sundry liabilities transferred to realisation A/c)			
3	Bank A/c Dr		1,82,760	
	To Realisation A/c			1,82,760
	(Being amount received for assets sold)			
4	realisation A/c Dr		6,800	
	To Bank A/c			6,800
	(Being amount paid for realisation expense)			
5	Leela's Capital A/c Dr		1,23,600	
	To Realisation A/c			1,23,600
	(Being Building taken over by Leela)			
6	Manda's Capital A/c Dr		1,21,200	
	To Realisation A/c			1,21,200
	( Being Goodwill, Stock, Debtors taken over by Manda)			
7	Kunda's Capital A/c Dr.		55,440	
	To Realisation A/c			55,440
	(Being Investments taken over by Kunda)			
8	Realisation A/c Dr		50,400	
	To Manda's Capital A/c			50,400
	(Being creditors and Bills payable amount paid by Manda)			
9	Leela's Capital A/c Dr		25,000	
	Manda's Capital A/c Dr		16,667	
	Kunda's Capital A/c Dr		8,333	
	To Realisation A/c			50,000
	( Being loss of realisation transferred to Partners' Capital A/c)			
10	Leela's Capital A/c Dr		78,560	
	Manda's Capital A/c Dr		56,533	
	Kunda's Capital A/c Dr		44,227	
	To Realisation A/c			1,79,320
	( Being final settlement made)			
			<b>1346120</b>	<b>1346120</b>

**Working Notes :**

Dr	In the books of Leela, Manda and Kunda Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	1,02,000		Creditors	28,800	
Machinery	73,000		Bills Payable	21,600	50,400
Motor car	1,67,600		By Bank A/c		
Goodwill	45,600		Motor Car	1,51,080	
Investments	62,400		Machinery	31,680	1,82,760
Debtors	30,600		By Leela's Capital A/c		1,23,600
Stock	45,000	5,26,200	Building		
To Bank A/c			By Manda's Capital A/c		
Realisation Expense		6,800	Goodwill	45,600	
To Manda's Capital A/c			Stock	45,000	
Creditors	28,800		Debtors	30,600	1,21,200
Bills Payable	21,600	50,400	By Kunda's Capital A/c		55,440
			Investments		
			By Partners' Capital A/c (Loss on realisation transferred)		
			Leela	25,000	
			Manda	16,667	
			Kunda	8,333	50,000
		<b>583400</b>			<b>583400</b>

### Practical problem | Q 3 | Page 245

Shailesh and Shashank were partners sharing Profits and Losses in the ratio of 3:2. Their Balance Sheet as on 31<sup>st</sup> March 2019 was as follows.

Balance Sheets as on 31st December 2019.			
Liabilities	Amount ₹	Assets	Amount ₹
Capital Account :		Building	7000
Shailesh	10,000	Plant	9,000

Shashank	6,000	Debtors	14,000
Current Account :		Stock	5,000
Shailesh	3,000	Bank	6,000
Shashank	2,000		
Creditors	17,400		
Bills payable	2,600		
	<b>41,000</b>		<b>41,000</b>

The firm was dissolved on the above date and the assets realised as under.

1. Plant ₹ 8,000, Building ₹ 6,000, Stock ₹ 4,000 and Debtors ₹ 12,000.
2. Shailesh agreed to pay of the Bills Payable.
3. Creditors were paid in full.
4. Dissolution expenses were ₹ 1,400

**Prepare Realisation A/c, Partners Current A/c, Partners Capital A/c, and Bank A/c**  
**Solution:**

Dr	In the books of Shailesh and Shashank Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	7,000		Creditors	17,400	
Plant	9,000		Bills Payable	2,600	20,000
Debtors	14,000		By Bank A/c		
Stock	5,000	35000	Plant	8,000	
To Shailesh's Current A/c			Building	6,000	
Bills Payable		2,600	Stock	4,000	
To Bank A/c			Debtors	12,000	30,000
Dissolution Expense	1,400		By Partners' Current A/c		
			(Loss on realisation transferred		
Creditors	17,400	18,800	Shailesh	3,840	

			Shashank	2,560	6,400
		<b>56,400</b>			<b>56,400</b>

Dr	Partners' Current Account				Cr
Particulars	Shailesh (₹)	Shashank (₹)	Particulars	Shailesh (₹)	Shashank (₹)
To realisation A/c – Loss	3,840	2,560	By Balance b/d	3,000	2000
To Partners' Capital A/c	1,760		By Bills Payable A/c	2,600	
			By Partners' Capital A/c		560
	<b>5,600</b>	<b>2,560</b>		<b>5,600</b>	<b>2,560</b>

Dr	Partners' Capital Account				Cr
Particulars	Shailesh (₹)	Shashank (₹)	Particulars	Shailesh (₹)	Shashank (₹)
To Partner's current A/c		560	By Balance b/d	10,000	6000
To Bank A/c	11,760	5,440	By Partner's Current A/c	1,760	
	<b>11,760</b>	<b>6,000</b>		<b>11,760</b>	<b>6000</b>

Dr	Bank Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,000	By realisation A/c (Exp. and Liabilities)	18,800
To realisation A/c (Assets)	30,000	By Shailesh's Capital A/c	11,760
		By Shashank's Capital A/c	5,440
	<b>36,000</b>		<b>36,000</b>

**Practical problem | Q 4 | Page 245**

**Asha, Usha, and Nisha were partners sharing Profits and Losses in the ratio of 2:2:1. The following is the Balance Sheet as on 31st March 2019.**

<b>Balance Sheets as on 31<sup>st</sup> March 2019</b>				
<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>		<b>Amount ₹</b>
Capital Accounts :		Machinery		1,00,000
Asha	1,20,000	Investment		48,000
Usha	40,000	Debtors	1,10,000	
Nisha	40,000	Less: R. D. D.	6,000	1,04,000
General Reserve	12,000	Stock		40,000
Creditors	80,000	Profit and Loss A/c		36,000
Asha's Loan A/c	16,000	Bank		8,000
Bills payable	28,000			
	<b>3,36,000</b>			<b>3,36,000</b>

**On the above date, the partners decided to dissolve the firm.**

1. Assets were realised as under Machinery ₹ 90,000, Stock ₹ 36,000, Investment ₹ 42,000 and Debtors ₹ 90,000.
2. Dissolution expenses were ₹ 6,000.
3. Goodwill of the firm realised ₹ 48,000

**Pass Journal Entries to close the books of firm. :**

**Solution:**

<b>In the books of Asha, Usha and Nisha</b>				
<b>Journal Entries</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F</b>	<b>Amount (₹)</b>	<b>Amount (₹)</b>
1	Realisation A/c Dr		2,98,000	
	To Machinery A/c			1,00,000
	To Investments A/c			48,000
	To Debtors A/c			1,10,000



	To Stock A/c			40,000
	(Being sundry assets transferred to realisation A/c)			
2	Creditors A/c Dr		80,000	
	Bills Payable A/c		28,000	
	R.D.D. A/c Dr		6,000	
	To realisation A/c			1,14,000
	( Being sundry liabilities transferred to realisation A/c)			
3	General reserve A/c Dr		12,000	
	To Asha's Capital A/c			4,800
	To Usha's Capital A/c			4,800
	To Nisha's Capital A/c			2,400
	(Being General reserve transferred to Partners' Capital A/c)			
4	Bank A/c Dr		3,06,000	
	To Realisation A/c			3,06,000
	(Being assets realised)			
5	Realisation A/c Dr		1,14,000	
	To Bank A/c			1,14,000
	(Being Liabilities paid off)			
6	Realisation A/c Dr.		8000	
	To Asha's Capital A/c			3200
	To Usha's Capital A/c			3200
	To Nisha's Capital A/c			1600
	( Being realisation profit transferred to Partner's Capital A/c)			
7	Asha's Capital A/c Dr		113600	
	Usha's Capital A/c Dr		33600	
	Nisha's Capital A/c Dr		36800	
	To Bank A/c			184000
	(Being final settlement made)			
			<b>1036000</b>	<b>1036000</b>

**Working Notes :**

<b>Dr</b>	<b>In the books of Asha, Usha and Nisha</b> <b>Realisation Account</b>	<b>Cr</b>
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Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Machinery	1,00,000		Creditors	80,000	
Investments	48,000		Bills Payable	28,000	
Debtors	1,10,000		R.D.D	6,000	1,14,000
Stock	40,000	2,98,000	By Bank A/c		
To Bank A/c			Machinery	90,000	
Dissolution Expense	6,000		Stock	36,000	
Creditors	80,000		Investments	42,000	
Bills Payable	28,000	1,14,000	Debtors	90,000	
To Partners' Capital A/c (Profit on realisation transferred)			Goodwill	48,000	3,06,000
Asha	3,200				
Usha	3,200				
Nisha	1,600	8000			
		<b>420000</b>			<b>420000</b>

Dr	Partners' Capital Accounts							Cr
Particulars	Asha (₹)	Usha (₹)	Nisha (₹)	Particulars	Asha (₹)	Usha (₹)	Nisha (₹)	
To Profit and Loss A/c	14,400	14,400	7,200	By Balance b/d	1,20,000	40,000	40,000	
To Balance c/d	1,13,600	33,600	36,800	By Realisation A/c – Profit	3,200	3,200	1,600	

				By General reserve A/c	4,800	4,800	2,400
	<b>128000</b>	<b>48,000</b>	<b>44,000</b>		<b>128000</b>	<b>48,000</b>	<b>44,000</b>

Dr	Bank Account				Cr
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	8000	By Realisation A/c (Liabilities)	1,14,000		
To Realisation A/c (Assets)	3,06,000	By Asha's Loan A/c	16,000		
		By Asha's Capital A/c	1,13,600		
		By Usha's Capital A/c	33,600		
		By Nisha's Capital A/c	36,800		
	<b>3,14,000</b>		<b>3,14,000</b>		

### Practical problem | Q 5 | Page 246

Seeta and Geeta are partners in the firm sharing Profits and Losses in the ratio of 4:1. They decided to dissolve the partnership on 31<sup>st</sup> March 2020 on which date their Balance Sheet stood as follows.

Balance Sheets as on 31 <sup>st</sup> March 2020				
Liabilities	Amount ₹	Assets		Amount ₹
Capital		Furniture		14,000
Seeta	90,000	Plant		65,000
Geeta	40,000	Trademark		8,000
Sundry Creditors	35,000	Sundry Debtors	48,000	
Bank Loan	15,000	Less - R. D. D	3,000	45,000
		Stock		30,000
		Cash in hand		10,000
		Advertisement Suspense		8,000
	<b>1,80,000</b>			<b>1,80,000</b>

**Additional Information :**

1. Plant and Stock taken over by Seeta ₹ 78,000, and ₹ 22,000 respectively
2. Debtors Realised 90% of the Book Value and Trademark at ₹ 5,000. and Goodwill was realised for ₹ 27,000.
3. Unrecorded assets estimated ₹4,500 was sold for ₹1,500.
4. ₹ 1,000 Discount were allowed by creditors while paying their claim.
5. The Realisation Expenses amounted to ₹ 3,500

**You are required to prepare Realisation A/c, Cash A/c, and Partners Capital A/c**

**Solution:**

Dr	In the books of Seeta and Geeta Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Furniture	14,000		Bank Loan	15,000	
Plant	65,000		Sundry Creditors	35,000	50,000
Trademark	8,000		By R.D.D. A/c (Transfer)		3000
Sundry Debtors	48,000		By Seeta's Capital A/c		
Stock	30,000	1,65,000	Plant	78,000	
To Cash A/c			Stock	22,000	1,00,000
Bank Loan	15,000		By Cash A/c		
Sundry Creditors	34,000		Debtors	43,200	
Expenses	3,500	52,500	Trademark	5,000	
To Partners' Capital A/c (Profit)			Goodwill	27,000	
Seeta	9,760		Unrecorded Assets	1,500	76,700
Geeta	2,440	12,200			

		<b>2,29,700</b>			<b>2,29,700</b>
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Dr	Partners' Capital Accounts				Cr
Particulars	Seeta (₹)	Geeta (₹)	Particulars	Seeta (₹)	Geeta (₹)
To Advertisement Suspense A/c (Deferred Expense/Loss)	6,400	1,600	By Balance b/d	90,000	40,000
To Realisation A/c (Assets taken over)	1,00,000		By realisation A/c (Profit)	9,760	2,440
To Cash A/c (Final payment)		40,840	By Cash A/c (Amount contributed)	6,640	
	<b>1,06,400</b>	<b>42,440</b>		<b>1,06,400</b>	<b>42,440</b>

Dr	Cash Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By realisation A/c	52,500
To realisation A/c	76,700	By Geeta's Capital A/c	40,840
To Seeta's Capital A/c	6,640		
	<b>93,340</b>		<b>93,340</b>

#### Working Notes :

(1) Bank Loan is an external liability of the firm and therefore it is transferred to Realisation A/c.

(2) Amount recovered from Debtors = 90 % of Gross Debtors =  $90/100 \times 48,000 = ₹ 43,200$ .

(3) Amount paid to creditors = Value of Creditors – Discount given =  $35,000 - 1,000 = ₹ 34,000$ .

(4) Sale of unrecorded assets for ₹ 1,500 is recorded on the credit side of realisation A/c and debit side of Cash A/c.

(5) It is presumed that Furniture realised nothing.

**Practical problem | Q 6 | Page 246**

**Sangeeta, Anita, and Smita were in partnership sharing Profits and Losses in the ratio 2:2:1. Their Balance Sheet as on 31<sup>st</sup> March 2019 was as under :**

<b>Balance Sheets as on 31<sup>st</sup> March 2019</b>			
<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>	<b>Amount ₹</b>
Capital :		Land	2,10,000
Sangeeta	60,000	Plant	20,000
Anita	40,000	Goodwill	15,000
Smita	30,000	Debtors	1,25,000
Sangeeta's Loan A/c	1,20,000	Loans and Advances	15,000
Sundry Creditors	1,20,000	Bank	5,000
Bills Payable	20,000		
	<b>3,90,000</b>		<b>3,90,000</b>

**They decided to dissolve the firm as follows :**

1. Assets realised as; Land recovered ₹ 1,80,000; Goodwill for ₹ 75,000; Loans and Advances realised ₹ 12,000; 10% of the Debts proved bad;
2. Sangeeta took Plant at book value.
3. Creditors and Bills payable paid at 5% discount.
4. Sandhya's Loan was discharged along with ₹ 6,000 as Interest.
5. There was a contingent liability in respect of bills of ₹ 1,00,000 which was under discount. Out of them, a holder of one bill of ₹ 20,000 became insolvent

**Show Realisation Account, Partners Capital Account, and Bank Account.**

**Solution:**

<b>Dr</b>	<b>In the books of Sangeeta, Anita and Smita</b>					<b>Cr</b>
	<b>Realisation Account</b>					
<b>Particulars</b>	<b>Amount (₹)</b>	<b>Amount (₹)</b>	<b>Particulars</b>	<b>Amount (₹)</b>	<b>Amount (₹)</b>	

To Sundry Assets A/c			By Sundry Liabilities A/c		
Land	2,10,000		Sundry Creditors	1,20,000	
Plant	20,000		Bills Payable	20,000	
Goodwill	15,000		Sandhya's Loan	1,20,000	2,60,000
Debtors	1,25,000		By Sangeeta's Capital A/c (Plant)		20,000
Loans and Advances	15,000	3,85,000	By Bank A/c		
To Bank A/c			Land	1,80,000	
Creditors	1,14,000		Goodwill	75,000	
Bills Payable	19,000	1,33,000	Loans and Advances	12,000	
To Bank A/c			Debtors	1,12,500	3,79,500
Sandhya's Loan		1,26,000	By Partners' Capital A/c (Loss on realisation transferred)		
To Bank A/c (Contingent liability paid)		20,000	Sangeeta	1,800	
			Anita	1,800	
			Smita	900	4,500
		<b>6,64,000</b>			<b>6,64,000</b>

Dr	Partners' Capital Accounts							Cr
Particulars	Sangeeta (₹)	Anita (₹)	Smita (₹)	Particulars	Sangeeta (₹)	Anita (₹)	Smita (₹)	
To Realisation A/c	20,000			By Balance b/d	60,000	40,000	30,000	
To Realisation A/c – Loss	1,800	1,800	900					
To Bank A/c	38,200	38,200	29,100					
	60,000	40,000	30,000		60,000	40,000	30,000	

Dr	Bank Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Sandhya's Loan A/c	1,26,000
To realisation A/c – Assets	3,79,500	By realisation A/c	20,000
		By realisation A/c – Liabilities	1,33,000
		By Sangeeta's Capital A/c	38,200
		By Anita's Capital A/c	38,200
		By Smita's Capital A/c	29,100
	<b>3,84,500</b>		<b>3,84,500</b>

#### Working Notes :

(1) Amount paid towards Sandhya's Loan = Loan amount + Interest due on loan  
= 1,20,000 + 6,000 = ₹ 1,26,000



(2) Amount received from Debtors = Debtors – Bad debts  
 = 1,25,000 – 10 % of 1,25,000 = 1,25,000 – 12,500  
 = ₹ 1,12,500

(3) Amount paid to Creditors = Creditor – 5 % discount  
 = 1,20,000 – 5 % on 1,20,000  
 = 1,20,000 – 6,000  
 = ₹ 1,14,000

(4) Amount paid towards Bills payable = Bills payable – 5 % discount  
 = 20,000 – 5 % on 20,000  
 = 20,000 – 1,000 =  
 ₹ 19,000

(5) Bill of ₹ 1,00,000 was discounted with the Bank. On the due date bank could not recover ₹ 20,000 from one bill holder as he was declared insolvent. Therefore, we required to settle that contingent liability of ₹ 20,000.

### Practical problem | Q 7 | Page 247

**Saiesh, Sumit, and Hemant were in partnership sharing Profits and Losses in the ratio 2:2:1. They decided to dissolve their partnership firm on 31<sup>st</sup> March 2019 and their Balance Sheet on that date stood as;**

Balance Sheets as on 31 <sup>st</sup> March 2019				
Liabilities		Amount ₹	Assets	Amount ₹
Capital :			Plant	1,20,000
Saiesh	90,000		Debtors	45,000
Sumit	60,000		Stock	75,000
Hemant	30,000	1,80,000		
Loan		12,000		
Sundry Creditors		9,000		
Bank Overdraft		39,000		
		2,40,000		2,40,000

It was agreed that;

1. Saiesh to discharge Loan and to take Debtors at book value.
2. Plant realised ₹ 35,000.
3. Stock realised ₹ 72,000.

4. Creditors were paid off at a discount of ₹ 45

**Show Realisation A/c, Partners' Capital A/c and Bank A/c**

**Solution:**

Dr	In the books of Saiesh, Sumit and Hemant					Cr
Realisation Account						
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)	
To Sundry Assets A/c			By Sundry Liabilities A/c			
Plant	1,20,000		Loan	12,000		
Debtors	45,000		Sundry Creditors	9,000	21000	
Stock	75,000	2,40,000	By Bank A/c			
To Bank A/c		8,955	Plant	1,35,000		
Sundry Creditors			Stock	72,000	2,07,000	
To Saiesh's Capital A/c – Loan		12,000	By Saiesh's Capital A/c		45,000	
To Partners' Capital A/c (Profit on realisation transferred)			Debtors			
Saiesh	4,818					
Sumit	4,818					
Hemant	2,409	12,045				
		2,73,000			2,73,000	

Dr	Partners' Capital Accounts							Cr
Particulars	Saiesh (₹)	Sumit (₹)	Hemant (₹)	Particulars	Saiesh (₹)	Sumit (₹)	Hemant (₹)	

To Debtors A/c	45,000			By Balance b/d	90,000	60,000	30,000
To Bank A/c	61,818	64,818	32,409	By Loan A/c	12,000		
				By realisation A/c – Profit	4,818	4,818	2,409
	<b>1,06,818</b>	<b>64,818</b>	<b>32,409</b>		<b>1,06,818</b>	<b>64,818</b>	<b>32,409</b>

Dr	Bank Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To realisation A/c – (Assets)	2,07,000	By Balance b/d (overdraft)	39,000
		By realisation A/c	8,955
		By Saiesh’s Capital A/c	61,818
		By Sumit’s Capital A/c	64,818
		By Hemant’s Capital A/c	32,409
	2,07,000		2,07,000

### Practical problem | Q 8 | Page 248

Sitaram, Gangaram, and Rajaram are partners sharing Profits and Losses in the ratio of 4:2:3. On. 1<sup>st</sup> April 2019 they agreed to dissolve the partnership, their Balance Sheet was as follows :

Balance Sheets as on 31 <sup>st</sup> March 2019			
Liabilities	Amount ₹	Assets	Amount ₹

Capital:		Building	55,000
Sitaram	65,000	Machinery	25,000
Gangaram	45,000	Furniture	12,000
Rajaram	7,000	Investment	15,000
Reserve Fund	18,000	Bills Receivable	3,500
Profit and Loss Account	5,400	Sundry Debtors	21,000
Loan from Tukaram	10,000	Stock	28,000
Sundry Creditors	12,000	Cash in hand	5,500
Bills Payable	4,600	Cash at Bank	2000
	<b>1,67,000</b>		<b>1,67,000</b>

The assets realised: Building ₹ 46,750 Machinery ₹ 18,550 Furniture ₹ 9,600; Investment ₹ 10,650 Bill Receivable and Debtors ₹ 20,750; All the liabilities were paid off. The cost of realisation was ₹ 800. Rajaram becomes bankrupt and ₹ 1,100 only was recovered from his estate.

**Show Realisation Account, Bank Account, and Capital Account of the partners.**

**Solution:**

Dr	In the books of Sitaram, Gangaram and Rajaram Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	55,000		Loan from Tukaram	10,000	
Machinery	25,000		Sundry Creditors	12,000	
Furniture	12,000		Bills Payable	4,600	26,600
Investments	15,000		By Bank A/c		
Bills receivable	3,500		Building	46,750	
Sundry Debtors	21,000		Machinery	18,550	
Stock	28,000	1,59,500	Furniture	9,600	
To Bank A/c			Investments	10,650	
Loan from Tukaram	10,000		Bills receivable and Debtors	20,750	1,06,300
Realisation Expense	800		By Partners' Capital A/c		

			(Loss on realisation transferred)		
Sundry Creditors	12,000		Sitaram	24,000	
Bills Payable	4,600	27,400	Gangaram	12,000	
			Rajaram	18,000	54,000
		<b>1,86,900</b>			<b>1,86,900</b>

Dr	Partners' Capital Accounts							Cr
Particulars	Sitaram (₹)	Gangaram (₹)	Rajaram (₹)	Particulars	Sitaram (₹)	Gangaram (₹)	Rajaram (₹)	
To Realistion A/c – Loss	24,000	12,000	18,000	By Balance b/d	65,000	45,000	7,000	
To Rajaram's Capital A/	1,400	700		By reserve Fund A/c	8,000	4,000	6,000	
To Bank A/c	50,000	37,500		By Profit and Loss A/c	2,400	1,200	1,800	
				By Bank A/c (Amount recovered)			1,100	
				By Sitaram's Capital A/c			1,400	
				By Gangaram's Capital A/c			700	
	75,400	50,200	18,000		75,400	50,200	18,000	

Dr	Bank Account				Cr
Particulars		Amount (₹)	Particulars		Amount (₹)

To Balance b/d	2,000	By Realisation A/c – Liabilities	27,400
To Cash A/c	5,500	By Sitaram's Capital A/c	50,000
To Realisation A/c – Assets	1,06,300	By Gangaram's Capital A/c	37,500
To Rajarams' Capital A/c	1,100		
	<b>1,14,900</b>		<b>1,14,900</b>

### Working Notes :

(1) ₹ 1,100 is recovered from Rajaram's estate which is recorded in credit side of Rajaram's Capital Account and on debit side of Bank A/c.

(2) Capital deficiency of Rajaram = Debit total of Capital A/c – Credit total of Capital A/c  
= 18,000 – 15,900 = ₹ 2,100

Deficit amount of Rajaram A/c ₹ 2,100 is distributed among continuing partners' in 2: 1 ratio.

### Practical problem | Q 9 | Page 248

Following is the Balance Sheet of Vaibhav, Sanjay, and Santosh.

<b>Balance Sheets as on 31st March 2019</b>			
<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>	<b>Amount ₹</b>
Capital Accounts :		Machinery	6,000
Vaibhav	36,000	Goodwill	9,000
Sanjay	27,000	Stock and Debtors	57,000
Creditors	12,000	Profit and Loss Account	18,000
Bank Overdraft	18,000	Santosh's Capital	3,000
	<b>93,000</b>		<b>93,000</b>

Santosh is declared insolvent so firm is dissolved and assets realised as follows:

1. Stock and Debtors ₹ 54,000, Goodwill - NIL, Machinery at Book value.

2. Creditors allowed discount at 10%.
3. Santosh could pay only 25 paise in rupee of the balance due.
4. Profit-sharing ratio was 8:4:3.
5. A contingent liability against the firm ₹ 9,000 is cleared.

Give Ledger Account to close the books of the firm.

**Solution:**

Dr	In the books of Vaibhav, Sanjay and Santosh Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c			By Sundry Liabilities A/c – Creditors		12,000
Machinery	6,000		By Bank A/c		
Goodwill	9,000		Stock and Debtors	54,000	
Stock and Debtors	57,000	72,000	Machinery	6,000	60,000
To Bank A/c			By Partners' Capital A/c (Loss on realisation transferred)		
Creditors	10,800		Vaibhav	10,560	
Contingent Liability	9,000	19,800	Sanjay	5,280	
			Santosh	3,960	19,800
		<b>91,800</b>			<b>91,800</b>

Dr	Partners' Capital Accounts						Cr
Particulars	Vaibhav (₹)	Sanjay (₹)	Santosh (₹)	Particulars	Vaibhav (₹)	Sanjay (₹)	Santosh (₹)

To Balance c/d			3,000	By Balance b/d	36,000	27,000	
To Profit and Loss A/c	9,600	4,800	3,600	By Bank A/c (25 % of due amount)			2,640
To Realisation A/c – Loss	10,560	5,280	3,960	By Vaibhav's Capital A/c			5,280
To Santosh's Capital A/c	5,280	2,640		By Sanjay's Capital A/c			2,640
To Bank A/c	10,560	14,280					
	<b>36,000</b>	<b>27,000</b>	<b>10,560</b>		<b>36,000</b>	<b>27,000</b>	<b>10,560</b>

Dr	Bank Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To Realisation A/c – Assets	60,000	By Balance b/d (overdraft)	18,000
To Santosh's Capital A/c (25 % of amount due received from him)	2,640	By Realisation A/c – Liabilities	19,800
		By Vaibhav's Capital A/c	10,560
		By Sanjay's Capital A/c	14,280
	<b>62,640</b>		<b>62,640</b>

### Working Notes :

(1) Contingent liability paid, so realisation A/c is debited and Bank A/c is credited.

(2) Santosh could pay only 25 paise in a rupee of the balance due i.e. Balance due from Santosh (Debit side of Partners Capital A/c) = ₹ 10,560 25 % of ₹ 10,560 = ₹ 2,640  
(Amount recorded on debit side of Bank A/c) Capital deficiency of Santosh = 10,560 – 2,640 = ₹ 7,920

₹ 7,920 to be distributed among continuing partner in their profit-loss ratio = 8 : 4 i.e. 2 : 1.

$7,920 \times \frac{2}{3} = ₹ 5,280$



$$7,920 \times \frac{1}{3} = ₹ 2,640$$

### Practical problem | Q 10 | Page 249

Shweta, Nupur, and Sanika are partners sharing Profits and Losses in the ratio of 3:2:1. Their Balance Sheet as on 31<sup>st</sup> March 2019 was as follows :

Balance Sheets as on 31 <sup>st</sup> March 2019.			
Liabilities	Amount ₹	Assets	Amount ₹
Capital A/c		Sundry Assets	1,60,000
Shweta	65,000	Cash at Bank	5,000
Nupur	15,000	Capital A/c: Sanika	10,000
Sundry Creditors	95,000		
	<b>1,75,000</b>		<b>1,75,000</b>

The firm is dissolved as on 31<sup>st</sup> March 2019. Sundry Assets realised @ 60% of its book value. Realisation expenses ₹ 2000 paid by Shweta, Nupur, and Sanika both are insolvent. Nupur's private estate has got a surplus of ₹3,000 and that of Sanika ₹ 8,000.

**Show necessary ledger accounts to close the books of the firm.**

**Solution:**

Dr	In the books of Shweta, Nupur and Sanika Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Sundry Assets A/c		1,60,000	By Sundry Liabilities A/c (Sundry Creditors)		95,000
To Bank A/c		95,000	By Bank A/c		96,000
Sundry Creditors			Sundry Assets (60 %)		
To Shweta's Capital A/c (realisation expense)		2,000	By Partners' Capital A/c (Loss on realisation transferred)		
			Shweta	33,000	
			Nupur	22,000	
			Sanika	11,000	66,000
		<b>2,57,000</b>			<b>2,57,000</b>

Dr	Partners' Capital Accounts							Cr
Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)	Particulars	Shweta (₹)	Nupur (₹)	Sanika (₹)	
To Balance b/d			10,000	By Balance b/d	65,000	15,000		
To realisation A/c – Loss	33,000	22,000	11,000	By Bank A/c (Private assets surplus)		3,000	8,000	
To Nupur's Capital A/c	4,000			By Shweta's Capital A/c (Deficiency)		4,000	13,000	
To Sanika's Capital A/c	13,000			By realisation A/c (realisation exp.)	2,000			
To Bank A/c	17,000							
	<b>67,000</b>	<b>22,000</b>	<b>21,000</b>		<b>67,000</b>	<b>22,000</b>	<b>21,000</b>	

Dr	Bank Account		Cr
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	5,000	By Sundry Creditors A/c	95,000
To Nupur's Capital A/c	3,000	By Shweta's Capital A/c	17,000
To Sanika's Capital A/c	8,000		
Words to describe people	96,000		
	1,12,000		1,12,000

**Working Notes :**

(1) From the private assets of Nupur and Sanika, ₹ 3,000 and ₹ 8,000 received and added to the capital accounts. The deficiency of ₹ 4,000 and ₹ 13,000 arrived. Shweta alone has to bear this deficiency.

(2) 60 % of Debtors realised i.e. 60 % of ₹ 1,60,000 = ₹ 96,000.

**Practical problem | Q 11 | Page 249**

Following is the Balance Sheet as on 31<sup>st</sup> March 2019 of a firm having Three equal partners Priti, Priya, and Prachi.

Balance Sheets as on 31 <sup>st</sup> March 2019			
Liabilities	Amount ₹	Assets	Amount ₹
Capital		Machinery	23,000
Priti	40,000	Furniture	16,000
Priya	35,000	Stock	47,000
Prachi	25,000	Cash at Bank	10,000
Trade Creditors	50,000	Profit and Loss Account	84,000
Loan (secured by Machinery)	30,000		
	<b>1,80,000</b>		<b>1,80,000</b>

The firm was dissolved due to insolvency of all the partners. Machinery was sold for ₹ 18,000, while Furniture fetched ₹ 14,000, Stock realised ₹ 35,000. Realisation expenses amounted to ₹ 2,000. Nothing could be recovered from Priya and Prachi, but ₹ 3,400 could be collected from Priti's private estate.

**Close the books of accounts of the firm.**

**Solution:**

Dr	In the books of Priti, Priya and Prachi Realisation Account				Cr
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)

To Sundry Assets A/c			By Bank A/c		
Machinery	23,000		Machinery	18,000	
Furniture	16,000		Furniture	14,000	
Stock	47,000	86,000	Stock	35,000	67,000
To Bank A/c (realisation Expense)		2,000	By Partners' Capital A/c (Loss on realisation transferred)		
			Priti	7,000	
			Priya	7,000	
			Prachi	7,000	21,000
		<b>88,000</b>			<b>88,000</b>

Dr	Partners' Capital Accounts							Cr
Particulars	Priti (₹)	Priya (₹)	Prachi (₹)	Particulars	Priti (₹)	Priya (₹)	Prachi (₹)	
To Profit and Loss A/c	28,000	28,000	28,000	By Balance b/d	40,000	35,000	25,000	
To realisation A/c – Loss	7,000	7,000	7,000	By Bank A/c (Asset)	3,400			
To Deficiency A/c	8,400			By Deficiency A/c			10,000	
	43,400	35,000	35,000		43,400	35,000	35,000	

Dr	Trade Creditors A/c	Cr

Particulars	Amount (₹)	Particulars	Amount (₹)
To Deficiency A/c	1,290	By Balance b/d	50,000
To Bank A/c	48,710		
	<b>50,000</b>		<b>50,000</b>

Dr	Loan A/c			Cr
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Deficiency A/c	310	By Balance b/d	30,000	
To Bank A/c	29,690			
	<b>30,000</b>		<b>30,000</b>	

Dr	Deficiency Account			Cr
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Prachi's Capital A/c	10,000	By Priti's Capital A/c	8400	
		By Trade Creditors A/c	1,290	
		By Loan A/c	310	
	<b>10,000</b>		<b>10,000</b>	

Dr	Bank Account			Cr
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Balance b/d	10,000	By Sundry Creditors A/c	48,710	
To Priti's Capital A/c	3,400	By realisation Expense A/c	2,000	
To realisation A/c (Assets)	67,000	By Loan A/c	29,690	

	<b>80,400</b>		<b>80,400</b>
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### Working Notes :

1) Amount paid to loan from sale of machinery = ₹ 18,000

Balance of Loan = 30,000 – 18,000 = ₹ 12,000

(2) ratio of Trade creditors and Loan = 50,000 : 12,000 = 50 : 12 i.e. 25 : 6

(3) Balance of cash available = 10,000 + 67,000 + 3,400 – 18,000 – 2,000  
= 80,400 – 20,000 = ₹ 60,400

Amount paid towards loan =  $6/31 \times 60400/1 = ₹ 11,690$

Amount paid to Trade creditors =  $25/31 \times 60,400 = ₹ 48,710$

Amount paid towards loan = 18,000 + 11,690 = ₹ 29,690.

### Practical problem | Q 12 | Page 250

**Shashwat and Shiv are equal partners. Their Balance Sheet stood as under :**

<b>Balance Sheets as on 31<sup>st</sup> March 2019.</b>			
<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>	<b>Amount ₹</b>
Shaswat's Capital A/c	6,000	Plant and Machinery	14,750
Creditors	39,000	Furniture	4,000
		Debtors	5,000
		Stock	6,250
		Cash at Bank	3,000
		Shiv's Capital	12,000
	<b>45,000</b>		<b>45,000</b>

Due to weak financial position, all partners were declared bankrupt

The Assets were realised as follows :

Stock ₹3,500, Furniture ₹ 2,000, Debtors ₹ 5,000 and Machinery ₹ 7,000 The cost of collection and distributing the estate amounted to ₹ 1,500. Shashwat's private estate in not sufficient even to pay his private debts, whereas in Shiv's private estate there is a surplus of ₹ 500.

Prepare necessary ledger accounts to close the books of the firm.

**Solution:**

Dr	In the books of Shashwat and Shiv Realisation Account					Cr
Particulars	Amount ₹	Amount ₹	Particulars	Amount ₹	Amount ₹	
To Sundry Assets A/c			By Bank A/c			
Plant and Machinery	14,750		Stock	3,500		
Furniture	4,000		Furniture	2,000		
Debtors	5,000		Debtors	5,000		
Stock	6,250	30,000	Machinery	5,000	17,500	
To Bank A/c		1,500	By Partners' Capital A/c (Loss on realisation transferred)			
Realisation Exp.			Shashwat	7,000		
			Shiv	7,000	14000	
		<b>31,500</b>			<b>31,500</b>	

Dr	Partners' Capital Accounts					Cr
Particulars	Shashwat (₹)	Shiv (₹)	Particulars	Shashwat (₹)	Shiv (₹)	
To Balance b/d		12,000	By Balance b/d	6000		
To realisation A/c – Loss	7,000	7,000	By Bank A/c		500	
			By Deficiency A/c	1000	18,500	
	<b>7,000</b>	<b>19,000</b>		<b>7000</b>	<b>19,000</b>	

Dr	Creditors Account	Cr
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Particulars	Amount ₹	Particulars	Amount ₹
To Deficiency A/c	19,500	By Balance b/d	39,000
To Bank A/c	19,500		
	<b>39,000</b>		<b>39,000</b>

Dr	Deficiency Account			Cr
Particulars	Amount ₹	Particulars	Amount ₹	
To Shashwat's Capital A/c	1000	By Creditors A/c	19,500	
To Shiv's Capital A/c	18,500			
	<b>19,500</b>		<b>19,500</b>	

Dr	Bank Account			Cr
Particulars	Amount ₹	Particulars	Amount ₹	
To Balance b/d	3,000	By realisation Expense A/c	1,500	
To Shiv's Capital A/c	500	By Creditors A/c	19,500	
To realisation A/c (Assets)	17,500			
	<b>21,000</b>		<b>21,000</b>	

#### Working Note:

As partners were not able to pay their loss amount, difference of amount is considered as deficiency of partners.