NCERT SOLUTIONS

CLASS - 12th

aglasem.com

Class : 12th

Subject : Accountancy

Chapter : 5

Chapter Name : Dissolution of Partnership Firm

Q1 State the difference between dissolution of partnership and dissolution of partnership firm.

Answer.

Basis	Dissolution of partnership	Dissolution of partnership firm
1. Continuation of business	The business is not terminated. It may continue even after the dissolution of partnership.	The business of the firm is terminated after the dissolution of the firm.
2. Settlement of assets and liabilities	Assets and liabilities are revalued and new balance sheet is drawn.	Assets are sold and liabilities are paid after transferring to realization A/c.
3. Court's intervention	Court does not intervene as partnership is dissolved by mutual agreement.	A firm can be dissolved by court's order.
4. Closure of books	Books are not closed as business is not terminated.	All books of accounts are closed.
5. Other effect	It may or may not dissolve partnership firm.	It necessarily dissolves the partnership among partners.

aglasem.com

Page : 248 , Block Name : Short Answer Questions

Q2 State the accounting treatment for: i. Unrecorded assets ii. Unrecorded liabilities.

Answer. i) Bank A/c ------------------- Dr

To realization A/c

(being realization of an unrecorded asset)

ii) Realization A/c ------------Dr

To bank A/c

(for settlement of an unrecorded liability)

Page : 248 , Block Name : Short Answer Questions

Q3 On dissolution, how will you deal with partner's loan if it appears on the (a) assets side of the balance sheet, (b) liabilities side of balance sheet.

Answer. a) If partner's loan appear on the asset side of balance sheet, the following entry will be passed -

Partner's capital A/c ----------Dr

To partner's loan A/c

(For partner's loan transferred to partner's capital)

b) If partner's loan appears on the liabilities side of the balance sheet, following entry will be passed -

Partner's loan A/c ---------Dr

aglasem.com

To Bank A/c

(Being partner's loan paid off)

Page : 248 , Block Name : Short Answer Questions

Q4 Distinguish between firm's debts and partner's private debts

Answer.

Firm's debt	Private debt
The property of the firm shall be applied first in payment of debt of the firm. Surplus if any can be divided among the partners as per ratio and it can be used for payment of private liabilities.	The private property of any partner shall be applied first in payment of his private debt. Surplus if any may be utilized for payment of firm's debt if firm's liabilities exceed the firm's assets.
The firm debts are paid first out of the profits of the firm and if any amount is remaining to be paid, then the partners are jointly and individually responsible for the debts.	The private debts of the partners are paid out of the personal property of the partners. The assets of the firm aren't applied to pay off the private debts of partners.

aglasem.com

Page : 249 , Block Name : Short Answer Questions

Q5 State the order of settlement of accounts on dissolution?

Answer. When the firm is dissolved, its books of accounts are closed first. Now, all the assets except cash and external liabilities is transferred to realization account, which is open for the dissolution purpose. It also records the sale of assets and payment of liabilities and realization expenses. The balance of this account is termed as profit or loss on realization which is transferred to partner's capital A/c in their profit sharing ratio. Now after closing realization A/c, partner's capital account is settled and finally the bank account is prepared and closed.

Page : 249 , Block Name : Short Answer Questions

Q6 On what account realization account differs from revaluation account.

Answer.

Basis	Realization account	Revaluation account
1. Meaning	It records the sale of assets and liabilities payment.	It records increase and decrease in value of assets and liabilities.
2. Time	Prepared at the time of dissolution of firm.	Prepared at the time of admission, retirement/death of a person.
3. Objective	To ascertain profit or loss on realization of assets and payment of liabilities.	To ascertain profit or loss on revaluation of assets and liabilities.
4. Distribution	The profit or loss is distributed to all the partners in profit sharing ratio.	The profit/loss is distributed to old partners in old ratio.
5. Records	It records all the assets and liabilities at book value.	It records only those assets and liabilities whose value has changed.

aglasem.com

Page : 249 , Block Name : Short Answer Questions

Q1 Explain the process of dissolution of partnership firm.

Answer. Dissolution of partnership firm may take place in the following ways -

1) Dissolution by agreement: A firm is dissolved either by consent of all the partners or in accordance with the contract between partners.

2) Compulsory Dissolution: A firm is dissolved compulsorily in following cases -

a) When all of the partners or all but one partner becomes insolvent.

b) When the business becomes illegal.

c) When some event takes place which makes it unlawful for partners to carry business.

3) On happening of certain contingencies:

a) On expiry of fixed term for which business was constituted.

b) By death of partner.

c) By partners becoming insolvent.

4) Dissolution by Notice: Firm can be dissolved by any partner gives notice in writing signifying the intention to seek dissolution of the firm.

5) Dissolution by court: At suit of a partner, the court may order a partnership firm to be dissolved in any of the following grounds -

a) When the partner becomes insane.

b) When partner is guilty of misconduct which is likely to affect business of firm.

c)when there is a breach of partnership agreement.

d) When the firm cannot be carried on except a loss.

aglasem.com

Page : 249 , Block Name : Long Answer Questions

Q2 What is realization account?

Answer. On dissolution of a partnership firm, all the books of accounts are closed and the profit or loss on realization of assets and discharge of liabilities is to be computed. For this purpose, a nominal account is opened which is called realization account. In this account, all assets except cash and all external liabilities are transferred. It also records the sale of assets and payment of liabilities and expenses. The balancing figure of this account is the net profit or less on realization and is transferred to the parties in profit sharing ratio. Following journal entries are passed -

Particulars	**Dr. Amt.**	**Cr. Amt**
For transfer of assets: Realisation A/c Dr To assets A/c	XX	XX
For transfer of liabilities: Liabilities A/c Dr To realization A/c	XX	XX
For sale of assets: Bank A/c Dr To realization A/c	XX	XX
For asset taken over by partner: Partner capital A/c Dr To realization A/c	XX	XX

aglasem.com

For payment of liabilities: Realization A/c Dr To bank A/c	XX	XX
For liability discharged by partner: Realization A/c Dr To partner capital A/c	XX	XX
For payment of realization expenses: Realization A/c Dr To bank A/c	XX	XX
For realization of unrecorded asset: Bank A/c Dr To Realization A/c	XX	XX
For payment of unrecorded liability: Realization A/c Dr To bank A/c	XX	XX
For transfer of profit on realization: Realization A/c Dr To partner's capital A/c	XX	XX

aglasem.com

For transfer of loss on realization: Partner's capital A/c Dr To realization A/c	XX	XX

Page : 249 , Block Name : Long Answer Questions

Q3 Reproduce the format of realization account

Answer. Realization A/c

Particulars	**Amount**	**Particulars**	**Amount**
To land and building	XX	By sundry credits	XX
To plant and machinery	XX	By bills payable	XX
To furniture	XX	By bank overdraft	XX
To bills receivable	XX	By outstanding expenses	XX
To sundry debtors	XX	By provision for doubtful debts	XX
To bank (payment of unrecorded liability)	XX	By bank (sale of assets)	XX
To partner capital A/c (liability taken by partners)	XX	By partners capital A/c (transfer of assets)	XX

aglasem.com

To profit on realization transferred to partner's A/c	XX	By loss transferred to partner's capital A/c	XX

Page : 249 , Block Name : Long Answer Questions

Q4 How deficiency of creditors is paid off?

Answer. On dissolution of a firm, all the books of accounts are closed and all the assets except cash and all the liabilities (external) are transferred to the realization account. Now the amount received from the sale of assets is used to discharge the liabilities and pay off creditors. If the amount received from the sale of assets falls short, then the private property of partners is used to pay off the creditors. Even if some account remains unpaid to creditors, then arises deficiency of creditors. Deficiency can be treated in two ways -

1) Transferring proficiency to the deficiency account

2) Transferring deficiency to the partners capital account

Case 1: When deficiency is transferred to the deficiency account, then a separate account is prepared for the firm’s creditors. A cash account is prepared to ascertain the firm's cash balance occurring from sale of firm's assets and partner's private assets. After checking the cash availability, creditors and external liabilities are paid proportionately. The remaining unpaid balance is transferred to deficiency account.

Case 2: Creditors are paid by the cash available with the firm, including the partners' individual contribution. The deficiency or unpaid creditors amount is transferred to partner's capital account. Deficiency is to be borne by the partners in profit sharing ratio. If any partner is not in a position to bear this loss it will be regarded as the capital loss of the firm. Now in this case the solvent partner will borne the deficiency in capital ratio.

Page : 249 , Block Name : Long Answer Questions

Q1 Journalise the following transactions regarding realization expenses:

(a) Realisation expenses amounted to Rs.2,500.

(b) Realisation expenses amounting to Rs.3,000 were paid by Ashok, one of the partners.

(c) Realisation expenses Rs.2,300 borne by Tarun, personally.

(d) Amit, a partner was appointed to realise the assets, at a cost of Rs.4,000.

The actual amount of realisation amounted to Rs.3,000.

Answer.

Journal entries

	Particulars	**L/F**	**Dr Amount ₹**	**Cr Amount ₹**
a)	Realisation expenses A/c Dr To Bank A/c (Being realisation expenses amounting to 2500)		2500	2500
b)	Realisation A/c Dr To Ashok capital A/c (Being realisation expenses paid by Ashok)		3000	3000
c)	No entry as borne by Tarun personally.			

aglasem.com

d)	Realisation A/c Dr To Amit Capital A/c (Being realisation expenses paid to Amit.)		4000	 4000

Page : 249 , Block Name : Numerical Answer Questions

Q2 Record necessary journal entries in the following cases:

(a) Creditors worth Rs.85,000 accepted Rs.40,000 as cash and Investment worth Rs.43,000, in full settlement of their claim.

(b) Creditors were Rs.16,000. They accepted Machinery valued at Rs.18,000 in settlement of their claim.

(c) Creditors were Rs.90,000. They accepted Buildings valued Rs.1,20,000 and paid cash to the firm Rs.30,000.

aglasem.com

Answer.

Journal entries

	Particulars	L/F	Dr Amount ₹	Cr Amount ₹
a)	Realisation A/c Dr To Cash A/c (Being creditors worth 85000 accepted 40,000 cash and investment worth 43000 in full settlement.)		40,000	 40,000

b)	No entry			
c)	Cash A/c Dr To realisation A/c (Being asset sold and cash received in settlement of creditors.)		30,000	30,000

Page : 249 , Block Name : Numerical Answer Questions

Q3 There was an old computer which was written-off in the books of accounts in the previous year. The same has been taken over by a partner Nitin for Rs.3,000. Journalise the transaction, supposing. That the firm has been dissolved.

aglasem.com

Answer.

Journal entries

	Particulars	**L/F**	**Dr Amount** ₹	**Cr Amount** ₹
a)	Nitin Capital A/c Dr To Realisation A/c (Being old computer taken by Nitin.)		3000	3000

Page : 249 , Block Name : Numerical Answer Questions

Q4 What journal entries will be recorded for the following transactions on the dissolution of a firm:

(a) Payment of unrecorded liabilities of Rs.3,200.

(b) Stock worth Rs.7,500 is taken by a partner Rohit.

(c) Profit on Realisation amounting to Rs.18,000 is to be distributed between the partners Ashish and Tarun in the ratio of 5:7.

(d) An unrecorded asset realised Rs.5,500.

Answer.

Journal entries

	Particulars	**L/F**	**Dr Amount ₹**	**Cr Amount ₹**
a)	Realisation A/c Dr To Bank A/c (Being payment of unrecorded liabilities.)		3200	 3200
b)	Rohit capital A/c Dr To Realisation A/c (Being stock worth 7500 taken by rohit.)		7500	 7500
c)	Realisation A/c Dr To Ashish capital A/c To Tarun capital A/c (Being profit on realisation distributed to Ashish and Tarun.)		18000	 7500 10500

aglasem.com

d)	Bank A/c Dr To realization A/c (Being unrecorded asset realized.)		5500	 5500

Page : 249 , Block Name : Numerical Answer Questions

Q5 Give journal entries for the following transactions:

1. To record the realisation of various assets and liabilities.

2. A Firm has a Stock of Rs.1,60,000. Aziz, a partner took over 50% of the Stock at a discount of 20%.

3. Remaining Stock was sold at a profit of 30% on cost,

4. Land and Building (book value Rs.1,60,000) sold for Rs.3,00,000 through a broker who charged 2%, commission on the deal.

5. Plant and Machinery (book value Rs.60,000) was handed over to a Creditor at an agreed valuation of 10% *less* than the book value.

6. Investment whose face value was Rs.4,000 was realised at 50%.

aglasem.com

Answer.

Journal entries

	Particulars	L/F	Dr Amount ₹	Cr Amount ₹

1. a)	Realisation A/c Dr To Assets A/c (Being assets transferred to realisation A/c.)			
b)	Liabilities A/c Dr To Realisation A/c (Being liabilities transferred to realisation A/c.)			
c)	Bank A/c Dr To Realisation A/c (Being assets realised.)			
d)	Realisation A/c Dr To Bank A/c (Being liabilities paid off.)			
2.	Aziz capital A/c Dr To Realisation A/c (Being 50% of stock of 160000taken at discount of 20%.		64,000	64,000

aglasem.com

3.	Bank A/c Dr To Realisation A/c (Being 50% of stock sold at profit of 30% on cost i.e, 80,000 + 20% of 80,000.)		1,04,000	 1,04,000
4.	Bank A/c Dr To Realisation A/c (Being land and building sold for 3,00,000 and 2% commission to broker.)		3,06,000	 3,06,000
5.	No entry			
6.	Bank A/c Dr To Realisation A/c (Being investment worth 4000 was realised at 50%.)		2000	 2000

Page : 249 , Block Name : Numerical Answer Questions

Q6 How will you deal with the realisation expenses of the firm of Rashim and Bindiya in the following cases:

1. Realisation expenses amounts to Rs.1,00,000,

2. Realisation expenses amounting to Rs.30,000 are paid by Rashim, a partner.

3. Realisation expenses are to be borne by Rashim for which he will be paid Rs.70,000 as remuneration for completing the dissolution process. The actual expenses incurred by Rashim were Rs.1,20,000.

Answer.

Journal entries

	Particulars	L/F	Dr Amount ₹	Cr Amount ₹
a)	Realisation A/c Dr To Bank A/c (Being realisation expenses paid.)		1,00,000	1,00,000
b)	Realisation A/c Dr To Rashim capital A/c (Being realization expenses paid by Rashim.)		30,000	30,000
d)	Realisation A/c Dr To Rashim Capital A/c (Being 70,000 paid to rashim for payment of realisation expense.)		70,000	70,000

Page : 250 , Block Name : Numerical Answer Questions

Q7 The book value of assets (other than cash and bank) transferred to Realisation Account is Rs.1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%; 40% of the remaining assets are sold at a profit of 30% on cost; 5% of the balance being obsolete, realised nothing and remaining assets are handed over to a Creditor, in full settlement of his claim.

You are required to record the journal entries for realisation of assets.

Answer.

Journal entries

	Particulars	L/F	Dr Amount ₹	Cr Amount ₹
i)	Realisation A/c Dr To Assets A/c (Being assets transferred to realisation A/c.)		1,00,000	 1,00,000
ii)	Atul A/c Dr To Realisation A/c (Being 50% of assets taken over by partner, Atul at discount 20%.)		40,000	 40,000
iii)	Bank A/c Dr To Realisation A/c (Being 40% of assets sold at profit of 30% on cost i.e, 45000.)		58,500	 58,500

aglasem.com

Page : 250 , Block Name : Numerical Answer Questions

Q8 Record necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya:

1. There was an old furniture in the firm which had been written-off completely in the books. This was sold for Rs. 3,000,

2. Ashish, an old customer whose account for Rs.1,000 was written-off as bad in the previous year, paid 60%, of the amount,

3. Paras agreed to take over the firm's goodwill (not recorded in the books of the firm), at a valuation of Rs.30,000,

4. There was an old typewriter which had been written-off completely from the books. It was estimated to realize Rs.400. It was taken away by Priya at an estimated price less 25%,

5. There were 100 shares of Rs.10 each in Star Limited acquired at a cost of Rs.2,000 which had been written-off completely from the books. These shares are valued @ Rs.6 each and divided among the partners in their profit sharing ratio.

aglasem.com

Answer.

Journal entries

	Particulars	L/F	Dr Amount ₹	Cr Amount ₹
i)	Bank A/c Dr To Realisation A/c (Being old furniture sold for 3000.)		3000	 3000

ii)	Bank A/c Dr To Realisation A/c (Being loss of bad debt realised.)		 600	 600
iii)	Paras capital A/c Dr To Realisation A/c (Being unrecorded goodwill taken by paras.)		 30,000	 30,000
iv)	Priya capital A/c Dr To Realisation A/c (Being old typewriter value realised.)		800	 800
v)	Priya capital A/c Dr Paras capital A/c Dr To Realisation A/c (Being 100 share of 10each taken by paras and priya @ Rs.6.)		 300 300	 600

aglasem.com

Page : 250 , Block Name : Numerical Answer Questions

Q9 All partners wishes to dissolve the firm. Yastin, a partner wants that her loan of Rs. 2,00,000 must be paid off before the payment of capitals to the partners. But, Amart, another partner wants that the capitals must be paid before the payment of Yastin’s loan. You are required to settle the conflict giving reasons.

Answer. According to partnership act 1932, loans and advanced must be paid off first and before the settlement of capital accounts. Hence, Yastin's point is correct and his loan of Rs.2,00,000 should be paid off first.

Page : 250 , Block Name : Numerical Answer Questions

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

1. Arti took over the Stock worth Rs.80,000 at Rs.68,000.

2. There was unrecorded Bike of Rs.40,000 which was taken over By Mr.Karim.

3. The firm paid Rs.40,000 as compensation to employees.

4. Sundry creditors amounting to Rs.36,000 were settled at a discount of 15%.

5. Loss on realisation Rs.42,000 was to be distributed between Arti and Karim in the ratio of 3:4.

aglasem.com

Answer.

Journal entries

	Particulars	**L/F**	**Dr Amount ₹**	**Cr Amount ₹**
i)	Arti capital A/c Dr To Realisation A/c (Beings stock took over by Arti.)		68,000	 68,000

ii)	Karim capital A/c Dr To Realisation A/c (Being unrecorded bike taken by karim.)		40,000	 40,000
iii)	Realisation A/c Dr To Bank A/c (Being unrecorded goodwill taken by paras.)		40,000	 40,000
iv)	Realisation A/c Dr To Bank A/c (Being sundry creditors settled at discount of 15%.)		30,600	 30,600
v)	Arti capital A/c Dr Karim capital A/c Dr To Realisation A/c (Being loss on realization transferred to partner Arti and karim in 3:4 ratio.)		18000 24000	 42000

Page : 250 , Block Name : Numerical Answer Questions

Q11 Rose and Lily shared profits in the ratio of 2:3. Their Balance Sheet on March 31, 2017 was as follows:

Balance Sheet of Rose and Lily as on March 31,2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	40,000	Cash	16,000
Lily's loan	32,000	Debtors 80,000	
Profit and loss	50,000	Less: Prov. For doubtful debts <u>3600</u>	76,400
Capitals:		Inventory	1,09,600
Lily	1,60,000	Bills receivable	40,000
Rose	2,40,000	Building	2,80,000
	<u>5,22,000</u>		**<u>5,22,000</u>**

Rose and Lily decided to dissolve the firm on the above date. Assets (except bills receivables) realised Rs.4,84,000. Creditors agreed to take Rs.38,000. Cost of realisation was Rs.2,400. There was a Motor Cycle in the firm which was bought out of the firm's money, was not shown in the books of the firm. It was now sold for Rs.10,000. There was a contingent liability in respect of outstanding electric bill of Rs.5,000 Bill Receivable taken over by Rose at Rs.33,000.

Show Realisation Account, Partners Capital Account, Loan Account and Cash Account.

Answer.

Realisation A/c

Particulars	Amount ₹	Particulars	Amount ₹

aglasem.com

To Debtors	80,000	By provision for doubtful debt	3600
To Inventory	109600	By Creditors	40000
To Bills receivable	40000	By Cash (assets)	484000
To Building	280000	By Cash (motor cycle)	10000
To Cash (creditors)	38000	By Rose (bills receivable)	33000
To Cash outstanding electricity bill	5000		
To Profit on realisation: Rose capital: 6240 Lily capital: 9360	15600		
	570600		**570600**

Partner's capital A/c

Particulars	Rose	Lily	Particulars	Rose	Lily
To Realisation	33000		By balance b/d	240000	160000
To Cash A/c	233240	199360	By profit & loss A/c	20000	30000
			By profit on realisation A/c	6240	9360

aglasem.com

	266240	**199360**		**266240**	**199360**

Lily's loan A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Cash A/c	32000	By balance b/d	32000
	32000		**32000**

Cash A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To balance b/d	16000	By Realisation (creditor)	32000
To Realisation (assets)	484000	By Realisation	2400
To Realisation (motorcycle)	10000	By Realisation (O/s electricity bill)	5000
		By Lily's loan	32000
		By Lily's capital A/c	233240
		By Rose's capital A/c	199360
	510000		**510000**

aglasem.com

Page : 251 , Block Name : Numerical Answer Questions

Q12 Shilpa, Meena and Nanda decided to dissolve their partnership on March 31,2017. Their profit sharing ratio was 3:2:1 and their Balance Sheet was as under:

Balance Sheet of Shilpa, Meena and Nanda as on March 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Capitals:		Land	81,000
Shilpa	80,000	Stock	56,760
Meena	40,000	Debtors	18,600
Bank loan	20000	Nanda's capital	23,000
Creditors	37,000	Cash	10,840
Provision for doubtful debts	1200		
General reserve	12000		
	1,90,200		**1,90,200**

The stock of value of Rs.41,660 are taken over by Shilpa for Rs.35,000 and she agreed to discharge the bank loan. The remaining stock was sold at Rs.14,000 and debtors amounting to Rs.10,000 realised Rs.8,000. land is sold for Rs.1,10,000. The remaining debtors realised 50% at their book value. Cost of realisation amounted to Rs.1,200. There was a typewriter not recorded in the books worth Rs.6,000 which were taken over by one of the Creditors at this value. Prepare a Realisation Account.

Aglasem Schools

Answer.

Realisation A/c

Particulars	**Amount** ₹	**Particulars**	**Amount** ₹
To Land	81000	By Provisions for doubtful debts	1200
To Stock	56760	By Creditors	37000
To Debtors	18600	By Bank loan	20000
To Cash (expense)	1200	By Shilpa (stock)	35000
To Profit transferred to:	31000	By Cash (stock)	14000
Shilpa capital: 10470		By Cash (debtors)	8000
Meena capital: 6980		By Cash (land)	110000
Nanda capital: 3490	20940	By Cash (debtors)	4300
	229500		**229500**

Partner’s capital A/c

Particulars	Shilpa	Meena	Nanda	Particulars	Shilpa	Meena	Nanda
To bal b/d			23000	By bal b/d	80000	40000	
To realisation	35000			By general reserve	6000	4000	2000
To cash	81470	50980		By realisation (bank loan)	20000		
				By realisation (profit)	10470	6980	3490
				By cash			17510
	116470	**50980**	**23000**		**116470**	**50980**	**23000**

Cash A/c

Particulars	Amount ₹	Particulars	Amount ₹
To balance b/d	10840	By Realisation (expense)	1200
To Realisation (stock)	14000	By Realisation (creditors)	31000
To Realisation (debtors)	12300	By Shilpa capital A/c	81470
To Realisation (land)	110000	By Meena capital A/c	50980

aglasem.com

To Nanda's capital	17570		
	164650		**164650**

Working note:

1) Stock taken by Shilpa = 41660

Remaining stock = 56760 – 41660 = 15100

2) Debtors paid = 10000

Remaining debtors = 18600 – 10000 = 8600

Debtors realised $= \dfrac{50}{100}\times 8600=4300$

Page : 251 , Block Name : Numerical Answer Questions

Q13 Surjit and Rahi were sharing profits (losses) in the ratio of 3:2, their Balance Sheet as on March 31, 2017 is as follows:

Balance Sheet of Surjit and Rahi as on March 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Creditors	38,000	Bank	11,500
Mrs. Surjit loan	10,000	Stock	6,000
Reserve	15,000	Debtors	19,000
Rahi's loan	5,000	Furniture	4,000
Capital's:		Plant	28,000

aglasem.com

Surjit	10,000	Investment	10,000
Rahi	8,000	Profit & loss	7,500
	86,000		**86,000**

The firm was dissolved on March 31, 2017 on the following terms:

1. Surjit agreed to take the investments at Rs.8,000 and to pay Mrs.Surojit's loan.

2. Other assets were realised as follows:

Stock Rs.5,000

Debtors Rs.18,500

Furniture Rs.4,500

Plant Rs.25,000

3. Expenses on realisation amounted to Rs. 1,600.

4. Creditors agreed to accept Rs. 37,000 as a final settlement.

You are required to prepare a Realisation account, Partner's Capital account and Bank account.

aglasem.com

Answer.

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Stock	6000	By Creditors	38000
To Debtors	19000	By Surjit (investment)	8000

To Furniture	4000	By Cash (assets):	
To Plant	28000	Stock 5000	
To Investment	10000	Debtors 18500	
To Cash (expenses)	1600	Furniture 4500	
To Cash (creditors)	37000	Plant 25000	53000
To Surjit capital (mrs. Surjit loan)	10000	By loss transferred Surjit capital 3960 Rani capital 2640	
		By Mrs. Surjit loan	10000
	115600		**115600**

Partner's capital A/c

Particulars	**Surjit**	**Rani**	**Particulars**	**Surjit**	**Rani**
To Profit & loss A/c	4500	3000	By bal b/d	10000	8000
To Loan on realisation	3960	2640	By Reserves	9000	6000
To Realisation	8000		By Realisation (Mrs. Surjit loan)	10000	

aglasem.com

To Cash	12540	8360			
	29000	**14000**		**29000**	**14000**

Cash Account

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	11500	By Realisation (expenses)	1600
To Realisation (asset)	53000	By Realisation (creditors)	37000
		By Surjit capital A/c	12540
		By Rani capital A/c	8360
		By Rani loan	5000
	64500		**64500**

Rani's loan

Particulars	Amount ₹	Particulars	Amount ₹
To Cash A/c	5000	By bal b/d	5000
	5000		**5000**

aglasem.com

Page : 252 , Block Name : Numerical Answer Questions

Q14 Rita, Geeta and Ashish were partners in a firm sharing profits/losses in the ratio of 3:2:1. On March 31, 2017 their balance sheet was as follows:

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Capitals:		Cash	22,500
Rita 80,000		Stock	36,000
Geeta 50,000		Debtors	52,300
Ashish 30,000	1,60,000	Investment	69,000
Creditors	65,000	Plant	91,200
Bills payable	26,000		
General reserve	20,000		
	2,71,000		**2,71,000**

On the date of above mentioned date the firm was dissolved:

1. Rita was appointed to realise the assets. Rita was to receive 5% commission on the rate of assets (except cash) and was to bear all expenses of realisation,

2. Assets were realised as follows:

	Rs.
Debtors	30,000

Stock	26,000
Plant	42,750

3. Investments were realised at 85% of the book value,

4. Expenses of realisation amounted to Rs.4,100,

5. Firm had to pay Rs. 7,200 for outstanding salary not provided for earlier,

6. Contingent liability in respect of bills discounted with the bank was also materialised and paid off Rs.9,800.

Prepare Realisation account, Capital Accounts of Partner's and Cash Account.

Answer.

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Debtors	52300	By Creditors	65000
To Stock	36000	By Surjit (investment)	26000
To Investment	69000	By Cash (assets):	
To Plant	91200	Stock 26000	
To Cash:		Debtors 30000	
O/s salary 7200		Plant 42750	
Discounted bill 9800		Investment <u>58650</u>	157400

aglasem.com

Creditors 65000		By loss transferred to:	
Bills payable 26000	108000	Rita 57985	
To Reta's capital A/c: (5% of 157400)	7870	Geeta 38657	
		Ashish 19328	115970
	364370		**364370**

Partner's capital A/c

Particulars	Rita	Geeta	Ashish	Particulars	Rita	Geeta	Ashish
To Realisation (loss)	57985	38657	19328	By bal b/d	80000	30000	30000
To Bank A/c	39885	18010	14005	By Reserves	10000	6667	3333
				By Realisation (commission)	7870		
	97870	**56667**	**33333**		**97870**	**56667**	**33333**

Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹

To bal b/d	22500	By Realisation	108000
To Realisation (assets)	157400	By Rita capital A/c	39885
		By Geeta capital A/c	18010
		By Ashish capital A/c	14005
	179900		**179900**

Page : 252 , Block Name : Numerical Answer Questions

Q15 Anup and Sumit are equal partners in a firm. They decided to dissolve the partnership on December 31, 2017. When the balance sheet is as under:

Balance Sheet of Anup and Sumit as on December 31, 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Creditors	27,000	Cash at Bank	11,000
Reserve fund	10,000	Sundry debtors	12,000
Loan	40,000	Plant	47,000
Capital's:		Stock	42,000
Anup 60,000		Leasehold land	60,000
Sumit 60,000	1,20,000	Furniture	25,000

aglasem.com

	1,97,000		**1,97,000**

The Assets were realised as follows:

	Rs.
Leasehold land	72,000
Furniture	22,500
Stock	40,500
Plant	48,000
Sundry debtors	10,500

The Creditors were paid Rs.25,500 in full settlement. Expenses of realization amount to Rs.2,500.

Prepare Realisation Account, Bank Account, Partner's Capital Accounts to close the books of the firm.

Answer.

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Sundry debtors	12000	By creditors	27000
To Plants	47000	By Loan	40000
To Stock	42000	By Bank (assets):	
To Leasehold land	60000	Leasehold land 72000	

aglasem.com

To Furniture	25000	Furniture 22500	
To Bank (creditors)	25500	Stock 40500	
To Bank (expenses)	2500	Plant 48000	
To Bank (loan)	40000	Debtors 10500	193500
To Profit transferred to capital A/c:			
Anup: 3250			
Sumit: 3250	6500		
	260500		**260500**

Partner's capital A/c

Particulars	Anup	Sumit	Particulars	Anup	Sumit
To Bank A/c	68250	68250	By bal b/d	60000	60000
			By Reserve	5000	5000
			By profit on realisation	3250	3250
	68250	**68250**		**68250**	**68250**

Bank A/c

aglasem.com

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	11000	By Realisation (creditors)	25500
To Realisation (assets)	193500	By Realisation (expenses)	2500
		By Realisation (loan)	40000
		By Anup capital A/c	
		By Sumit capital A/c	
	204500		**204500**

Page : 253 , Block Name : Numerical Answer Questions

Q16 Ashu and Harish are partners sharing profit and losses as 3:2. They decided to dissolve the firm on December 31, 2017. Their balance sheet on the above date was:

Balance Sheet of Ashu and Harish as on December 31, 2017

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Building	80,000
Ashu 1,80,000		Machinery	70,000
Harish 54,000	1,62,000	Furniture	14,000
Creditors	88,000	Stock	20,000

Bills overdraft	50,000	Investments	60,000
		Debtors	48,000
		Cash in hand	8,000
	3,00,000		**3,00,000**

Ashu is to take over the building at Rs.95,000 and Machinery and Furniture is take over by Harish at value of Rs.80,000. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. Stock and Investments are taken by both partner in profit sharing ratio. Debtors realised for Rs.46,000, expenses of realisation amounted to Rs.3,000. Prepare necessary ledger account.

Answer.

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Building	80000	By creditors	38000
To Machinery	70000	By Bank overdraft	30000
To Furniture	14000	By Ashu (building)	95000
To Stock	20000	By Harish (machine & furniture)	80000
To Investment	60000	By Ashu (stock & investment)	48000

aglasem.com

To Debtors	48000	By Harish (stock & investment)	32000
To Ashu (creditors)	88000	By bank (debtors)	46000
To Harish (overdraft)	50000		
To Bank (expenses)	3000		
To Profit on realisation:			
Ashu: 3600			
Harish: 2400	6000		
	439000		**439000**

aglasem.com

Partner's capital A/c

Particulars	**Ashu**	**Harish**	**Particulars**	**Anup**	**Sumit**
To Realisation	95000		By bal b/d	108000	54000
To Realisation (mach. & furn.)		80000	By Realisation (creditors)	88000	
To Realisation	48000	32000	By Realisation		50000
To Cash A/c	56600		By Profit	3600	2400
			By Cash		5600

	199600	**112000**		**199600**	**112000**

Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	8000	By Realisation (expenses)	3000
To Realisation	46000	By Ashu capital	56600
To Harish capital A/c	5600		
	59600		**59600**

Total value of stock and investment = 20,000 + 60,000

= 80,000

$\therefore$ Share of Ashu $=\dfrac{3}{5}\times 80000 =48000$

Share of Harish $=\dfrac{2}{5}\times 80000=32000$

Page : 254 , Block Name : Numerical Answer Questions

Q17 Sanjay, Tarun and Vineet shared profit in the ratio of 3:2:1. On December 31,2017 their balance sheet was as follows :

Balance Sheet of Sanjay, Tarun and Vineet as on December 31, 2017

Aglasem Schools

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals:		Plant	90,000
Sanjay 1,00,000		Debtors	60,000
Tarun 1,00,000		Furniture	32,000
Vineet 70,000	2,70,000	Stock	60,000
Creditors	80,000	Investments	70,000
Bills payable	30,000	Bills receivable	36,000
		Cash in hand	32,000
	3,80,000		**3,80,000**

On this date the firm was dissolved. Sanjay was appointed to realise the assets.

Sanjay was to receive 6% commission on the sale of assets (except cash) and was to bear all expenses of realisation.

Sanjay realised the assets as follows: Plant Rs.72,000, Debtors Rs.54,000, Furniture Rs.18,000, Stock 90% of the book value, Investments Rs.76,000 and Bills receivable Rs.31,000. Expenses of realisation amounted to Rs.4,500.

Prepare Realisation Account, Capital Accounts and Cash Account.

Answer.

Realisation A/c

Aglasem Schools

Particulars	Amount ₹	Particulars	Amount ₹
To Plant	90000	By creditors	80000
To Debtors	60000	By Bank payable	30000
To Furniture	32000	By Cash (assets):	
To Stock	60000	Plant 72000	
To Investment	70000	Debtors 54000	
To Bills receivable	36000	Furniture 18000	
To Cash (expenses)	4500	Stock 54000	
To Cash:		Investment 76000	
Creditors 80000		Bills receivable 31000	305000
Bills payable 30000	110000	Loss transferred to:	
To Sanjay capital A/c (6% on 305000)	18300	Sanjay: 30650	
		Tarun: 20433	
		Vineet: 10217	61300
	476300		**476300**

aglasem.com

Partner's capital A/c

Particulars	Sanjay	Tarun	Vineet	Particulars	Sanjay	Tarun	Vineet
To Realisation (loss)	30650	20433	10217	By bal b/d	100000	100000	54000
To Cash A/c	87650	79567	59783	By Realisation (commission)	18300		
	118300	**100000**	**70000**		**118300**	**100000**	**70000**

Cash A/c

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	32000	By Realisation	110000
To Realisation (assets)	305000	By Sanjay capital	87650
		By Tarun capital	79567
		By Vineet capital	59783
	337000		**337000**

Page : 254 , Block Name : Numerical Answer Questions

Q18 The following is the Balance Sheet of Gupta and Sharma as on December 31,2017:

Aglasem Schools

Balance Sheet of Gupta and Sharma as on December 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Creditors	38,000	Cash at Bank	12,500
Reserve fund	20,000	Sundry debtors	55,000
Mrs. Gupta's loan	30,000	Stock	44,000
Mrs. Sharma's loan	6,000	Bills receivable	19,000
Provision of doubtful debts	4,000	Machinery	52,000
Capital's:		Investment	38,500
Gupta 90,000		Fixtures	27,000
Sharma 60,000	1,50,000		
	2,48,000		**2,48,000**

The firm was dissolved on December 31, 2017 and asset realised and settlements of liabilities as follows:

(a) The realisation of the assets were as follows:

	Rs.
Sundry Debtors	52,000
Stock	42,000
Bills receivable	16,000

aglasem.com

Machinery	49,000

(b) Investment was taken over by Gupta at agreed value of Rs.36,000 and agreed to pay of Mrs. Gupta's loan.

(c) The Sundry Creditors were paid off *less* 3% discount.

(d) The realisation expenses incurred amounted to Rs.1,200.

Journalise the entries to be made on the dissolution and prepare Realisation Account, Bank Account and Partners Capital Accounts.

Answer.

Journal entries

	Particulars	**L/F**	**Dr Amount** ₹	**Cr Amount** ₹
i)	Realisation A/c Dr		235000	
	To Sundry debtors A/c			55000
	To Stock A/c			44000
	To Bills receivable A/c			19000
	To Machinery A/c			52000
	To Investment A/c			38500
	To Fixtures A/c			27000
	(Being assets transferred to realisation)			

aglasem.com

ii)	Sundry creditors A/c Dr Mrs. Gupta loan A/c Dr Mrs. Sharma loan A/c Dr Provision for doubtful debt A/c Dr To Realisation A/c (Being liabilities transferred to realisation A/c)		38000 20000 30000 4000	92000
iii)	Bank A/c Dr To Realisation A/c (Being assets realised)		159000	159000
iv)	Realisation A/c Dr To Gupta capital A/c (Being Mrs.Gupta loan settled by Gupta)		20000	20000
v)	Gupta capital A/c Dr To Realisation A/c (Being investment taken by Gupta)		36000	36000
vi)	Realisation A/c Dr To Bank A/c (Being creditors and liabilities paid)		66860	66860

aglasem.com

vii)	Realisation A/c Dr To Bank A/c (Being realisation expenses)		1200	 1200
viii)	Gupta Capital A/c Dr Sharma capital A/c Dr To Realisation A/c (Being loss on realisation transferred to partners)		18280 18280	 36560
ix)	Reserve fund A/c Dr To Gupta capital A/c To Sharma capital A/c (Being reserves transferred to partner's A/c)		6000	 3000 3000
x)	Gupta capital A/c Dr Sharma capital A/c Dr To Bank A/c (Being partners paid off)		58720 44720	 103440

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**

aglasem.com

To Sundry debtors	55000	By Sundry creditors	88000
To Stock A/c	44000	By Mrs. Gupta loan	20000
To Bills receivable	19000	By Mrs. Sharma loan	30000
To Machinery A/c	52000	By Provision for doubtful debts	4000
To Investment	38500	By Bank A/c (assets):	
To Fixtures A/c	27000	Sundry debtor 18000	
To Gupta's capital (Mrs. Gupta loan)	20000	Stock 54000	
To Bank A/c (creditor)	36860	Bills receivable 76000	
To Bank A/c (Mrs. Sharma's loan)	30000	Machinery 31000	159000
To Bank A/c (expenses)	1200	By Gupta capital	36000
		By loss transferred	
		Gupta: 18280	
		Sharma: 18280	36560
	323560		**323560**

Partner's capital A/c

Particulars	Gupta	Sharma	Particulars	Gupta	Sharma
To Realisation			By bal b/d	90000	60000
To Realisation (loss)	18280	18280	By Realisation A/c	20000	
To Cash A/c	58720	44720	By Reserve A/c	3000	3000
	113000	**63000**		**113000**	**63000**

Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	12500	By Realisation (creditors)	36860
To Realisation (assets)	159000	By Realisation (Mrs. Sharma loan)	30000
		By Realisation (expenses)	1200
		By Gupta capital A/c	58720
		By Sharma capital A/c	44720
	171500		**171500**

Page : 255 , Block Name : Numerical Answer Questions

Q19 Ashok, Babu and Chetan are in partnership sharing profit in the proportion of $\dfrac{1}{2},\dfrac{1}{3},\dfrac{1}{6}$ respectively. They dissolve the partnership of the December 31, 2017, when the balance sheet of the firm as under:

Balance Sheet of Ashok, Babu and Chetan as on December 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Sundry creditors	20,000	Bank	7500
Bills payable	25,500	Debtors	58,000
Babu's loan	30,000	Stock	39,500
Capital's:		Machinery	48,000
Ashok 70,000		Investments	42,000
Babu 55,000		Freehold properties	50,500
Chetan <u>27,000</u>	1,52,000		
Current accounts:			
Ashok 10,000			
Babu 5,000			
Chetan <u>3,000</u>			
	<u>2,45,500</u>		**<u>2,45,500</u>**

aglasem.com

The machinery was taken over by Babu for Rs.45,000, Ashok took over the Investment for Rs.40,000 and Freehold property took over by Chetan at Rs.55,000. The remaining Assets realised as follows: Sundry Debtors Rs.56,500 and Stock Rs.36,500. Sundry Creditors were settled at discount of 7%. A Office computer, not shown in the books of accounts realised Rs.9,000. Realisation expenses amounted to Rs.3,000.

Prepare Realisation Account, Partners Capital Account, Bank Account.

Answer.

Realisation A/c

Particulars	**Amount** ₹	**Particulars**	**Amount** ₹
To Sundry debtors	58000	By Sundry creditors	20000
To Stock A/c	39500	By Bills payable	25500
To Machinery A/c	48000	By Babu current (machinery)	45000
To Investment A/c	42000	By Ashok current (Investment)	40000
To Freehold property	50500	By Chetan current (freehold property)	55000
To Bank (creditors)	18600	By Bank (assets):	
To Bank (expenses)	3000	Debtors: 56500	
To Bank (bills payable)	25500	Stock: <u>36500</u>	93000

aglasem.com

To Profit on realization:		By Bank (computer)	9000
Ashok current A/c	1200		
Babu current A/c	800		
Chetan current A/c	400		
	287500		**287500**

Partner's current A/c

Particulars	**Ashok**	**Babu**	**Chetan**	**Particulars**	**Ashok**	**Babu**	**Chetan**
To Realisation	40000	45000	55000	By bal b/d	10000	5000	3000
				By Profit on realisation	1200	800	400
				By Capital A/c	28800	39200	51600
	40000	**45000**	**55000**		**40000**	**45000**	**55000**

Partner's capital A/c

Particulars	**Ashok**	**Babu**	**Chetan**	**Particulars**	**Ashok**	**Babu**	**Chetan**
To Ashok current A/c	28800			By bal b/d	70000	15000	27000

aglasem.com

To Babu current A/c		39200		By bank A/c			24600
To Chetan current A/c			51600				
To Bank A/c	41200	15800					
	70000	**55000**	**51600**		**70000**	**55000**	**51600**

Babu loan A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Bank A/c	30000	By bal b/d	30000
	30000		**30000**

aglasem.com

Bank A/c

Particulars	Amount	Particulars	Amount
To bal b/d	7500	By Realisation A/c	47100
To Realisation A/c (assets)	102000	By Babu loan	30000
To Chetan capital	24600	By Ashok capital	41200
		By Babu capital	15800

	134100		**134100**

Page : 255 , Block Name : Numerical Answer Questions

Q20 The following is the Balance sheet of Tanu and Manu, who shares profit and losses in the ratio of 5:3, On December 31,2017.

Balance Sheet of Tanu and Manu as on December 31, 2017

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Sundry creditors	62,000	Cash at bank	16,000
Bills payable	32,000	Debtors	55,000
Bank loan	50,000	Stock	75,000
Reserve fund	16,000	Motor car	90,000
Capital:		Machinery	45,000
Tanu 1,10,000		Investment	70,000
Manu 90,000	2,00,000	Fixtures	9,000
	3,60,000		**3,60,000**

On the above date the firm is dissolved and the following agreement was made: Tanu agree to pay the bank loan and took away the sundry debtors. Sundry creditors accepts stock and paid Rs.10,000 to the firm. Machinery is taken over by Manu for Rs.40,000 and agreed to pay of bills payable at a discount of 5%.. Motor car was taken over by Tanu for Rs.60,000. Investment realized Rs.76,000 and fixtures Rs.4,000. The expenses of dissolution amounted to Rs.2,200.

aglasem.com

Prepare Realisation Account, Bank Account and Partners Capital Accounts.

Answer.

Realisation A/c

Particulars	**Amount ₹**	**Particulars**	**Amount ₹**
To Sundry debtors	55000	By Sundry creditors	62000
To Stock A/c	75000	By Bills payable	32000
To Motor car A/c	90000	By Bank loan	50000
To Machinery A/c	45000	By Tanu capital (sundry debtors)	55000
To Investment A/c	70000	By Bank A/c (stock)	10000
To Fixtures A/c	9000	By Manu capital (machinery)	40000
To Manu capital (Bills payable)	30400	By Tanu capital (motor car)	60000
To Bank A/c (expenses)	2200	By Bank:	
To Tanu capital A/c (bank loan)	50000	Investment: 76000	
		Fixtures: 4000	80000

Aglasem Schools

		By loss transferred to capital A/c:	
		Tanu capital: 23500	
		Manu capital: <u>14100</u>	37600
	<u>426600</u>		**<u>426600</u>**

Partner's capital A/c

Particulars	Tanu	Manu	Particulars	Tanu	Manu
To Realisation (assets)	115000	40000	By bal b/d	110000	90000
To Realisation (loss)	23500	14100	By Realisation	50000	30400
To Cash A/c	31500	72300	By Reserve fund	10000	6000
	<u>170000</u>	**<u>126400</u>**		**<u>170000</u>**	**<u>126400</u>**

Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹
To bal b/d	16000	By Realisation (expenses)	2200
To Realisation	80000	By Tanu capital	31500

aglasem.com

To Realisation (stock)	10000	By Manu capital	72300
	106000		**106000**

Page : 256 , Block Name : Numerical Answer Questions

aglasem.com