

Unit 4: Dissolution of Partnership Firm

NCERT · Class 12 · Accountancy · Part 1

Short Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5

Question 1

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

Solution

Basis of Comparison	Dissolution of Partnership	Dissolution of Partnership firm
Meaning	It refers to the stage where a partner/partners discontinue their relationship with the firm.	It refers to the situation that all the relations between a firm and its partners cease to exit
Discontinuation	Business continues as usual	Discontinuation of business due to the dissolution of the firm
Accounts	A revaluation account is created	A realization account is created
Liabilities and assets	Revaluation is done	Sold off to pay for the liabilities
Economic Relationship	Continues	It comes to an end
Nature	Such type of event is voluntary in nature	It can sometimes be compulsory and sometimes voluntary
Effect	The firm is not dissolved	Both firm and partnership are dissolved

Question 2

State the accounting treatment for:

i. Unrecorded assets**ii. Unrecorded liabilities****(i) For Unrecorded Assets****Solution**

An unrecorded asset is such an asset whose value is written off from books of accounts, but it is in usable form. It is shown as follows:

1. If sold by cash

Cash A/c Dr.

To Realisation A/c

(Unrecorded asset sold off for cash)

2. If taken over by any partner

Partner's Capital A/c Dr.

To Realisation A/c

(Partner takes over unrecorded asset)

ii) For unrecorded liabilities

Liabilities that are not recorded in the books of the firm are called unrecorded liabilities. It can be shown in records as

1. When unrecorded liability is paid off

Realisation A/c Dr.

To Cash A/c

(Paid in cash the price of unrecorded liability)

2. When undertaken by a partner

Realisation A/c Dr.

To Partner's Capital A/c

(Liability that is unrecorded is taken over by partner)

Question 3

On dissolution, how you deal with partner's loan if it appears on the

(a) Assets side of the Balance Sheet (b) Liabilities side of the Balance Sheet

(a) When a partner's loan is on the asset side of the balance sheet, it means that the partner has borrowed some amount from the business and needs to pay back the same. In this instance, the loan amount gets transferred to the partners' capital account. It is shown as follows:

Solution

Partner's Capital A/c Dr.

To Partner's Loan A/c

(Loan account of partner transferred to partner capital account)

(b) When a partner's loan appears on the liabilities side of the balance sheet, it means that the partner has provided a loan to the business, and the business has to pay back the amount which it has got from the partner. The loan is paid in cash after fulfilling the payment of all external liabilities.

Partner's Loan A/c Dr.

To Cash/Bank A/c

(Loan taken from partner paid in cash)

Question 4

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

Solution

Basis of Comparison	Firm's Debts	Partner's Private Debts
Meaning	Debts that are owed by a firm to the outsiders.	Debts that are owed by a partner to any other person outside the firm.
Liability	Liability of the firm's debt lies with all the partners jointly as well as individually.	The liability of repaying debt rest only with the partner who has taken the debt.

Debt Settlement by private assets	Whenever the debts of the firm exceed the assets of the firm, the partner's private assets may be utilized in order to pay the firm's debt, only on the condition that the partner's asset is more than his debts.	The debts that are private will be settled by the private assets of the partner. If any surplus happens, it will be used to pay for the firm's debts.
Debt settlement by firm's assets	Debts of the firm are settled using the assets of the firm. If any asset remains after clearing the debt, it gets distributed between the partners.	Partner can utilize their share of surplus assets obtained after clearing all debts from the firm for personal use.

Question 5

State the order of settlement of accounts on dissolution.

Solution

The following rules are applicable to the settlement of accounts after a firm is dissolute as per Section 48 of the Partnership Act, 1932.

1. Amount which is received on the sale of assets should be used in this sequence:

- i. Paying off all external expenses and liabilities
- ii. Loans and advances that are owed to partners should be cleared.
- iii. Capitals of all the partners must be paid off.

Any amount that still remains after paying off all these items must be distributed among partners of the dissolute firm in their original profit-sharing ratio.

2. In case of loss and capital deficiency, the following must be paid in this order:

- i. Adjust loss and capital deficiency against the profits of the firm
- ii. Adjust against the total capital of the firm
- iii. If any loss or deficiencies is present after all the adjustments, the next course of action will be to bear the loss as per the individual profit-sharing ratio.

Question 6

On what account realisation account differs from revaluation account.

Solution

Basis of Comparison	Realisation Account	Revaluation Account
Meaning	It is an account that is prepared to determine the net profit or loss on the sale of assets and discharging of liabilities of the firm	It is an account that is prepared to determine variations in the value of liabilities and assets of a firm.
Comprises of	All liabilities and assets	Only those liabilities and assets that are revaluated
Time of preparation	During the dissolution of the firm	During firm restructuring
Frequency of Preparation	One time, when the firm is dissolved.	As and when a new partner is introduced or an existing partner leaves the firm
Effect	All accounts related to liabilities and assets are closed	There is no account closure when revaluation happens
Records	Records all the liabilities and assets	Records liabilities and assets whose value changed over a period.

Long Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5

Question 1

Explain the process of dissolution of a partnership firm?

Solution

The dissolution of a partnership firm results in the business being discontinued. Dissolution consists of disposing of assets, clearing payment for liabilities and distributing the profit or loss among all partners.

A firm may be dissolved in the following ways:

1. Dissolution by agreement which can be with the consent of all partners or a contract between all partners.
2. Dissolution, which becomes compulsory when all partners become insolvent or any changes in government policies make the business illegal.
3. Dissolution that is based on certain conditions such as a fixed period, purpose, death of a partner or insolvency of a partner/partners.
4. Dissolution by a written notice given by a partner with the intention to dissolve the firm.
5. Dissolution by a court on account of a partner becoming lunatic, indulging in illegal activities, found guilty of misconduct, incapable of performing duties or dissolution reason found justified.

The following rules are applicable to the settlement of accounts after a firm is dissolute as per Section 48 of the Partnership Act, 1932.

1. Amount which is received on the sale of assets should be used in the following order
 - i. Paying off all external expenses and liabilities
 - ii. Loans and advances that are owed to partners should be cleared.
 - iii. Capitals of all the partners should be paid off.

Any amount that still remains after paying off all these items should be distributed among partners of the dissolute firm in their original profit sharing ratio.

2. In case of loss and capital deficiency, the following should be paid in order:
 - i. Adjust loss and capital deficiency against profits of firm.
 - ii. Adjust against the total capital of the firm.
 - iii. If there exists any loss or deficiencies after all the adjustments, the next course of action will be to bear the loss as per the individual profit-sharing ratio.

Question 2

What is a Realisation Account?

Solution

When a firm is dissolved, it results in the closing of all accounts, assets are sold off, and liabilities are paid off. To maintain a record of all such activities, a nominal account is prepared, which is called a Realisation Account. Its main purpose is to determine the profit or loss that happens due to settling off assets and liabilities. If this exercise results in profit or loss, it gets transferred to the Partners' Capital Account with their original profit-sharing ratio.

The main objectives of preparing a realisation account are as follows:

1. To ensure all accounts are closed
2. To record all transactions that are related to sale of assets and paying off liabilities
3. Determining whether profit or loss is happening due to the sale of assets and paying off liabilities.

The format of a realisation account is as follows:

Format of Realisation Account					
Dr.		Cr.			
Particulars	Amount ₹	Particulars	Amount ₹		
Various Assets (Excluding Cash/Bank, fictitious assets, Debit balance of P and L A/c, partner Capital A/c, Current A/c, Loan to Partner)	—	Various Liabilities (Excluding Partner Capital account, reserves, P and L A/c, Current A/c, Loan to Partner)	—		
Cash/Bank (Payment for realisation expenses)	—	Provision on assets (like, Provision for doubtful debts; Provision for depreciation)	—		
Cash/Bank (Payment to outside and unrecorded liabilities)	—	Cash/Bank (Amount received from realisation of assets and unrecorded assets)	—		
Partner's Capital A/c					

(If any liability taken on expenses paid by him or remuneration payable to him)		Partner 's Capital A/c			
Partner Capital A/c		(If any asset taken over by any partner)			
(Profit on realisation distributed in the profit sharing ratio among all the partners)		Partner Capital A/c			
		(Loss on realisation borne by all the partners in their profit sharing ratio)			
	—		—		

Question 3

Reproduce the format of Realisation Account.

Solution

Format of Realisation Account					
Dr.		Cr.			
Particulars	Amount ₹	Particulars	Amount ₹		
Various Assets	—	Various Liabilities	—		
(Excluding Cash/Bank, fictitious assets, Debit balance of P and L A/c, partner Capital A/c, Current A/c, Loan to Partner)	—	(Excluding Partner Capital account, reserves, P and L A/c, Current A/c, Loan to Partner)	—		
Cash/Bank	—	Provision on assets	—		
(Payment for realisation expenses)		(like, Provision for doubtful debts; Provision for depreciation)			
Cash/Bank					

(Payment to outside and unrecorded liabilities)		Cash/Bank			
Partner's Capital A/c		(Amount received from realisation of assets and unrecorded assets)			
(If any liability taken on expenses paid by him or remuneration payable to him)		Partner 's Capital A/c			
Partner Capital A/c		(If any asset taken over by any partner)			
(Profit on realisation distributed in the profit sharing ratio among all the partners)		Partner Capital A/c			
		(Loss on realisation borne by all the partners in their profit sharing ratio)			
	—		—		

Question 4

How is deficiency of creditors paid off?

Solution

A deficiency of creditors arises when a firm is unable to pay off the creditors after selling all the assets and utilising the partner's private assets. In such a situation, there are two procedures that need to be followed:

1. Transferring deficiency to Partners' Capital Account: In this procedure, creditors get paid from the cash available with the firm, which includes each partner's individual contribution. The deficiency is transferred to the Partner's capital account and therefore is managed by all partners as per their profit-sharing ratio. In case a partner becomes insolvent, it is regarded as a capital loss for the firm. If the partnership deed has no clause for such a situation, then the capital loss needs to be borne by partners who are in a solvent state and as per their capital ratio in the firm, as per Garner vs. Murray case.
2. Transferring the deficiency to Deficiency Account: In this process, a separate account is prepared for creditors. Then to determine the cash obtained from the sale of the firm's and partners' private assets, a cash account is prepared. Then after determining the cash available with the firm, creditors and

external liabilities are paid, but not in full. The remaining creditors or the deficiency is then transferred to the deficiency account.

Numerical Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5

Question 1

Journalise the following transactions regarding Realisation expenses:

[a] Realisation expenses amounted to ₹ 2,500.

[b] Realisation expenses amounting to ₹ 3,000 were paid by Ashok, one of the partners.

[c] Realisation expenses ₹ 2,300 borne by Tarun, personally.

[d] Amit, a partner was appointed to realise the assets, at a cost of ₹ 4,000. The actual amount of Realisation amounted to ₹ 3,000.

Journal				
	Particulars	L.F.	Amount ₹	Amount ₹
(a)	Realisation A/c Dr.		2,500	
	To Bank A/c			2,500
	(Realisation expenses paid)			
(b)	Realisation A/c Dr.		3,000	
	To Ashok's Capital A/c			3,000
	(Realisation expenses paid by Ashok)			
(c)	No entry, as all Realisation expenses are borne personally by Tarun			

(d)	Realisation A/c	Dr.		4,000	
	To Amit's Capital A/c				4,000
	(Realisation expenses paid to Amit)				

Solution

Solution coming soon.

Question 2

Record necessary journal entries in the following cases:

[a] Creditors worth ₹ 85,000 accepted ₹ 40,000 as cash and Investment worth ₹ 43,000, in full settlement of their claim.

[b] Creditors were ₹ 16,000. They accepted Machinery valued at ₹ 18,000 in settlement of their claim.

[c] Creditors were ₹ 90,000. They accepted Buildings valued ₹ 1, 20,000 and paid cash to the firm ₹ 30,000.

Journal				
	Particulars	L.F.	Amount ₹	Amount ₹
(a)	Realisation A/c	Dr.	40,000	
	To Cash A/c			40,000
	(Creditors worth ₹ 85,000 accepted 40,000 as cash and investment worth ₹ 43,000 in their full settlement)			
(b)	No Entry			

	(Creditors ₹ 16,000 accepted Machinery ₹ 18,000 in the full settlement. No entry is required since both asset and liability are already transferred to the Realisation Account)			
(c)	Cash A/c	Dr.	30,000	
	To Realisation A/c			30,000
	(Creditors worth ₹ 90,000 accepted buildings worth ₹ 1,20,000 and returned ₹ 30,000 as cash after settlement of claim to the firm)			

Solution

Solution coming soon.

Question 3

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 ₹ 3,000. Journalise the transaction, supposing. That the firm has been dissolved.

Solution

Journal				
Particulars		L.F.	Amount ₹	Amount ₹
Nitin's Capital A/c	Dr.		3,000	
To Realisation A/c				3,000
(Unrecorded computer taken over by Nitin)				

Question 4

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

[a] Payment of unrecorded liabilities of ₹ 3,200.

[b] Stock worth ₹ 7,500 is taken by a partner Rohit.

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

[d] An unrecorded asset realised ₹ 5,500.

Journal					
	Particulars		L.F.	Amount ₹	Amount ₹
(a)	Realisation A/c	Dr.		3,200	
	To Bank A/c				3,200
	(Unrecorded liabilities paid)				
(b)	(Rohit's Capital A/c	Dr.		7,500	
	To Realisation A/c				7,500
	(Stock is taken over by Rohit)				
(c)	Realisation A/c	Dr.		18,000	
	To Ashish's Capital A/c				7,500
	To Tarun's Capital A/c				10,500
	(Profit on Realisation is transferred to Partners' Capital Account)				
(d)	Bank A/c	Dr.		5,500	
	To Realisation A/c				5,500
	(Unrecorded asset sold)				

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Solution

Solution coming soon.

Question 5

Give journal entries for the following transactions:

1. To record the Realisation of various liabilities and assets,
2. A Firm has a Stock of ₹ 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 ₹ 1,60,000) sold for ₹ 3,00,000 through a broker who charged 2%, commission on the deal,
5. Plant and Machinery (book value ₹ 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 ₹ 4,000 was realised at 50%.

Journal					
	Particulars		L.F	Amount ₹	Amount ₹
1)					
(a)	For Transfer of Assets				
	Realisation A/c	Dr.		–	
	To Assets A/c (Individually)				–
	(Assets transferred to Realisation Account)				
(b)	For Transfer of Liabilities				

	Liabilities A/c (Individually)	Dr.		–	
	To Realisation A/c				–
	(Liabilities transferred to Realisation Account)				
(c)	For sale of Asset				
	Cash/Bank A/c	Dr.		–	
	To Realisation A/c				–
	(Assets sold)				
(d)	For liability paid				
	Realisation A/c	Dr.		–	
	To Cash/Bank A/c				–
	(Liabilities paid)				
2)	Aziz's Capital A/c	Dr.		64,000	
	To Realisation A/c				64,000
	(Aziz, a partner took over 50% of stock at 20% discount, the value of the total stock was ₹ 1,60,000)				
	$[1,60,000 \times (50/100) \times (80/100) = ₹ 64,000]$				
3)	Bank A/c	Dr.		1,04,000	
	To Realisation A/c				1,04,000
	(Stock worth ₹ 80,000 sold at a profit of 30% on cost) $[80,000 \times (130/100) = ₹ 1,04,000]$				
4)	Bank A/c	Dr.		2,94,000	

	To Realisation A/c			2,94,000
	(Land and Building sold for ₹ 3,00,000 and 2% commission paid to the broker)			
5)	No entry			
	(Plant and Machinery ₹ 60,000 handed over to the creditors at a discount of 10%. No entry is required as both the asset and liability are already transferred to the Realisation Account)			
6)	Bank A/c	Dr.	2,000	
	To Realisation A/c			2,000
	(Investments worth ₹ 4,000 were realised at 50%)			

Solution

Solution coming soon.

Question 6

How will you deal with the Realisation expenses of the firm of Rashim and Bindiya in the following cases?

1. Realisation expenses amounts to ₹ 1, 00,000,
2. Realisation expenses amounting to ₹ 30,000 are paid by Rashim, a partner.
3. Realisation expenses are to be borne by Rashim for which he will be paid ₹ 70,000 as remuneration for completing the dissolution process. The actual expenses incurred by Rashim were ₹ 1, 20,000.

Books of Rashim and Bindiya				
Journal				
	Particulars	L.F.	Amount ₹	Amount ₹
1)	Realisation A/c Dr.		1,00,000	
	To Bank A/c			1,00,000
	(Realisation expenses paid)			
2)	Realisation A/c Dr.		30,000	
	To Rashim's Capital A/c			30,000
	(Realisation expenses borne by Rashim)			
3)	Realisation A/c Dr.		70,000	
	To Rashim's Capital A/c			70,000
	(Realisation expenses borne by Rashim and remuneration to him for dissolution ₹ 70,000)			

Solution

Solution coming soon.

Question 7

The book value of assets (other than cash and bank) transferred to Realisation Account is ₹ 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.

Solution

Journal				
Particulars		L. F.	Amount ₹	Amount ₹
Realisation A/c	Dr.		1,00,000	
To Sundry Assets A/c				1,00,000
(Assets other than cash and bank transferred to Realisation Account)				
Atul's Capital A/c	Dr.		40,000	
To Realisation A/c				40,000
(Atul took over 50% of assets worth ₹ 1,00,000 at 20% discount) $[1,00,000 \times (50/100) \times (80/100)]$				
Bank A/c	Dr.		26,000	
To Realisation A/c				26,000
(Assets worth ₹ 20,000, i.e. 40% of assets of ₹ 50,000 are sold at a profit of 30%) $[50,000 \times (40/100) \times (130/100)]$				
No entry is made for obsolescence of the assets and the assets given to the creditors in the full settlement as these are already transferred to the Realisation Account and adjusted)				

Question 8

Record necessary journal entries to record the following unrecorded liabilities and assets 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 ₹ 3,000,
2. Ashish, an old customer whose Account for ₹ 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 ₹ 30,000,
4. There was an old typewriter which had been written-off completely from the books. It was estimated to realize ₹ 400. It was taken away by Priya at an estimated price less 25%,
5. There were 100 shares of ₹ 10 each in Star Limited acquired at a cost of ₹ 2,000 which had been written-off completely from the books. These shares are valued @ ₹ 6 each and divided among the partners in their profit sharing ratio.

Books of Paras and Priya					
Journal					
	Particulars		L.F.	Amount ₹	Amount ₹
1)	Bank A/c	Dr.		3,000	
	To Realisation A/c				3,000
	(Unrecorded furniture sold)				
2)	Bank A/c	Dr.		600	
	To Realisation A/c				600
	(Bad Debt recovered which was previously written off as bad)				
3)	Paras's Capital A/c	Dr.		30,000	

	To Realisation A/c				30,000
	(Unrecorded goodwill taken over by Paras)				
4)	Priya's Capital A/c	Dr.		300	
	To Realisation A/c				300
	(Unrecorded Typewriter estimated ₹ 400 taken over by Priya at 25% less price)				
5)	Paras's Capital A/c	Dr.		300	
	Priya's Capital A/c	Dr.		300	
	To Realisation A/c				600
	(100 shares of ₹ 10 each which were not recorded in the books taken @ ₹ 6 each by Paras and Priya and divided between them in their profit sharing ratio)				

Solution

Solution coming soon.

Question 9

All partners wish to dissolve the firm. Yastin, a partner wants that her loan of ₹ 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.

Solution

As per section 48 of the Partnership Act 1932, at the time of dissolution, loans and advances from the partners must be paid off before the settlement of their capital accounts. Hence, Yastin's argument is correct that her loan of ₹ 2, 00,000 must be paid off before the payment of the partners' capital.

Question 10

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

Journal					
	Particulars		L.F	Amount ₹	Amount ₹
1	Arti's Capital A/c	Dr.		68,000	
	To Realisation A/c				68,000
	(Arti took over stock worth ₹ 80,000 at ₹ 68,000)				
2	Karim's Capital A/c	Dr.		40,000	
	To Realisation A/c				40,000
	(Karim took over an unrecorded bike of ₹ 40,000)				
3	Realisation A/c	Dr.		40,000	
	To Bank A/c				40,000
	(Compensation paid to the employees)				

4	Realisation A/c	Dr.	30,600	
	To Bank A/c			30,600
	(Creditors amounting ₹ 36,000 were settled at a discount of 15%) $[36,000 \times (85/100)]$			
5	Arti's Capital A/c	Dr.	18,000	
	Karim's Capital A/c	Dr.	24,000	
	To Realisation A/c			42,000
	(Loss on Realisation transferred to Partners' Capital Account)			

Solution

Solution coming soon.

Question 11

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 ₹	Assets		Amount ₹
Creditors	40,000	Cash		16,000
Lily's loan	32,000	Debtors	80,000	
Profit and Loss	50,000	Less: Provision for doubtful Debts	3,600	76,400
Capitals:				
Lily	1,60,000	Inventory		1,09,600

Rose	2,40,000	Bills Receivable		40,000
		Buildings		2,80,000
	5,22,000			5,22,000

Rose and Lily decided to dissolve the firm on the above date. Assets (except bills receivables) realised ₹ 4, 84,000. Creditors agreed to take ₹ 38,000. Cost of Realisation was ₹ 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 ₹ 10,000. There was a contingent liability in respect of outstanding electric bill of ₹ 5,000, Bill Receivable taken over by Rose at ₹ 33,000.

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

Solution

Books of Rose and Lily				
Realisation Account				
Dr.				Cr.
Particulars	Amount ₹	Particulars	Amount ₹	
Debtors	80,000	Provision for Doubtful Debts	3,600	
Inventory	1,09,600	Creditors	40,000	
Bills Receivables	40,000	Cash:		
Buildings	2,80,000	Motor cycle	10,000	
Cash:		Other Assets	4,84,000	4,94,000
Outstanding Electricity Bill	5,000	Rose's Capital (Bills Receivable)	33,000	
Creditors	38,000			

Expenses	2,400	45,400			
Profit transferred to:					
Rose' Capital	6,240				
Lily's Capital	9,360	15,600			
		5,70,600		5,70,600	

Partners' Capital Accounts

Dr.					Cr.
Particulars	Rose	Lily	Particulars	Rose	Lily
Realisation (Bills Receivable)	33,000		Balance b/d	2,40,000	1,60,000
Cash A/c	2,33,240	1,99,360	Profit and Loss	20,000	30,000
			Realisation (Profit)	6,240	9,360
	2,66,240	1,99,360		2,66,240	1,99,360

Lily's Loan Account

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Cash	32,000	Balance b/d	32,000
	32,000		32,000

Cash Account

Dr.			Cr.
Particulars	Amount	Particulars	Amount

		₹		₹
Balance b/d		16,000	Realisation:	
Realisation:			Creditors	38,000
Motor Cycle	10,000		Outstanding Electricity Bill	5,000
Other Assets	4,84,000	4,94,000	Expenses	2,400
				45,400
			Lily's Loan	32,000
			Rose's Capital A/c	2,33,240
			Lily's Capital A/c	1,99,360
		5,10,000		5,10,000

Note: Here the Contingent Liability of Electricity Bill has been treated as Electricity Bill Payable.

Question 12

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:

Solution

Balance Sheet of Shilpa, Meena and Nanda as on March 31, 2017			
Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Land	81,000
Shilpa	80,000	Stock	56,760
Meena	40,000	Debtors	18,600
Bank loan	20,000	Nanda's Capital Account	23,000

Creditors	37,000	Cash	10,840
Provision for doubtful debts	1,200		
General Reserve	12,000		
	1,90,200		1,90,200

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

Prepare Realisation Account.

In the books of Shilpa, Meena and Nanda					
Realisation Account					
Dr.					Cr.
Particulars		Amount ₹	Particulars		Amount ₹
Land		81,000	Bank Loan		20,000
Stock		56,760	Creditors		37000
Debtors		18,600	Provision for doubtful debts		1,200
Shilpa's Capital A/c		20,000	Shilpa's Capital A/c (Stock)		35,000
Cash :			Cash:		
Creditors	31000		Stock	14000	
Realisation Expenses	1,200	32200	Debtors	12300	
Profit transferred to			Land	1,10,000	1,36,300

Shilpa's Capital A/c	10,470					
Meena's Capital A/c	6,980					
Nanda's Capital A/c	3,490	20,940				
		2,29,500				2,29,500

Partners' Capital Account

Dr.				Cr.			
Particulars	Shilpa	Meena	Nanda	Particulars	Shilpa	Meena	Nanda
Balance b/d	—	—	23,000	Balance b/d	80,000	40,000	—
Realisation	35,000			General Reserve	6,000	4,000	2,000
(Stock)				Realisation	20,000		
Cash	81,470	50,980		(Bank Loan)			
				Realisation (Profit)	10,470	6,980	3,490
				Cash			17,510
	1,16,470	50,980	23,000		1,16,470	50,980	23,000

Cash Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	10,840	Realisation (Expenses)	32,200
Realisation (Assets)	1,36,300	Shilpa's Capital A/c	81,470
Nanda's Capital A/c	17,510	Meena's Capital A/c	50,980
	1,64,650		1,64,650

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Question 13

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 ₹	Assets	Amount ₹
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
Surjit	10,000	Investment	10,000
Rahi	8,000	Profit and 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 ₹ 8,000 and to pay Mrs. Surjit's loan.
2. Other assets were realised as follows:

Stock	₹	5,000
Debtors	₹	18,500
Furniture	₹	4,500
Plant	₹	25,000

3. Expenses on Realisation amounted to ₹ 1,600.

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

You are required to prepare Realisation Account, Partners' Capital Account and Bank Account.

Solution

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

Partners' Capital Account

Dr.					Cr.	
Particulars	Surjit	Rahi	Particulars	Surjit	Rahi	
Realisation (Investment)	8,000		Balance b/d	10,000	8,000	
Realisation (Loss)	3,960	2,640	Realisation (Mrs. Surjit Loan)	10,000		
Profit and Loss	4,500	3,000				
Bank	12,540	8,360	Reserve	9,000	6,000	
	29,000	14,000		29,000	14,000	

Rahi's Loan Account

Dr.			Cr.	
Particulars	Amount ₹	Particulars	Amount ₹	
		Balance b/d	5,000	
Bank	5,000			
	5,000		5,000	

Bank Account

Dr.			Cr.	
Particulars	Amount ₹	Particulars	Amount ₹	
Balance b/d	11,500	Realisation (Creditors and Expenses)	38,600	
Realisation A/c (Assets realised)	53,000	Rahi's Loan	5,000	
		Surjit's Capital A/c	12,540	
		Rahi's Capital A/c	8,360	

		64,500				64,500

Question 14

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 ₹	Assets	Amount ₹
Capitals:			Cash	22,500
Rita	80,000		Debtors	52,300
Geeta	50,000		Stock	36,000
Ashish	30,000	1,60,000	Investments	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:

	₹
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 ₹ 4,100,

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

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

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

In the books of Rita, Geeta and Ashish					
Realisation Account					
Dr.			Cr.		
Particulars	Amount ₹		Particulars	Amount ₹	
Debtors	52,300		Creditors	65,000	
Stock	36,000		Bills Payable	26,000	
Investment	69,000		Cash:		
Plant	91,200		Debtors	30,000	
Cash:			Stock	26,000	
Outstanding Salaries	7,200		Plant	42,750	
Discounted Bill	9,800		Investment	58,650	1,57,400
Creditors	65,000				
Bills Payable	26,000	1,08,000	Loss transferred to		
Rita's Capital A/c		7,870	Rita's Capital A/c	57,985	
(Commission- 1,57,400 × 5/100)			Geeta's Capital A/c	38,657	
			Ashish's Capital A/c	19,328	1,15,970

				364370				364370

Solution

Partners' Capital Account							
Dr.				Cr.			
Particulars	Rita	Geeta	Ashish	Particulars	Rita	Geeta	Ashish
Realisation (Loss)	57,985	38,657	19,328	Balance b/d	80,000	50,000	30,000
Bank	39,885	18,010	14,005	General Reserve	10,000	6,667	3,333
				Realisation	7,870		
	97,870	56,667	33,333		97,870	56,667	33,333

Cash Account			
Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	22,500	Realisation A/c	1,08,000
Realisation	1,57,400	Rita's Capital	39,885
		Geeta's Capital A/c	18,010
		Ashish's Capital A/c	14,005
	1,79,900		1,79,900

Question 15

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:

Solution

Balance Sheet of Anup and Sumit as on December 31, 2017					
Liabilities		Amount ₹	Assets	Amount ₹	
Sundry Creditors		27,000	Cash at bank	11,000	
Reserve fund		10,000	Sundry Debtors	12,000	
Loan		40,000	Plants	47,000	
Capital			Stock	42,000	
Anup	60,000		Lease hold land	60,000	
Sumit	60,000	1,20,000	Furniture	25,000	
		1,97,000		1,97,000	

The Assets were realised as follows:

	₹
Lease hold land	72,000
Furniture	22,500
Stock	40,500

Plant	48,000
Sundry Debtors	10,500

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

Prepare Realisation Account, Bank Account, and Partners Capital Accounts to close the books of the firm.

Books of Anup and Sumit					
Realisation Account					
Dr.					Cr.
Particulars	Amount ₹		Particulars	Amount ₹	
Sundry Debtors	12,000		Sundry Creditors	27,000	
Plants	47,000		Loan	40,000	
Stock	42,000		Bank:		
Lease hold land	60,000		Lease hold Land	72,000	
Furniture	25,000		Furniture	22,500	
Bank:			Stock	40,500	
Creditors	25,500		Plant	48,000	
Loan	40,000		Sundry Debtors	10,500	1,93,500
Expenses	2500	68,000			
Profit transferred to					
Anup's Capital A/c	3,250				

Sumit's Capital A/c	3250	6,500		
		2,60,500		2,60,500

Partners' Capital Account					
Dr.					Cr.
Particulars	Anup	Sumit	Particulars	Anup	Sumit
Bank	68,250	68,250	Balance b/d	60,000	60,000
			Reserve Fund	5,000	5,000
			Realisation	3,250	3,250
	68,250	68,250		68,250	68,250

Bank Account			
Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	11,000	Realisation (Expenses and Liabilities)	68,000
Realisation (Assets)	1,93,500	Anup's Capital A/c	68,250
		Sumit's Capital A/c	68,250
	2,04,500		2,04,500

Question 16

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:

Solution

Balance Sheet of Ashu and Harish as on December 31, 2017				
Liabilities		Amount ₹	Assets	Amount ₹
Capitals:			Building	80,000
Ashu	1,08,000		Machinery	70,000
Harish	54,000	1,62,000	Furniture	14,000
Creditors		88,000	Stock	20,000
Bank 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 ₹ 95,000 and Machinery and Furniture is take over by Harish at value of ₹ 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 ₹ 46,000, expenses of Realisation amounted to ₹ 3,000. Prepare necessary ledger Account.

Books of Ashu and Harish		
Realisation Account		
Dr.		Cr.

Particulars	Amount ₹	Particulars	Amount ₹
Building	80,000	Creditors	88,000
Machinery	70,000	Bank overdraft	50,000
Furniture	14,000	Ashu's Capital A/c (Assets taken)	1,43,000
Stock	20,000	Harish's Capital A/c (Assets taken)	1,12,000
Investments	60,000	Cash (Debtors)	46,000
Debtors	48,000		
Ashu's Capital A/c (Creditors)	88,000		
Harish's Capital A/c (Bank Overdraft)	50,000		
Cash (Expenses)	3,000		
Profit transferred to			
Ashu's Capital A/c	3,600		
Harish's Capital A/c	2,400	6,000	
	4,39,000		4,39,000

Partners' Capital Account					
Dr.					Cr.
Particulars	Ashu	Harish	Particulars	Ashu	Harish
Realisation (Assets taken)	1,43,000	1,12,000	Balance b/d	1,08,000	54,000
Cash	56,600		Realisation (Liabilities)	88,000	50,000
			Realisation (Profit)	3,600	2,400
			Cash		5,600
	1,99,600	1,12,000		1,99,600	1,12,000

Cash Account			
Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	8,000	Realisation (Expenses)	3,000
Realisation (Debtors)	46,000	Ashu's Capital A/c	56,600
Harish's Capital A/c	5,600		
	59,600		59,600

Working Notes:

	Ashu	Harish
Building	95,000	
Machinery and Furniture		80,000
Stock (3:2)	12,000	8,000
Investment (3:2)	36,000	24,000
	₹ 1,43,000	₹ 1,12,000

Question 17

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	
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Liabilities		Amount ₹	Assets	Amount ₹
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 ₹ 72,000, Debtors ₹ 54,000, Furniture ₹ 18,000, Stock 90% of the book value, Investments ₹ 76,000 and Bills receivable ₹ 31,000. Expenses of Realisation amounted to ₹ 4,500.

Prepare Realisation Account, Capital Accounts and Cash Account

Solution

Books of Sanjay, Tarun and Vineet			
Realisation Account			
Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Plant	90,000	Creditors	80,000
Debtors	60,000	Bills Payable	30,000

Furniture	32,000	Cash:		
Stock	60,000	Plant	72,000	
Investment	70,000	Debtors	54,000	
Bills Receivable	36,000	Furniture	18,000	
Cash :		Stock	54,000	
Creditors	80,000	Investments	76,000	
Bills Payable	30,000	1,10,000	Bills Receivable	31,000
				3,05,000
Sanjay's Capital A/c	18,300	Loss transferred to		
(6% commission)		Sanjay's Capital	30,650	
		Tarun's Capital A/c	20,433	
		Vineet's Capital A/c	10,217	61,300
	4,76,300			4,76,300

Partners' Capital Account

Dr.				Cr.			
Particulars	Sanjay	Tarun	Vineet	Particulars	Sanjay	Tarun	Vineet
Realisation (Loss)	30,650	20,433	10,217	Balance b/d	1,00,000	1,00,000	70,000
Cash	87,650	79,567	59,783	Realisation (commission)	18,300		
	1,18,300	1,00,000	70,000		1,18,300	1,00,000	70,000

Cash Account

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	32,000	Realisation	1,10,000
Realisation	3,05,000	Sanjay's Capital A/c	87,650
		Tarun's Capital A/c	79,567
		Vineet's Capital A/c	59,783
	3,37,000		3,37,000

Question 18

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

Balance Sheet of Gupta and Sharma as on December 31, 2017			
Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	38,000	Cash at Bank	12,500
Mrs.Gupta's loan	20,000	Sundry Debtors	55,000
Mrs.Sharma's loan	30,000	Stock	44,000
Reserve fund	6,000	Bills Receivable	19,000
Provision of doubtful debts	4,000	Machinery	52,000
Capital		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:

	₹
Sundry Debtors	52,000
Stock	42,000
Bills receivable	16,000
Machinery	49,000

(b) Investment was taken over by Gupta at agreed value of ₹ 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 ₹ 1,200.

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

Solution

Books of Gupta and Sharma				
Journal				
Date	Particulars	L.F.	Amount ₹	Amount ₹
2012				
Dec. 31	Realisation A/c	Dr.	2,35,500	

	To Sundry Debtors A/c				55,000
	To Stock A/c				44,000
	To Bills Receivable A/c				19,000
	To Machinery A/c				52,000
	To Investment A/c				38,500
	To Fixtures A/c				27,000
	(Assets transferred to Realisation Account)				
Dec. 31	Sundry Creditors A/c	Dr.		38,000	
	Mrs. Gupta's Loan A/c	Dr.		20,000	
	Mrs. Sharma's Loan A/c	Dr.		30,000	
	Provision for Doubtful Debts	Dr.		4,000	
	To Realisation A/c				92,000
	(Liabilities transferred to Realisation Account)				
Dec. 31	Bank A/c	Dr.		1,59,000	
	To Realisation A/c				1,59,000
	(Assets realised: Sundry Debtors ₹ 52,000, Stock ₹ 42,000, Bills Receivable ₹ 16,000, Machinery ₹ 49,000)				
Dec. 31	Realisation A/c	Dr.		20,000	
	To Gupta's Capital A/c				20,000
	(Gupta took over Mrs. Gupta's Loan)				
Dec. 31	Gupta's Capital A/c	Dr.		36,000	
	To Realisation A/c				36,000

	(Investment taken over by Gupta)				
Dec. 31	Realisation A/c	Dr.	66,860		
	To Bank A/c				66,860
	(Liabilities paid: Mrs. Sharma's Loan ₹ 30,000 and Creditors ₹ 38,000 paid off less 3% discount)				
Dec. 31	Realisation A/c	Dr.	1,200		
	To Bank A/c				1,200
	(Realisation expenses paid)				
Dec. 31	Gupta's Capital A/c	Dr.	18,280		
	Sharma's Capital A/c	Dr.	18,280		
	To Realisation A/c				36,560
	(Loss on Realisation transferred to Partners' capital Account)				
Dec. 31	Reserve Fund A/c	Dr.	6,000		
	To Gupta's Capital A/c				3,000
	To Sharma's Capital A/c				3,000
	(Reserve fund distributed among partners ratio)				
Dec. 31	Gupta's Capital A/c	Dr.	58,720		
	Sharma's Capital A/c	Dr.	44,720		
	To Bank A/c				1,03,440
	(Final payment made to partners)				
Realisation Account					

Dr.			Cr.		
Particulars		Amount ₹	Particulars		Amount ₹
Sundry Debtors		55,000	Sundry Creditors		38,000
Stock		44,000	Mrs. Gupta's Loan		20,000
Bills Receivable		19,000	Mrs. Sharma's Loan		30,000
Machinery		52,000	Provision for Doubtful Debts		4,000
Investment		38,500	Bank :		
Fixtures		27,000	Sundry Debtors	52,000	
Gupta's Capital A/c (Mrs. Gupta Loan)		20,000	Stock	42,000	
Bank A/c:			Bills Receivable	16,000	
Creditors	36,860		Machinery	49,000	1,59,000
Mrs. Sharma's Loan	30,000		Gupta's Capital A/c (Investment)		36,000
Expense	1,200	68,060	Loss transferred to		
			Gupta's Capital A/c	18,280	
			Sharma's Capital A/c	18,280	36,560
		3,23,560			3,23,560

Partners' Capital Account					
Dr.			Cr.		
Particulars	Gupta	Sharma	Particulars	Gupta	Sharma
Realisation (Investment)	36,000		Balance b/d	90,000	60,000
Realisation (Loss)	18,280	18,280	Realisation (Mrs. Gupta Loan)	20,000	
Bank	58,720	44,720	Reserve Fund	3,000	3,000

		1,13,000	63,000		1,13,000 63,000
Bank Account					
Dr.					Cr.
Particulars	Amount ₹	Particulars	Amount ₹		
Balance b/d	12,500	Realisation	68,060		
Realisation (Assets realised)	1,59,000	(Payment of expenses and liabilities)			
		Gupta's Capital A/c	58,720		
		Sharma's Capital A/c	44,720		
	1,71,500		1,71,500		

Question 19

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

Solution

Balance Sheet of Ashok, Babu and Chetan as on December 31, 2017			
Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	20,000	Bank	7,500
Bills payable	25,500	Sundry Debtors	58,000

Babu's loan		30,000	Stock	39,500
Capital's:			Machinery	48,000
Ashok	70,000		Investment	42,000
Babu	55,000		Freehold Property	50,500
Chetan	27,000	1,52,000		
Current Accounts :				
Ashok	10,000			
Babu	5,000			
Chetan	3,000	18,000		
		2,45,500		2,45,500

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

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

Realisation Account			
Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Sundry Debtors	58,000	Sundry Creditors	20,000
Stock	39,500	Bills Payable	25,500
Machinery	48,000	Ashok's Current A/c (Investment)	40,000

Investment		42,000	Babu's Current A/c (Machinery)		45,000
Freehold property		50,500	Chetan's Current A/c		55,000
Bank:			(Free hold property)		
Sundry Creditors	18,600		Bank:		
Bills payable	25,500		Sundry Debtors	56,500	
Expenses	3,000	47,100	Stock	36,500	
Profit Transferred to			Unrecorded computer	9,000	1,02,000
Ashok's Current A/c	1,200				
Babu's Current A/c	800				
Chetan's Current A/c	400	2,400			
		2,87,500			2,87,500

Partners' Current Accounts

Dr.							Cr.
Particulars	Ashok	Babu	Chetan	Particulars	Ashok	Babu	Chetan
Realisation	40,000	45,000	55,000	Balance b/d	10,000	5,000	3,000
(Assets taken)				Realisation (Profit)	1,200	800	400
				Ashok's Capital A/c	28,800		
				Babu's Capital A/c		39200	
				Chetan's Capital A/c			51600
	40,000	45,000	55,000		40,000	45,000	55,000

Partners' Capital Accounts

Dr.							Cr.
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Particulars	Ashok	Babu	Chetan	Particulars	Ashok	Babu	Chetan
Ashok's Current	28,800			Balance b/d	70,000	55,000	27,000
Babu's Current		39200		Bank			24,600
Chetan's Current			51600				
Bank	41,200	15,800					
	70,000	55,000	51,600		70,000	55,000	51,600

Babu's Loan A/c

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
Cash A/c	30,000	Balance b/d	30,000
	30,000		30,000

Bank Account

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
Balance b/d	7,500	Realisation (Payment of Expenses	47,100
Realisation (Assets realised)	102,000	and Liabilities)	
Chetan's Capital A/c	24,600	Babu's Loan	30,000
		Ashok's Capital A/c	41,200
		Babu's Capital A/c	15,800
	1,34,100		1,34,100

Question 20

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 ₹	Assets	Amount ₹
Sundry Creditors		62,000	Cash at Bank	16,000
Bills Payable		32,000	Sundry 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 ₹ 10,000 to the firm. Machinery is taken over by Manu for ₹ 40,000 and agreed to pay of bills payable at a discount of 5%.. Motor car was taken over by Tanu for ₹ 60,000. Investment realised ₹ 76,000 and fixtures ₹ 4,000. The expenses of dissolution amounted to ₹ 2,200.

Prepare Realisation Account, Bank Account and Partners Capital Accounts.

Solution

Books of Tanu and Manu					
Realisation Account					
Dr.					Cr.
Particulars	Amount ₹	Particulars	Amount ₹		
Sundry Debtors	55,000	Sundry Creditors	62,000		
Stock	75,000	Bills Payable	32,000		
Motor Car	90,000	Bank Loan	50,000		
Machinery	45,000	Tanu's Capital A/c:			
Investment	70,000	Sundry Debtors	55,000		
Fixtures	9,000	Motor Car	60,000	1,15,000	
Manu's Capital A/c (Bills Payable)	30,400	Bank:			
Bank (Expenses)	2,200	Stock	10,000		
Tanu's Capital A/c (Bank Loan)	50000	Investment	76,000		
		Fixtures	4,000	90,000	
		Manu's Capital (Machinery)	40,000		
		Loss transferred to			
		Manu's Capital A/c	23,500		
		Manu's Capital A/c	14,100	37,600	
	4,26,600		4,26,600		
Partners' Capital Account					

Dr.					Cr.	
Particulars	Tanu	Manu	Particulars	Tanu	Manu	
Realisation (Assets taken)	1,15,000	40,000	Balance b/d	1,10,000	90,000	
Realisation (Loss)	23,500	14,100	Realisation (Liabilities)	50,000	30,400	
Bank	31,500	72,300	Reserve Fund	10,000	6,000	
	1,70,000	1,26,400		1,70,000	1,26,400	

Bank Account				
Dr.			Cr.	
Particulars	Amount ₹	Particulars	Amount ₹	
Balance b/d	16,000	Realisation (Expenses)	2,200	
Realisation (Assets)	90,000	Tanu's Capital A/c	31,500	
		Manu's Capital A/c	72,300	
	1,06,000		1,06,000	

Concepts covered in this chapter –

- Dissolution of partnership
- Dissolution of a firm
- Settlement of Accounts
- Accounting treatment

Conclusion