

India's Number 1 Education App

### ACCOUNTS

# NCERT - NCERT ACCOUNTS(HINGLISH)

## **DISSOLUTION OF PARTNERSHIP FIRM**

Illustration

**1.** Supriya and Monika are partners, who share profit in the ratio of 3:2. Following is the balance sheet as on March 31, 2017.

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Supriya's Capital Monika's Capital Sundry Creditors Reserve fund	32,500 11,500 48,000 13,500	Cash and Bank Stock Sundry debtors 21.500 Less: Provision500 for doubtful debts Fixed Assets	40,500 7,500 21,000 36,500
	1,05,500		1,05,50

The firm was dissolved on March 31, 2017. Close

the books of the firm with the following information:

- (i) Debtors realised at a discount of 5%,
- (ii) Stock realised at Rs.7,000,
- (iii) Fixed assets realised at Rs.42,000,
- (iv) Realisation expenses of Rs.1,500,
- (v) Creditors are paid in full. Prepare necessary

ledger accounts.



**2.** Sita, Rita and Meeta are partners sharing profit and losses in the ratio of 2:2:1 Their balance sheet as on March 31, 2017 is as follows:

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Reserve fund Creditors Capitals: Sita Rita Meeta	5,000 2,000 <u>1,000</u>	2,500 2,000 8,000	Cash at bank Stock Furniture Debtors Plant and Machinery	2,500 2,500 1,000 2,000 4,500
		12,500		12,500

They decided to dissolve the business. The following amounts were realised: Plant and Machinery Rs.4,250, Stock Rs.3,500, Debtors Rs.1850, Furniture 750. Sita agreed to bear all realisation expenses. For the service Sita is paid Rs.60. Actual expenses on realisation amounted to Rs.450.Creditors paid 2% less. There was an unrecorded assets of Rs.250, which was taken over by Rita at Rs.200. Prepare the necessary accounts to close the books of the firm

Watch Video Solution

**3.** Nayana and Arushi were partners sharing profits equally Their Balance Sheet as on

### March 31, 2017 was as follows:

Liabilities	$\left( \left( a_{a}\right) \right)$	Amount (R <b>s</b> .)	Assets	Amount (Rs.)
Capitals:	4	10-10-10-10-10-10-10-10-10-10-10-10-10-1	Bank	30,000
Nayana	1,00,000	1. N.	Debtors	25,000
Arushi	50,000	1,50,000	Stock	35,000
Creditors	Steel -	20,000	Furniture	40,000
Arushi's curren	t account	10,000	Machinery	60,000
Vorkmen Comp	ensation Fund	15,000	Nayana's current account	10,00
Bank overdraft		5,000		
		2,00,000	1	2,00,00

The firm was dissolved on the above date:

1. Nayana took over 50% of the stock at 10%

less on its book value, and the remaining stock

was sold at a gain of 15%. Furniture and

Machinery realised for Rs.30,000 and

Rs.50,000 respectively,

2. There was an unrecorded investment which was sold for Rs. 25,000,

3. Debtors realised 90% only and Rs.1,200 were

recovered for bad debts written-off last year,

4. There was an outstanding bill for repairs

which had to be paid for Rs.2,000.

Record necessary journal entries and prepare

ledger accounts to close the books of the firm.

Watch Video Solution

**4.** Following is the Balance Sheet of Ashwani and Bharat on March 31, 2017.

Liabilities	•	Amount (Rs.)	Assets	Amount (Rs.)
Creditors Mrs.Ashwani's lo Mrs.Bharat loan Investment fluctu Reserve fund Capitals: Ashwani Bharat		76,000 10,000 20,000 20,000 20,000 40,000	Cash at bank Stock Investments Debtors 40,0 Less: Provision for doubtful debts <u>4,00</u> Buildings Goodwill	
		1,68,000		1,68,000

The firm was dissolved on that date. The following was agreed transactions took place. (i) Aswhani promised to pay Mrs. Ashwani's loan and took away stock for Rs.8,000. (ii) Bharat took away half of the investment at 10% less. Debtors realised for Rs.38,000. Creditor's were paid at less of Rs.380. Buildings realised for Rs.1,30,000, Goodwill Rs.12,000 and the remaining Investment were sold at Rs.9,000. An old typewriter not recorded in the books was taken over by Bharat for Rs. 600. Realisation expenses amounted to Rs. 2,000. Prepare Realisation Account, Partner's Capital Account and Bank Account.

Watch Video Solution

### 5. Sonia, Rohit and Udit are partners sharing

profits in the ratio of 5:3:2. Their Balance Sheet

as on March 31, 2017 was as follows:

nia, Rohit a	and Udit as on March 31, 2017	
Amount (Rs.)	Assets	Amount (Rs.)
30,000 30,000 1,20,000 1,30,000 80,000 2,70,000	Buildings Machinery Stock Bills receivable Furniture Cash at bank	2,00,000 40,000 1,60,000 1,20,000 80,000 60,000
6,60,000		6,60,000
	Amount (Rs.) 30,000 1,20,000 1,30,000 80,000 2,70,000	(Rs.) 30,000 Buildings 30,000 Machinery 1,20,000 Stock 1,30,000 Bills receivable 80,000 Furniture Cash at bank 2,70,000

The firm was dissolved on that date. Close the books of the firm with following information: 1. Buildings realised for Rs.1,90,000, Bills receivable realised for Rs.1,10,000, Stock realised Rs.1,50,000, and Machinery sold for Rs.48,000 and furniture for Rs. 75,000, 2. Bank loan was settled for Rs.1.30.000. Creditors and Bills payable were settled at 10% discount, 3. Rohit paid the realisation expenses of

Rs.10,000 and he was to get a remuneration of Rs.12,000 for completing the dissolution process. Prepare necessary ledger accounts.



### 6. Romesh and Bhawan were in partnership

sharing profit and losses as 3:2. Their Balance

Sheet as on March 31, 2017, was as follows:

Bala	Balance Sheet of Romesh and Bhawan as on March 31, 2014				
Liabilities	-	Amount (Rs.)	Assets	Amount (Rs.)	
Bank loan Creditors Bills payables Bhawan loan Capitals: Rome <b>s</b> h Bhawan	1,00,000 <u>2,00,000</u>	60,000 80,000 40,000 20,000 3,00,000	Cash at bank Debtors Stock Investments Buildings	30.000 70,000 2,00,000 1,40.000 60,000	
		5,00,000		5.00,000	

They decided to dissolve the firm. The following information is available:

1. Debtors were recovered 5% less. Stock was

realised at books value and building was sold

for Rs.51,000,

2. It is found that investment not recorded in the books amounted to Rs.10,000. The same were accepted by one creditor for this amount and other Creditors were paid at a discount of 10%. Bills payable were paid full, 3. Romesh took over some of the Investments at Rs.8,100 (book value less 10%). The remaining investment were taken over by Bhawan at 90% of the book value less Rs.900 discount,

4. Bhawan paid bank loan along with one year interest at 6% p.a,

5. An unrecorded liability of Rs.5,000 paid. Close the books of the firm and prepare necessary ledger accounts.

Watch Video Solution

# **7.** Sonu and Ashu sharing profits as 3:1 and they agree upon dissolution. The Balance Sheet as on March 31, 2017 is as under:

	Balance Sheet o	f Sonu and	Ashu as on March 31, 2017	
Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Loan Creditors Capital Sonu Ashu	1,10,000	12,000 18,000 1,78,000 <b>208,000</b>	Cash at bank Stock Furniture Debtors Plant and Machinery	25,000 45,000 16,000 70,000 52,000 <b>2,08,000</b>

Sonu took over plant and machinery at an

agreed value of Rs.60,000. Stock and Furniture were sold for Rs.42,000 and Rs.13,900 respectively. Debtors were took over by Ashu at Rs.69,000. Creditors were paid subject to discount of Rs.900. Sonu agrees to pay the loans. Realisation expenses were Rs.1,600. Prepare Realisation Account, Bank Account and Capital Accounts of the Partners.

# **8.** Anju, Manju and Sanju sharing profit in the ratio of 3:1:1 decided to dissolve their firm. On March 31, 2014 their position was as follows:

	Balance Sheet Anju	, Manju and	l Sanju as on March 31, 2017	
Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors Loan Capitals: Anju Manju Sanju	2.75,000 1,10,000 1,00,000	60,000 15,000 4,85,000	Cash at bank Stock Furniture Debtors 2,42,000 Less: Provision for doubtful debts <u>12,000</u> Buildings	35,000 83,000 12,000 2,30,000 2,00,000
		5,60,000		5,60,000

It is agreed that:

1. Anju takes over the Furniture at Rs.10,000 and Debtors amounting to Rs.2,00,000 at Rs.1,85,000. Anju also agrees to pay the creditors,

2. Manju is to take over Stock at book value

and Buildings at book value less 10%,

3. Sanju is to take over remaining Debtors at 80% of book value and responsibility for the discharge of the loan,

4. The expenses of dissolution amounted to Rs.2,200. Prepare Realisation Account, Bank Account and Capital Accounts of the partners.



**9.** Sumit, Amit and Vinit are partners sharing profit in the ratio of 5:3:2. Their Balance Sheet

### as on March 31, 2017 was as follows:

Balance Sheet of Sunit, Amit and Vinit as on March 31, 2017				
Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capitals: Sumit Amit Vinit Profit and Loss Mrs. Amit's loan Sundry creditors	40,000 50.000 <u>60,000</u>	1,50,000 10,000 40,000 90,000 <b>2,90,000</b>	Machinery Investments Stock Debtors Cash at bank	80,000 1,50,000 10,000 35,000 15,000 <b>2,90,00</b>

The firm was dissolved on that date. Amit took over his wife's loan. One of the Creditors for Rs.2,600 was not claim the amount. Other assets realised as follows:

1. Machinery was sold for Rs.70,000,

2. Investments with book value of Rs.1,00,000 were given to Creditors in full settlement of their account. The remaining Investments were took over by Vinit at an agreed value of Rs.45,000,

3. Stock was sold for Rs.11,000 and Debtors for

Rs.3,000 proved to be bad,

4. Realisation expenses were Rs.1,500. Prepare

ledger accounts to close the books of the firm.

Watch Video Solution

**10.** Meena and Tina are partners in a firm and sharing profit as 3:2. They decided to dissolve their firm on March 31, 2017 when their Balance Sheet was a follows:

	lance shee	t Meena and	Tina as on March 31, 2	017
Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Capital : Meena Tina Sundry creditors Bills payable	90,000 <u>80,000</u>	1,70,000 60,000 20,000	Machinery Investments Stock Sundry Debtors Cash at bank	70,000 50,000 22,000 1,03,000 5,0 <b>0</b> 0
		2,50,000	1	2,50,000
			1	17 F

The assets and liabilities were disposed off as follows :

(a) Machinery were given to creditors in full settlement of their account and Stock were given to bills payable in full settlement. (b) Investment were took over by Tina at book value. Sundry debtors of book value Rs. 50,000 took over by Meena at 10% less and remaining debtors realised Rs. 51,000.

(c) Realisation expenses amount to Rs. 2,000.

Prepare necessary ledger accounts to close

the book of the firm.



### Test Your Understanding I

1. Dissolution of a partnership is different from

dissolution of a firm,

2. A partnership is dissolved when there is a

death of a partner,

Watch Video Solution

**3.** A firm is dissolved when all partners give consent to it.

4. A firm is compulsorily dissolved when a

partner decide to retire.

Watch Video Solution

5. Dissolution of a firm necessarily involves

dissolution of partnership.

**6.** A firm is compulsorily dissolved when all partners or when all except one partner become involvent.



7. Court can order a firm to be dissolved when

a partner becomes insane.



8. Dissolution of partnership can not take

place without intervention of the court.



### Test Your Understanding li

**1.** On dissolution of a firm, bank overdraft is

transferred to :

1)Cash Account

2)Bank Account

3)Realisation Account

4)Partner's capital Account.

A. Cash Account

B. Bank Account

C. Realisation Aaccount

D. Partner's capital Account.

Answer: C

2. On dissolution of a firm, partner's loan
account is transferred to:
1) Realisation Account
2)Partner's Capital Account
3)Partner's Current Account
4)None of the above.

A. Realisation Account

B. Partner's Capital Account

C. Partner's Current Account

D. None of the above.

#### Answer: D



**3.** After transferring liabilities like creditors and bills payables in the Realisation Account, in the absence of any information regarding then payment, such liabilities are treated as:
1)Never paid
2)Fully paid
3)Partly paid

4)None of the above.

A. Never paid

B. Fully paid

C. Partly paid

D. None of the above.

Answer: B

Watch Video Solution

4. When realisation expenses are paid by the

firm on behalf of a partner, such expenses are

debited to:

1)Realisation Account

2)Partner's Capital Account

3)Partner's Loan Account

4)None of the above.

A. Realisation Account

B. Partner's Capital Account

C. Partner's Loan Account

D. None of the above.

Answer: D

**5.** Unrecorded assets when taken over by a partner are shown in :

1)Debit of Realisation Account

2)Debit of Bank Account

3)Credit of Realisation Account

4)Credit of Bank Account.

A. Debit of Realisation Account

B. Debit of Bank Account

C. Credit of Realisation Account

D. Credit of Bank Account.





**6.** Unrecorded liabilities when paid are shown in:

1)Debit of Realisation Account

2)Debit of Bank Account

3)Credit of Realisation Account

4)Credit of Bank Account.

A. Debit of Realisation Account

- B. Debit of Bank Account
- C. Credit of Realisation Account
- D. Credit of Bank Account.

Answer: A

Watch Video Solution

7. The accumulated profits and reserves are

transferred to :

1)Realisation Account

2) Partners' Capital Accounts

3)Bank Account

4)None of the above.

A. Realisation Account

B. Partners' Capital Accounts

C. Bank Account

D. None of the above.

Answer: B

8. On dissolution of the firm, partner's capital

accounts are closed through:

1)Realisation Account

2)Drawings Account

3)Bank Account

4)Loan Account.

A. Realisation Account

**B. Drawings Account** 

C. Bank Account

D. Loan Account.





### Test Your Understanding lii

 All assets (except cash/bank and fictitious assets) are transferred to the —— (Debit/Credit) side of ——Account (Realisation/Capital).

2. All —— (internal/external) liabilities are

transferred to the —— (Debit/Credit) side of

——acccount (Bank/Realisation).



**3.** Accumulated losses are transferred to ——

(Current/Capital Accounts) in —— (equal

ratio/profit sharing ratio).

**4.** If a liability is assumed by a partner, such Partner's Capital Account is —— (debited/credited).

Watch Video Solution

5. If a partner takes over an asset, such (Partner's Capital Account) is ——

(debited/credited).

**6.** No entry is required when a —— (partner/creditor) accepts a fixed asset in payment of his dues.

Watch Video Solution

7. When creditor accepts an asset whose value is more than the amount due to him, he will —— (pay/not pay) the excess amount which will be credited —— Account.

8. When the firm has agreed to pay the partner a fixed amount for realisation work irrespective of the actual amount spent, such fixed amount is debited to (Realisation/Capital) Account and Credited to (Capital/Bank) Account.



9. Partner's loan is —— (recorded/not

recorded) in the (Realisation Account).



10. Partner's current accounts are transferred

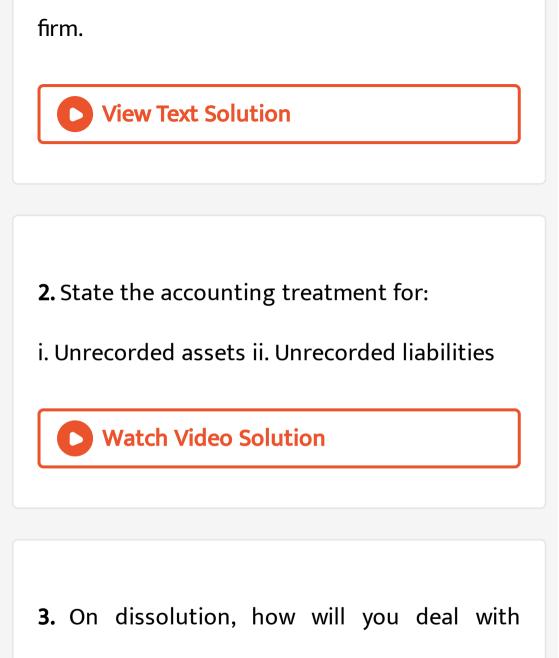
to respective —— Partners' (Loan/Capital)

Accounts.

View Text Solution

**Short Answer Questions** 

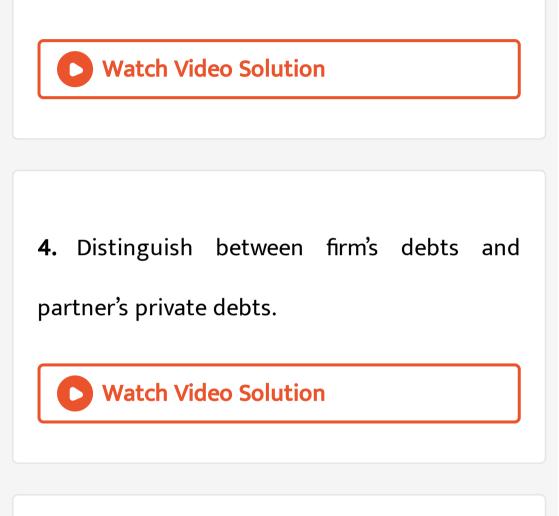
**1.** State the difference between dissolution of partnership and dissolution of partnership



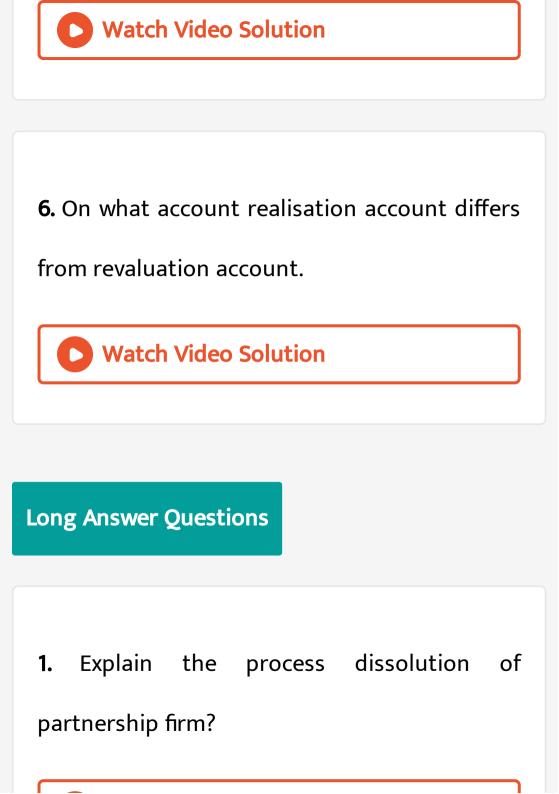
partner's loan if it appears on the (a) assets

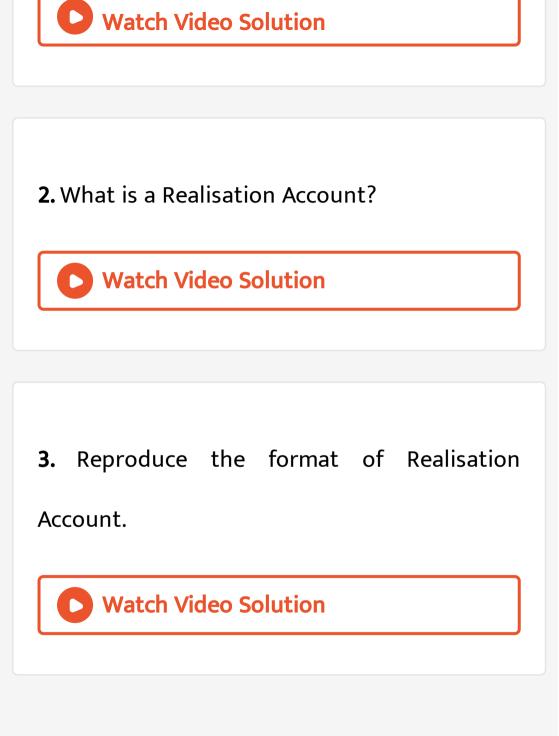
side of the balance sheet, (b) liabilities side of

balance sheet.



**5.** State the order of settlement of accounts on dissolution.





**4.** How deficiency of creditors is paid off?



# Numerical Questions

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

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

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

Watch Video Solution

**2.** 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.

**3.** 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 takeover 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.

4. 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.

View Text Solution

5. 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 Reliasation 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.



### 6. Rose and Lily shared profits in the ratio of

2:3. Their Balance Sheet on March 31, 2017 was as follows:

Liabilities	Amount (Rs.)	Assets		Amount (Rs.)
Creditors Lily's Ioan Profit and Loss <i>Capitals:</i> Lily Rose	40,000 32,000 50,000 1,60,000 2,40,000 <b>5,22,000</b>	Cash Debtors Less: Provision for doubtful debts Inventory Bills receivable Buildings	80,000 _3,600	16,000 76,400 1,09,600 40,000 2,50,000 <b>5,22,000</b>

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 Acount, Loan Account and Cash Account.

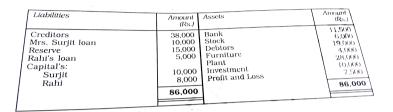
7. Shilpa, Meena and Nanda decided to dissolve their partnership on March 31,2017.
Their profit sharing ratio was 3:2:1 and their Balance Sheet was as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capitals: Shilpa Meena Bank loan Creditors Provision for doubtful debts General reserve	80,000 40,000 20,000 37,000 1,200 12,000	Land Stock Debtors Nanda's capital Cash	81,000 56,760 18,600 23,000 10,840
	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 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 Realisation Account.



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



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

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 Realisation account, Partner's Capital account and Bank account.

**Watch Video Solution** 

**9.** 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: Rita Geeta Ashish Creditors Bills payable General reserve	80,000 50,000 <u>30,000</u>	1,60,000 65,000 26,000 20,000 <b>2,71,000</b>	Cash Debtors Stock Investments Plant	22,500 52,300 36,000 69,000 91,200 <b>2,71,000</b>

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,

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.



**10.** Anup and Sumit are equal partners in a firm. They decided to dissolve the parntership on December 31, 2017. When the balance sheet

#### is as under :

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors Reserve fund Loan Capital Anup Sumit	60,000 <u>60,000</u>	27,000 10,000 40,000 1,20,000 <b>1,97,000</b>	Cash at bank Sundry Debtors Plants Stock Lease hold land Furniture	11,000 12,000 47,000 42,000 60,000 25,000 <b>1,97,000</b>

The Assets were realised as follows : Rs. Lease hold 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 realisation amount to Rs. 2,500. Prepare Realisation Account, Bank Account, Partners Capital Accounts to close

the books of the firm.

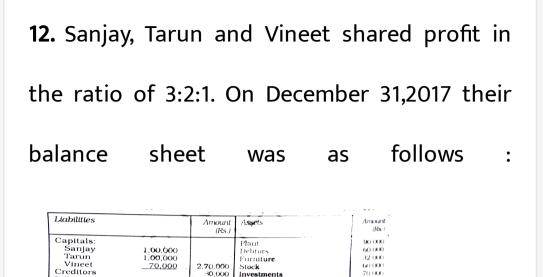
Watch Video Solution

**11.** 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:

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Sundry Creditors Reserve fund Loan Capital Anup Sumit	60,000 <u>60,000</u>	27,000 10,000 40,000	Cash at bank Sundry Debtors Plants Stock Lease hold land Furniture	$ \begin{array}{c} 11,000\\ 12,000\\ 47,000\\ 42,000\\ 60,000\\ 25,000\\ \end{array} $
		1,97,000		1,97,000

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.



Bills receivable

Cash in hand

345 (1010)

32 (00)

3.80.000

30,000

3.80,000

**Bills** payable

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

Watch Video Solution

## 13. The following is the Balance Sheet of Gupta

#### and Sharma as on December 31,2017:

Sundry Creditors         38,000         Cash at bar           Mrs.Gupta's loan         20,000         Sundry Deb           Mrs.Sharma's loan         30,000         Stock           Reserve fund         6,000         Bills receiva	Amount (Rs.)
Provision of doubtful debts Capital Gupta 90,000 Sharma <u>60,000</u> <b>2,48,000</b> <b>D</b>	ors 55,000 44,000

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 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.



**14.** Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. They dissolve the partnership of the December 31, 2017, when the balance sheet of the firm as under:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Sundry CreditorsBills payableBabu's loanCapital's :Ashok70,00Babu55,00Chetan27,00Current accounts :Ashok10,00Babu5,00Chetan3,00	0 0 1,52,000 0	Bank Sundry Debtors Stock Machinery Investment Freehold property	7,500 58,000 39,500 48,000 42,000 50,500

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.



### 15. 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:

Liabilities		Amount (Rs.)	anu as on December 31, 201 Assets	Amount (Rs.)
Sundry Creditors Bills payable Bank loan Reserve fund Capital Tanu	1,10,000	62,000 32,000 50,000 16,000 2,00,000	Cash at bank Sundry Debtors Stock Motor car Machinery Investment Fixtures	16,000 55,000 75,000 90,000 45,000 70,000 9,000
Manu	90,000	3,60,000		3,60,00

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 realised Rs.76,000 and fixtures Rs.4,000. The expenses of dissolution amounted to Rs.2,200. Prepare Realisation Account, Bank Account and Partners Capital Accounts.