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Dissolution of partnership firm class 12

The main objectives of preparing a realisation account are as follows: 1. Creditors of Rs 16,000 were taken over by X at Rs 14,000. 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.Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. There were also due on Loan A/c to A Rs 4,500 and to B Rs. 750. On 31st March, 2013, their Balance Sheet was as follows:On the above date the firm was dissolved.(a) Ramesh took over 50% of stock at Rs 10,000 less than the book value. The deficiency is transferred to the Partner's capital account and therefore is managed by all partners as per their profit-sharing ratio. Realisation expenses Rs 1,250 were also paid. It was now sold for Rs 10,000. Jay agreed to bear dissolution expenses. 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 14. The Investments were sold and Rs 56,500 were received. State the order of settlement of accounts on dissolution. Yes, the loan from an outside have priority over the loan from a partner as to repayment.Short Answer Type Questions.......................Question 1. An acceptor of one bill of Rs 2,500 became insolvent and fifty paise in a rupee was recovered. This was sold for Rs 3,000,2. Get simple, step-by-step solutions to help you ... NCERT solutions for Mathematics Accountancy - Not-for-profit Organisation and Partnership Accounts [English] Class 12 CBSE 5 (Dissolution of Partnership Firm) ... Read below DK Goel Solutions for Class 12 Chapter 6 Dissolution of Partnership Firm. If sold by cash Cash A/c Dr. To Realisation A/c (Unrecorded asset sold off for cash) 2. 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. (b) There was an unrecorded bike of Rs 50,000 which was taken over by X. It is shown as follows: 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 assets, other than cash Rs 2,000 realised Rs 1,21,000. How much will X and Y receive?Answer 42:Question 43: A, B and C were partners sharing profits int he ratio of 5 : 3 : 2 . Creditors agreed to take Rs 38,000. Expenses of Realisation amount to Rs 2,500. Realisation expenses paid amounted to Rs 900.Prepare necessary Ledger Accounts to close the books of the firm. 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) Cash/Bank (Payment for realisation expenses) Cash/Bank (Payment to outside and unrecorded liabilities) Partner's Capital A/c (If any liability taken on expenses paid by him or remuneration payable to him) Partner Capital A/c (Profit on realisation distributed in the profit sharing ratio among all the partners) – – – – Various Liabilities (Excluding Partner Capital account, reserves, P and L A/c, Current A/c, Loan to Partner) Provision on assets (like, Provision for doubtful debts; Provision for depreciation) Cash/Bank (Amount received from realisation of assets and unrecorded assets) Partner 's Capital A/c (If any asset taken over by any partner) Partner Capital A/c (Loss on realisation borne by all the partners in their profit sharing ratio) – – – – – – 3. Answer 16:Question 17: Pass necessary journal entries on the dissolution of a firm in the following cases:(a) Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of Rs 12,000 and he had to bear the dissolution expenses. Rita was to receive 5% commission on the rate of assets (except cash) and was to bear all expenses of Realisation, 2. What is a Realisation Account? Answer 11:Question 12: Rohit, Kunal and Sarthak are partners in a firm. Prepare necessary accounts.Answer 52:Question 53: P, Q and R are three partners sharing profits and losses in the ratio of 3:3:2 respectively. There was a contingent liability in respect of outstanding electric bill of ₹ 5,000, Bill Receivable taken over by Rose at ₹ 33,000. The liability of repaying debt rest only with the partner who has taken the debt. Gupta's loan. The liability of the firm on account of this bill discounted and dishonoured has not so far been recorded.(b) There was a contingent liability in respect of a claim from damages for Rs 75,000 , such liability was settled for Rs 50,000 and paid by the partner A .(c) Firm will have to pay Rs 10,000 as compensation to an injured employee, which was a contingent liability not accepted by the firm .(d) Rs 5,000 for damages claimed by a customer has been disputed by the firm . Answer 29:Question 30: Yogesh and Naresh were partners sharing profit equally. They decided to dissolve the partnership. As the students would have learnt the fundamentals of the subject of accountancy in Class 11, the NCERT Class 12 Solutions is a continuation of it. Ashu and Harish are partners sharing profit and losses as 3:2. Dr. To Bank/ Cash A/cQuestion 13. 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%) 6. [b] Realisation expenses amounting to ₹ 3,000 were paid by Ashok, one of the partners. They accepted Buildings valued ₹ 1, 20,000 and paid cash to the firm ₹ 30,000. Expenses of Realisation amounted to Rs 4,100, 5. (f) A debtor of Rs 8,000 already transferred to Realisation Account agreed to pay the realisation expenses of Rs 7,800 in full settlement of his account. Yastin, a partner wants that her loan of ₹ 2, 00,000 must be paid off before the payment of capitals to the partners. Answer 3:Question 4: Pass journal entries for the following:(a) Realisation expenses amounted to Rs 10,000 were paid by the firm on behalf of Alok, a partner, with whom it was agreed at Rs 7,500.(b) Realisation expenses amounted to Rs 5,000. The following transactions took place:(a) Mrs. The firm has three partners X, Y and Z.(d) Assets of the firm realised Rs 1,25,000.(e) Y who undertakes to carry out the dissolution proceedings is paid Rs 2,000 for the same.(f) Creditors are paid Rs 28,000 in full settlement of their account of Rs 30,000. 6. Dissolution by a written notice given by a partner with the intention to dissolve the firm. They agreed to dissolve the firm. They decide to dissolve their partnership on 31st March,2019 at which date their Balance Sheet stood as: (a) The assets realised were:Stock Rs 22,000; Debtors Rs 7,500; Machinery Rs 16,000; Building Rs 35,000.(b) Yale took over the Furniture at Rs 9,000.(c) Bale agreed to accept Rs 2,500 in full settlement of his Loan Account .(d) Dissolution Expenses amounted to Rs 2,500.Prepare the:(i) Realisation Account; (ii) Capital Accounts of Partners; (iii) Bale's Loan Account; (iv) Bank Account. Remaining Creditors were paid at Rs 76,500. The remaining stock was sold at Rs 14,000 and debtors amounting to Rs 10,000 realised Rs 8,000. What is Realisation Account?Realisation Account is opened on the dissolution of a firm. Furniture sold for Rs 30,000; Machinery Rs 82,000 and Land Rs 1,20,000. (f) Creditors, to whom the firm owed Rs 6,000, accepted stock of Rs 5,000 at a discount of 5% and the balance in cash. A Office computer, not shown in the books of Accounts realised ₹ 9,000. 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) 3. (d) There was an old typewriter which had been written off completely from the books. They agreed to dissolve their partnership firm on 31st March, 2018. Sanjay was appointed to realise the assets. 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 NCERT Solutions for Class 12 Accountancy Chapter 5 provides a wide degree of illustrative examples, which assist the students in comprehending and learning quickly. Expenses of Realisation amounted to ₹ 4,500. (b) A second creditor for Rs 50,000 accepted stock Rs 45,000 in full settlement of his claim. Debtors realised for Rs 46,000, expenses of Realisation amounted to Rs 3,000. On 31st March, 2018 their liabilities were Rs 18,000. Answer 44:Question 45: A and B dissolve their partnership. There was an old furniture in the firm which had been written-off completely in the books. Then to determine the cash obtained from the sale of the firm's and partners' private assets, a cash account is prepared. The remaining stock was sold at Rs 14,000 and debtors amounting to Rs 10,000 realised Rs 8,000. 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. Surjit's Loan) Furniture 4,500 Bank: Plant 25,000 53,000 Expenses 1,600 Loss transferred to: Creditors 37,000 38,600 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. How is deficiency of creditors paid off? (e) Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commission of Rs 10,000. Prepare Realisation Account, Bank Account, and Partners Capital Accounts to close the books of the firm. 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 Amt (Rs.) Assets Amt (Rs.) 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: 1,52,000 Machinery 48,000 Ashok 70,000 Investment 42,000 Babu 55,000 Freehold Property 50,500 Chetan 27,000 Current Accounts : 18,000 Ashok 10,000 Babu 5,000 Chetan 3,000 2,45,500 2,45,500 The Machinery was taken over by Babu for Rs 45,000, Ashok took over the Investment for Rs 40,000 and Freehold property was taken over by Chetan at Rs 55,000. 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 Partners' and Cash Account.Anup and Sumit are equal partners in a firm. Bills Payable were settled for Rs 32,000. When undertaken by a partner Realisation A/c Dr. To Partner's Capital A/c (Liability that is unrecorded is taken over by partner) 3. Loss on Realisation ₹ 42,000 was to be distributed between Arti and Karim in the ratio of 3:4. He also agreed to settle Mrs. Hence, the amount of capital is transferred from his loan account to his capita account.Question 22. Debtors were realised at a discount of 5%.(b) Furniture was taken over by Umesh for Rs 50,000 and machinery was sold for Rs 4,50,000.(c) Creditors were paid in full.(d) There was an unrecorded bill for repairs for Rs 1,60,000 which was settled at Rs.1,40,000.Prepare Realisation Account. Liability Liability of the firm's debt lies with all the partners jointly as well as individually. Expenses of Realisation amounted to Rs 4,500.Prepare Realisation Account, Capital Accounts and Cash AccountThe 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 Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) 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 Investment 38,500 Capital : 150,000 Fixtures 27,000 Gupta 90,000 Sharma 60,000 248,000 248,000 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. Rita was appointed to realise the assets. Assets were realised for Rs 88,500. To ensure all accounts are closed 2. Remaining Stock was sold at a profit of 30% on cost, 4. Their balance sheet on the above date was:Balance Sheet of Ashu and Harish as on December 31, 2017 Liabilities Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) Capitals: 162,000 Building 80,000 Ashu 108,000 Machinery 70,000 Harish 54,000 Furniture 14,000 Creditors 88,000 Stock 20,000 Bank overdraft 50,000 Investments 60,000 Debtors 48,000 Cash in hand 8,000 300,000 300,000 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. Give journal entries for the following transactions: 1. The firm was dissolved and its assets were red J. On December 31,2017 their balance sheet was as follows:Balance Sheet of Sanjay, Tarun and Vineet as on December 31, 2017 Liabilities Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) Capitals: 270,000 Plant 90,000 Sanjay 100,000 Debtors 60,000 Tarun 100,000 Furniture 32,000 Vineet 70,000 Stock 60,000 Creditors 80,000 Investments 70,000 Bills payable 30,000 Bills receivable 36,000 Cash in hand 32,000 380,000 380,000 On this date the firm was dissolved. Each of the partners withdrew Rs 10,000 during the year.On 31st March, 2017, the firm was dissolved, the creditors of the firm stood at Rs 24,000 on that date and Cash in Hand was Rs 4,000. After transferring assets (other than cash) and outsider's liabilities to Realisation Account, you are given the following information:(a) A creditor of Rs 3,60,000 accepted machinery valued at Rs 5,00,000 and paid to the firm Rs 1,40,000. Its main purpose is to determine the profit or loss that happens due to settling off assets and liabilities. 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. Record necessary journal entries to record the following unrecorded liabilities and assets in the books of Paras and Priya: 1. In this instance, the loan amount gets transferred to the partners' capital account. They dissolve the partnership of the 31st March,2018 when the Balance Sheet of the firm as under:The Machinery was taken over by Babu for Rs 45,000, Ashok took over the Investments for Rs 40,000 and Freehold property took over by Chetan at Rs 55,000. (d) Loss on dissolution was Rs 15,000. Answer 18:Question 19: Pradeep and Rajesh were partners in a firm sharing profits and losses in the ratio of 3:2. Rita was appointed to realise the assets. 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. These expenses were paid by Jeev by drawing cash from the firm. State any six situations in which the court may order to dissolve a partnership firm.Answer:Court may pass order for the dissolution of the firm when:(a) A partner becomes a person of unsound mind;(b) A partner becomes permanently incapable of preforming his duties as a partner.(c) A partner is found guilty of misconduct, which is likely to adversely affect the business of the firm.(d) Partnership agreement is breached persistently by a partner or partners;(e) Court finds dissolution of the firm justified;(f) When the business of the firm cannot be carried on except at a loss.Question 6. Surjit agreed to take the investments at ₹ 8,000 and to pay Mrs. Assets realised——Stock Rs 23,400; Debtors 50%; Fixed Assets 10% less than their book value. Cost of Realisation was ₹ 2,400. On 31st March, 2018, they decided to dissolve the partnership and the position of the firm on this date is represented by the following Balance Sheet:During the course of realisation, a liability under a suit for damages is settled at Rs 20,000 as against Rs 5,000 only provided for in the books of the firm.Land and Building were sold for Rs 40,000 and the Stock and Sundry Debtors realised Rs 30,000 and Rs 42,000 respectively. Pass necessary journal entries for the following after various assets (other than Cash and Bank) and the third party liability have been transferred to Realisation Account: (a) Kunal agreed to pay off his wife's loan of Rs 6,000.(b) Total Creditors of the firm were Rs 40,000. The assets realised Rs 3,00,000 and Creditors were paid Rs 23,500 in full settlement of their claims.Prepare Realisation Account and show your workings clearly.Answer 48:Question 49: A, B and C were in partnership sharing profits and losses in the ratio of 2 : 1 : 1. Machinery is taken over by Manu for Rs 40,000 and agreed to pay of bills payable at a discount of 5%.. State the difference between dissolution of partnership and dissolution of partnership firm. Dissolution, which becomes compulsory when all partners become insolvent or any changes in government policies make the business illegal. In case a partner becomes insolvent, it is regarded as a capital loss for the firm. The debts that are private will be settled by the private assets of the partner. 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. Arti took over the Stock worth ₹ 80,000 at ₹ 68,000. In such a situation, there are two procedures that need to be followed: 1. 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. Dissolution expenses Rs 11,000 were paid by Dharam. The liabilities were settled at book figures. Surjitagreed to take the investments at Rs 8,000 and to pay Mrs. 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 2. Download PDF of NCERT Solutions for Class 12 Accountancy Chapter 5 – Dissolution of Partnership Firm Download PDF carouselExampleControls111 Previous Next Access Solutions for Class 12 Accountancy Chapter 5 – Dissolution of Partnership Firm Short Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5 1. He was also to pay the Creditors;(c) C to take over shares in X Ltd. Realisation expenses amounts to Rs 1,00,000,2. Distinguish between firm's debts and partner's private debts. On 31st March, 2018 their Balance Sheet was as follows:The firm was dissolved on 1st April,2018 and the Assets and Liabilities were settled as follows :(a) Land and Building b realised Rs 4,30,000.(b) Debtors realised Rs 2,25,000 (with interest) and Rs 1,000 were recovered for Bad Debts written off last year.(c) There was an Unrecorded Investment which was sold for Rs 25,000.(d) Vichal took over Machinery at Rs 2,80,000 for cash.(e) 50% of the Creditors were paid Rs 4,000 less in full settlement and the remaining Creditors were paid full amount .Pass necessary journal entries for dissolution of the firm. 31 Realisation A/c Dr. 1,200 To Bank A/c 1,200 (Realisation expenses paid) Dec. Answer 10:Question 11: Aman and Harsh were partners in a firm. *According to the CBSE Syllabus 2023-24, this chapter has been renumbered as Chapter 4. Give the Journal entry for the treatment of partner's loan appearing on the asset side of the Balance Sheet, on dissolution of partnership firm.Partner's loan is paid after outside liabilities have been paid bit before payment of capital.Partner's Loan A/c........................... (c) Harsh's loan of Rs 6,000 was discharged at Rs 6,200. The stock had already been transferred to Realisation Account. Question 2. The bill was received from Soham who proved insolvent and a first and final dividend of 25% was received from his estate. Students will also understand that the dissolution can take place in different ways, such as by mutual consent, by insolvency, by court order, and by the expiration of a partnership. Gupta's Loan) Dec. 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) 4. They decided to dissolve their partnership firm on 31st March, 2018. To record the Realisation of various assets and liabilities,2. Stock and Investments are taken by both partner in profit-sharing ratio. 31 Sundry Creditors A/c Dr. 38,000 Mrs. When the balance sheet is as under: 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. Aziz, a partner took over 50% of the Stock at a discount of 20%, 3. You are required to settle the conflict giving reasons. Assets (except bills receivables) realised Rs 4,84,000. (g) Realisation expenses were Rs 1,500. Deepa agreed to bear dissolution expenses. On 1st April, 2018, the total capital of the firm and the balance of General Reserve are Rs 80,000 and Rs 20,000 respectively. Prepare Realisation Account, Partners' Capital Accounts and Cash Account showing the distribution to the partners.Answer 51:Question 52: X and Y were partners sharing profits and losses in the ratio of 3 : 2. Dr. To Cash/Bank A/c(Being realisation expenses paid on behalf of the partner)Question 21. Capitals of all the partners must be paid off. The assets represented by the above stated net liabilities realise Rs. 4,50,000 exclusives of Rs. 20,000 owed by B. 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. Differentiate between 'Dissolution of Partnership and Dissolution of the Partnership Firm' on the basis of 'Continuity of Business'.Question 7. If any surplus happens, it will be used to pay for the firm's debts. 12. The book value of assets (other than cash and bank) transferred to Realisation Account is ₹ 1, 00,000. If this exercise results in profit or loss, it gets transferred to the Partners' Capital Account with their original profit-sharing ratio. Give two points of distinction between Revaluation Account and Realisation Account. State the accounting treatment for: i. (b) B took over half of Debtors at Rs 28,000. 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.) Amount (Rs.) Creditors 40,000 Cash 16,000 Lily's loan 32,000 Debtors 80,000 76,400 Profit and Loss 50,000 Less: Provision for doubtful Debts 3600 Capitals: Inventory 109,600 Lily 160,000 Bills Receivable 40,000 Rose 240,000 Buildings 280,000 522,000 522,000 Rose and Lily decided to dissolve the firm on the above date. Prepare Realisation Account, Capital Accounts and Cash Account 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 18. The remaining debtors realised 50% at their book value. A Office computer, not shown in the books of Accounts realised Rs 9,000. 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. Surjit's loan. As there are lot of numerical problems also given in the chapter. Naresh was assigned the responsibility to realise the assets and pay the liabilities at a remuneration of Rs. 10,000 including expenses. You are required to close the books of the firm. [c] Realisation expenses ₹ 2,300 borne by Tarun, personally. Adjust loss and capital deficiency against the profits of the firm ii. 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. To record the Realisation of various liabilities and assets, 2. Prepare necessary accounts showing the distribution of the cash at the Bank and of the further cash brought in by any partner or partners as the case required. Their balance sheet on the above date was: 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. The drawings of each partner were Rs 6,000 per year. (f) Goodwill of Rs 75,000 and prepaid fire insurance of Rs 10,000. Answer 2:Point of Knowledge:-I) Transferring all assets except Cash and Bank Account to the debit side of the account.II) Amount realised on sale of assets is credited to the account.Question 3: Pass journal entries for the following:(a) Realisation expenses of Rs 15,000 were to be met by Rahul, a partner, but were paid by the firm. It was taken by Priya at an estimated price less 25%. The firm was dissolved on 1st March, 2013. It was now sold for ₹ 10,000. 1. They accepted Machinery valued at ₹ 18,000 in settlement of their claim. Answer 34:Question 35: 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. Prepare necessary Ledger Accounts. (e) Investment (Book value Rs 60,000) realised at 125%. This was sold for Rs 3,000.(b) Ashish, an old customer whose account for Rs 1,000 was written off as bad in the previous year, paid 60%, of the amount. Sanjay, Tarun and Vineet shared profit in the ratio of 3:2:1. Answer:Question 5. 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. Anju realised the assets as follows: Debtors Rs 60,000; Stock Rs 35,500; Investments Rs 16,000; Plant 90% of the book value. Loss on Realisation Rs 42,000 was to be distributed between Arti and Karim in the ratio of 3:4.Rose and Lily shared profits in the ratio of 2:3. Karim's Capital A/c Dr. 40,000 To Realisation A/c 40,000 (Karim took over an unrecorded bike of ₹ 40,000) 3. Download Free NCERT Solutions for Class 12 Accountancy I Chapter 4 Dissolution Of Partnership Firm PDF, Updated for the 2024-25 Syllabus. Answer 27:Question 28: Ashu and Harish are partners sharing profits and losses as 3 : 2 . Answer 41:Preparation of Memorandum Balance SheetQuestion 42:There are two partners X and Y in a firm and their capitals are Rs 50,000 and Rs 40,000. 10. Question 4. Rs. 20,000 were owed by B to the firm; Rs 1,00,000 were owed by the firm to A and Rs. 2,00,000 were due to the Trade Creditors. Transferring the deficiency to Deficiency Account: In this process, a separate account is prepared for creditors. You will be able to understand all concepts relating to accounting treatment of these different types of dissolution of a partnership firm.You will be able to learn the accounting entries to be posted in the books of accounts while going through the process of dissolution of partnership firm. Answer 15:Question 16: What journal entries would be passed for discharge of following unrecorded liabilities on the dissolution of a firm of partners A and B:(a) There was a contingent liability in respect of bills discounted but not matured of Rs 18,500. The cost of winding up came to Rs 440. The actual expenses incurred by Rashim were Rs 1,20,000.The book value of assets (other than cash and bank) transferred to Realisation Account is Rs 1,00,000. Partner can utilize their share of surplus assets obtained after clearing all debts from the firm for personal use. Their Balance Sheet on the above date was:Ashu is to take over the building at Rs 95,000 and Machinery and Furniture is taken over by Harish at value of Rs 80,000. Expenses on Realisation amounted to ₹ 1,600. Question 7: Pass journal entries for the following transactions at the time of dissolution of the firm :(a) Loan of Rs 10,000 advanced by a partner to the firm was refunded.(b) X, a partner, takes over an unrecorded asset (Typewriter) at Rs 300.(c) Undistributed balance (Debit) of Profit and Loss Account Rs 30,000 . Debtors realised for Rs 46,000, expenses of realisation amounted to Rs 3,000. Sundry creditors accepts stock and paid ₹ 10,000 to the firm. He agreed to bear the dissolution expenses. We have also provided detailed step by step solutions for all questions given in the chapter which will help you in upcoming examsSolutions for TS Grewal's Double Entry Book Keeping:Accounting for Not for Profit Organizations and Partnership Firms (Vol.1)Textbook for CBSE Class 12TS Grewal Solutions Class 12 AccountancyChapter 8Dissolution of a Partnership FirmVery Short Answer Type QuestionsQuestion 1. Sharma's Loan ₹ 30,000 and Creditors ₹ 38,000 paid off less 3% discount) Dec. [c] Profit on Realisation amounting to ₹ 18,000 is to be distributed between the partners Ashish and Tarun in the ratio of 5:7. 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. After realising all assets and paying off liabilities, there remained a cash balance of Rs 6,000. Sundry creditors accepts stock and paid Rs 10,000 to the firm. (d) A machine which was not recorded in the books was taken over by Kunal at Rs 3,000, whereas its expected value was Rs 5,000. Prepare necessary accounts showing the final settlement between partners. It was taken by Balbir at this estimated price. A and B are partners in a firm sharing profits in the ratio of 3:2. You can access the free PDF of the solutions from the link below. Investments were realised at 85% of the book value, 4. Balance Sheet of the firm as on that date was as follows:The firm was dissolved on following terms:(a) Yogesh was to pay his wife's loan.(b) Debtors realised Rs. 30,000.(c) Naresh was to take investment at an agreed value of Rs. 26,000.(d) Creditors and Bills Payable were payable after two months but were paid immediately at a discount of 15% p.a.(e) Bills Receivable were received allowing 5% rebate.(f) A Debtors previously written off as Bad Debts paid Rs. 15,000.(g) An unrecorded asset realised Rs. 10,000.Prepare Realisation Account, Partner's Capital Account, Partner's Loan Account and Cash/ Bank Account.Answer 30:Question 31: A, B and C are in partnership sharing profits and losses in the proportions of 1/2, 1/3 and 1/6 respectively. Expenses onRealisationamounted to Rs 1,600.4. Creditors agreed to accept Rs 37,000 as a final settlement.You are required to prepare Realisation Account, Partners' Capital Account and Bank Account.Rita, Geeta and Ashish were partners in a firm sharing profits/losses in the ratio of 3:2:1. Adjust loss and capital deficiency against profits of firm. They decided to dissolve their firm. State the ratio in which the partners share gain (profit) or loss on realisation of various assets and payment of various liabilities. The assets of the firm realised Rs 50,000. If a loan from a partner appears on the liabilities side of the Balance Sheet of the firm and the Capital Account of such partner shows a debit balance, how is loan dealt with?Debit Balance in Partner's Capital Account is less than the loan given by him. 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. Dissolution consists of disposing of assets, clearing payment for liabilities and distributing the profit or loss among all partners. (f) Realisation expenses amounted to Rs 4,000. That the firm has been dissolved.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.Give journal entries for the following transactions:1. Other assets were realised as follows: Stock ₹ 5,000 Debtors ₹ 18,500 Furniture ₹ 4,500 Plant ₹ 25,000 3. Answer: Section 48 of the Indian Partnership Act, 1932 deals with the settlement of accounts when the firm is dissolved. Journalise the transaction, at the time of dissolution of the firm.Answer 1:Working Note:-Calculation of Commission:- 3,00,000 × 2 % = 6,000Value of Land and Building = 3,00,000 – 6,000 = 2,94,000Point of Knowledge:-For Closing the Asset Accounts: All the recorded assets (including goodwill), except fictious assets, Cash in Hand or Bank Current Account (Dr. Balance)/Capital Account (Debit Balance) of partner, are transferred to the Realisation Account at their book value. 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. (d) Machinery (Book value Rs 6,00,000) was handed over to a creditor at a discount of 10%. Journalise the following transactions regarding Realisation expenses: [a] Realisation expenses amounted to ₹ 2,500. Aman took over 50% of the furniture at 10% discount and the remaining furniture was sold at 30% profit on book value. On that date of dissolution, Sundry Assets (including cash Rs 5,000) amounted to Rs 88,000, assets realised Rs 80,000 (including an unrecorded asset which realised Rs 4,000). 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) 2. They accepted Buildings valued Rs 1,20,000 and paid cash to the firm Rs 30,000.There was an old computer which was written-off in the books of Accounts in the pervious year. There was an old computer which was written-off in the books of Accounts in the previous year. Firm had to pay Rs 7,200 for outstanding salary not provided for earlier, 6. A's loan of Rs. 20,000, being outside party's debt will be paid before payment of B's loan. Land is sold for ₹ 1, 10,000. 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 necessary ledger Account. Firm had to pay Rs 8,500 for Outstanding Salary, not provided for earlier, Compensation paid to employees amounted to Rs 17,000. The liabilities and other particulars on that date were:You are required to close the books of the firm.Answer 46:Question 47: X, Y and Z entered into a partnership and contributed Rs 9,000; Rs 6,000 and Rs 3,000 respectively. Realisation expenses amounted to ₹ 3,000. Paras agreed to take over the firm's goodwill (not recorded in the books of the firm), at a valuation of ₹ 30,000, 4. A contingent liability on account of bills discounted Rs 8,000 was paid by the firm. Basis of Comparison Firm's Debts Partner's Private Debts Meaning Debts that are owed by a firm to the outsiders. Prepare Realisation Account and Partner's Capital Accounts.Answer 47:Question 48: A, B and C started business on 1st April, 2016 with capitals of Rs 1,00,000; Rs 80,000 and Rs 60,000 respectively sharing profits (losses) in the ratio of 4 : 3 : 3 . Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of settlement of assets and liabilities.Question 8. Prepare necessary ledger Account.Sanjay, Tarun and Vineet shared profit in the ratio of 3:2:1. Rita was to receive 5% commission on the rate of assets (except cash) and was to bear all expenses of Realisation, 2. Remaining Stock was sold at a profit of 30% on cost,4. P's loan of Rs 50,000. The following rules are applicable to the settlement of accounts after a firm is dissolute as per Section 48 of the Partnership Act, 1932. On the other hand, dissolution of firm means business of the firm is discontinued, i.e. closed and the firm is wound up i.e. dissolved. Adjust against the total capital of the firm. This liability was not provided for in the above Balance Sheet.You are required to close the books of the firm by preparing Realisation Account , Partners' Capital Accounts and Bank Account.Answer 32:Question 33: Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. Sanjay was to receive 6% commission on the sale of assets (except cash) and was to bear all expenses of Realisation. State any one occasion for the dissolution of the firm on court's orders.Court may pass order for the dissolution of the firm when a partner becomes a person of unsound mind.Question 17. Answer 13:Question 14: Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7 . (e) 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. Plant and Machinery were sold to Q for Rs 22,500 for cash. Show Realisation Account, Capital Accounts of Partners and Bank Account.Answer 36:Question 37: Anju, Manju and Sanju were partners in a firm sharing profits in the ratio of 2 : 2 : 1 . 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 16. Rose and Lily shared profits in the ratio of 2:3. Stock and Debtors realised Rs 11,500. These solutions have been designed based on the latest Class 12 DK Goel Accountancy book used by commerce stream students issued for the current ... 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. Since assets have debit Balance, Asset Account will be closed by crediting them.Realisation A/c ....Dr. To Various Assets A/cQuestion 2: What journal entries would you pass in the following cases?(a) Expenses of realisation Rs 1,500.(b) Expenses of realisation Rs 600 but paid by Mohan, a partner.(c) Mohan, one of the partners of the firm, was asked to look into the dissolution of the firm for which he was allowed a commission of Rs 2,000.(d) Motor car of book value Rs 50,000 taken over by creditors of the book value of Rs 40,000 in full settlement. On 31st March, 2018, A's Capital and B's Capital were Rs 30,000 and Rs 20,000 respectively but C owed Rs 5,000 to the firm. Partner's Loan A/c Dr. To Cash/Bank A/c (Loan taken from partner paid in cash) 4. 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? A office computer, not shown in the books of accounts realised Rs 9,000. Their position as at 31st March, 2019 was:The balance of A's Loan Account to the firm stood at Rs 10,000. X and Y shared profits in the ratio of 2 : 1 respectively.Prepare Realisation Account and Capital Accounts of Partners. 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) Cash/Bank (Payment for realisation expenses) Cash/Bank (Payment to outside and unrecorded liabilities) Partner's Capital A/c (If any liability taken on expenses paid by him or remuneration payable to him) Partner Capital A/c (Profit on realisation distributed in the profit sharing ratio among all the partners) – – – – Various Liabilities (Excluding Partner Capital account, reserves, P and L A/c, Current A/c, Loan to Partner) Provision on assets (like, Provision for doubtful debts; Provision for depreciation) Cash/Bank (Amount received from realisation of assets and unrecorded assets) Partner 's Capital A/c (If any asset taken over by any partner) Partner Capital A/c (Loss on realisation borne by all the partners in their profit sharing ratio) – – – – – – 4. Expenses of Realisation amounted to ₹ 4,100, 5. Who is correct?X is correct. The remaining creditors or the deficiency is then transferred to the deficiency account. He as paid Rs 1,000 as commission for his services. (f) An old typewriter, written off completely from the firm's books, now estimated to realise Rs 450. 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. State the difference between dissolution of partnership and dissolution of partnership firm.State the accounting treatment for:Unrecorded assetsState the accounting treatment for : Unrecorded liabilitiesOn dissolution, how you deal with partner's loan if it appears on theAssets side of the Balance SheetOn dissolution, how you deal with partner's loan if it appears on the Liabilities side of the Balance SheetDistinguish between firm's debts and partner's private debts.State the order of settlement of accounts on dissolution.On what account realisation account differs from revaluation account.Explain the process of dissolution of a partnership firm?What is a Realisation Account?Reproduce the format of Realisation Account.How deficiency of creditors is paid off at the time of dissolution of the firm.Journalise the following transactions regarding Realisation 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. In case of loss and capital deficiency, the following must be paid in this order: i. Realisation expenses amounts to ₹ 1, 00,000, 2. 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 19. 4. Answer 19:Calculation of Creditors:-Amount paid to Creditors = Rs. 80,000 × 75/100 = Rs. 60,000Discount received = Rs. 60,000 × 10/100 × 2/12 = Rs. 1,000Amount Paid to creditors = Rs. 60,000 – Rs. 1,000 = Rs. 59,000Realisation Account, Partners' Capital Accounts and Bank/Cash AccountQuestion 20: Balance Sheet of a firm as at 31st March, 2020, when it was decided to dissolve the same, was:Rs. 19,500 were realised from all assets except Cash at Bank. at Rs 15 each and (d) The shares in Y Ltd.to be divided in the profit-sharing ratio.Show Ledger Accounts recording the dissolution in the books of the firm.Answer 38:Question 39: Srijan, Raman and Manan were partners in a firmAnswer 39:Question 40: A, B and C were partners sharing profits in the ratio of 2 : 2 : 1 . 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. Motor car was taken over by Tanu for ₹ 60,000. The remaining Assets realised as follows: Sundry Debtors ₹ 56,500 and Stock ₹ 36,500. Provision for Doubtful Debts Rs 25,000. The remaining debtors realised 50% at their book value. It was agreed that the firm will pay Rs 2,000 and balance by Ravinder, a partner.(c) Dissolution expenses amounted to Rs 10,000 were paid by Amit, a partner, on behalf of the firm. Prepare necessary Ledger Accounts to close the books of the firm.Answer 53:Question 54: X, Y and Z entered into partnership on 1st April, 2016. Dissolution that is based on certain conditions such as a fixed period, purpose, death of a partner or insolvency of a partner/partners. Answer 14:Question 15: Pass the journal entries for the following transactions on the dissolution of the firm of P and Q after various assets (other than cash) and outside liabilities have been transferred to Realisation Account:(a) Stock Rs 2,00,000. 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. 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 20. Profits and losses were shared in the proportions of 2/3 to A, 1/3 to B. On that date, their Capitals were X——Rs. 40,000 and Y ——Rs 30,000. ii. B will be paid up to the available cash, i.e. Rs. 5,000.Question 12. Prepare Realisation Account, Partners' Capital Accounts, and Cash Account to close the books of the firm. The assets of the firm realise Rs 1,00,000. Assets (except bills receivables) realised ₹ 4, 84,000. It is shown as follows: 1. Creditors amounted to Rs 24,000. Pass necessary journal entries for the following after various assets (other than cash and bank) and third party liabilities have been transferred to Realisation Account:(a) There was furniture worth Rs 50,000. When unrecorded liability is paid off Realisation A/c Dr. To Cash A/c (Paid in cash the price of unrecorded liability) 2. Machinery is taken over by Manu for ₹ 40,000 and agreed to pay of bills payable at a discount of 5%.. A's Loan.(b) Other assets realised as : Stock——Rs 5,000; Debtors——Rs 18,500; Furniture——Rs 4,500; Plant——Rs 25,000.(c) Expenses of realisation came to Rs 1,600.(d) Creditors agreed to accept Rs 37,000 in full settlement of their claims .Prepare Realisation Account, Partners' Capital Accounts and Bank Account . (j) Trade creditors Rs 1,60,000. Creditors agreed to take ₹ 38,000. [b] Creditors were ₹ 16,000. Prepare Realisation Account, Partners' Capital Accounts and Bank Account.Answer 33:Question 34: X, Y and Z carrying on business as merchants and sharing profits and losses in the ratio of 2 : 2 : 1 ,dissolved their firm as at 31st March, 2019 on which date their Balance Sheet was as follows:A bill for Rs 5,000 received from Mohan discounted from bank is not met on maturity.The assets except Cash at Bank and Investments were sold to a company which paid Rs 3,25,000 in cash. But, Amart, another partner wants that the capitals must be paid before the payment of Yastin's loan. (d) Remaining Debtors realised 60% of their book value. 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 ₹ 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. Pass necessary journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. 31 Realisation A/c Dr. 20,000 To Gupta's Capital A/c 20,000 (Gupta took over Mrs. Mohan proved insolvent and a dividend of 50% was received from his estate. 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. 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) 7. The object of preparing this account is to close the books of account of the dissolved firm and to determine gain (profit) or loss on the realisation of assets and payment of liabilities.Question 14. Investment whose face value was ₹ 4,000 was realised at 50%. Their profit-sharing ratio was 3 : 2 : 1 and their Balance Sheet was as under: It is agreed as follows: 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 realisation expenses amounted to Rs 350. (c) Creditors of Rs 5,000 were paid Rs 4,000 in full settlement of accounts. They decided to dissolve the firm on 31st March,2018 . 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. Dr. To Partner's Capital A/c(Being the remuneration due to partner)Question 20. (c) Paras agreed to take over the firm's goodwill (not recorded in the books of the firm), at a valuation of Rs 30,000. To record all transactions that are related to sale of assets and paying off liabilities 3. Prepare necessary Ledger Accounts to close the books of the firm.Answer 40:Question 41: Krishna and Arjun are partners in a firm. The students will be able to solve the questions and practice for the Class 12 Board Exams. It is discussed below:Treatment of losses: Loss, including deficiencies of capital, is paid first out of profit, then out of capital and lastly, if necessary, by the partners individually in the proportion in which they share profits.Application of Assets: Assets of the firm, including amount contributed by the partners to make up deficiencies of capital, are applied in the following order: (a) In paying firm's debts to the third parties,(b) In paying to each partner rateably what is due to him an account of loans or advances; (c) In paying to each other rateably what is due to him on account of capital; (d) The residue, if any, is distributed among the partners in their profit- sharing ratio. After transferring assets (other than cash) and third party liabilities to the 'Realisation Account' you are provided with the following information:(a) There was a balance of Rs 18,000 in the firm's Profit and Loss Account. iii. Long Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5 1. The business lost heavily during the very first year and they decided to dissolve the firm. 3. Then after determining the cash available with the firm, creditors and external liabilities are paid, but not in full. Prepare Realisation Account, Partners Capital Account, and Bank Account. These shares are valued @ Rs 6 each and divided among the partners in their profit-sharing ratio. You are required to prepare Realisation Account, Partners' Capital Account and Bank Account. 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. Debtors realised for ₹ 46,000, expenses of Realisation amounted to ₹ 3,000. The expenses on realisation were Rs 800.Prepare Realisation Account, Partners' Capital Accounts and Bank Account. On 31st March, 2018 , their Balance Sheet was:On that date, the partners decide to dissolve the firm. Show Realisation Account, Partners Capital Account, Loan Account and Cash Account. Adjust against the total capital of the firm iii. (f) Sarthak paid the realisation expenses of Rs 16,000 out of his private funds, who was to get a remuneration of Rs 15,000 for completing dissolution process and was responsible to bear all the realisation expenses. Determining whether profit or loss is happening due to the sale of assets and paying off liabilities. Distinguish between Dissolution of Partnership and Dissolution of Partnership Firm on the basis of closure of books. Answer 4:Question 5: 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. Distinguish between dissolution of Partnership and dissolution of partnership firm. Paying off all external expenses and liabilities ii. The actual amount of Realisation amounted to Rs 3,000.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. 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. Cost of Realisation amounted to ₹ 1,200. [c] Creditors were ₹ 90,000. The other liabilities amounted to Rs 5,000. Other assets were realised as follows:Sundry Debtors: Full amount. Actual dissolution expenses paid by Jeev were Rs 12,000. 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. The financial position of the firm on 31st March, 2018 was as follows:Following terms and conditions were agreed upon:(a) Pradeep agreed to pay off his wife's loan.(b) Half of the debtors realised Rs. 12,000 and remaining debtors were used to pay off 25% of the creditors.(c) Investment sold to Rajesh for Rs. 27,000.(d) Building realised Rs. 1,52,000.(e) Remaining creditors were to be paid after two months, they were paid immediately at 10% p.a. discount.(f) Bill receivables were settled at a loss of Rs. 1,400.(g) Realisation expenses amounted to Rs. 2,500.Prepare Realisation Account. Anju was appointed to realise the assets. When the balance sheet is as under: Balance Sheet of Anup and Sumit as on December 31, 2017 Liabilities Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) Sundry Creditors 27,000 Cash at bank 11,000 Reserve fund 10,000 Sundry Debtors 12,000 Loan 40,000 Plants 47,000 Capital : 120,000 Stock 42,000 Anup 60,000 Leasehold land 60,000 Sumit 60,000 Furniture 25,000 197,000 197,000 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. Answer 21:Question 22: Bale and Yale are equal partners of a firm. After paying up their Creditors, there remained a balance of Rs 1,000 at Bank. In case of loss and capital deficiency, the following should be paid in order: i. In case of dissolution of a firm which liabilities are to be paid first?Firms property is applied first towards payment of firm's debts then the surplus, if any, is applied towards payment of partner's private debts to the extent the concerned partner is entitled to share in the surplus.Question 10. Expenses of Realisation amount to ₹ 2,500. P was deputed to realise the assets and pay the liabilities. 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. To maintain a record of all such activities, a nominal account is prepared, which is called a Realisation Account. The actual expenses incurred by Rashim were ₹ 1, 20,000. 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 Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) 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. 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 20,000 Nanda's Capital Account 23,000 Creditors 37,000 Cash 10,840 Provision for doubtful debt 1,200 General Reserve 12,000 190,200 190,200 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 same has been taken over by a partner Nitin for Rs 3,000. 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. land is sold for Rs 1,10,000. During the year, they drew Rs 5,000; being Rs 1,900 by A, Rs 1,700 by B and Rs 1,400 by C .On 31st March, 2018, they dissolved their partnership, A taking up Stock at an agreed valuation of Rs 5,000, B taking up Furniture at Rs 2,000 and C taking up Debtors at Rs 3,000. NCERT Solutions for Class 12 Accountancy Chapter 5 – Dissolution of Partnership Firm furnishes us with all-inclusive data on all the concepts. That the firm has been dissolved. It was taken away by Priya at an estimated price less 25%,5. Remaining Creditors allowed a discount of 10%. 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. Their respective capitals are in their profit-sharing proportions. Commission received in advance was returned to customers after deducting Rs 3,000. Remaining trade creditors were paid 90% in final settlement. (c) Land and Building (Book value Rs 12,50,000) sold for Rs 15,00,000 through a broker who changed 2% commission. They paid into their Bank A/c as their capitals Rs 22,000; Rs 10,000 by A, Rs 7,000 by B and Rs 5,000 by C. Firm paid an expense of Rs 5,000. 31 Gupta's Capital A/c Dr. 36,000 To Realisation A/c 36,000 (Investment taken over by Gupta) Dec. Land is sold for Rs 1,10,000. Realisation expenses amounted to Rs 3,000.Prepare Realisation Account, Partners Capital Account, Bank Account. NCERT Solutions are said to be an extremely helpful resource while preparing for the CBSE Class 12 Accountancy examinations. Yastin, a partner wants that her loan of Rs 2,00,000 must be paid off before the payment of capitals to the partners. (g) There was an old furniture in the firm which had been written off completely in the books. What Journal entry is passed when an asset is given to any of the firm's creditors towards partial payment of dues?No entry is passed.Question 19. Unrecorded assets ii. Answer 25:Question 26: Vinod, Vijay and Venkat are partners sharing profits and losses in the ratio of 3 : 2 : 1 . The remaining Assets realised as follows: Sundry Debtors Rs 56,500 and Stock Rs 36,500. 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. Y, a partner, demands that his loan of 2,00,000 be paid before payment of capitals of the partners. 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. It was estimated to realize ₹ 400. During the year 2018-19 the firm made a profit of Rs 28,000 before charging interest on capital @ 5%. It was settled at 70% by a compromise between the customer and the firm. Firm had to pay ₹ 7,200 for outstanding salary not provided for earlier, 6. Give any one difference between reconstitution of a firm and dissolution of a firm.Reconstitution of a firm refers to re-forming of the partnership due to change in profit sharing ratio, admission/ death/ retirement of partners, or any other changes in their partnership deed. Debt settlement by firm's assets Debts of the firm are settled using the assets of the firm. (d) The firm paid realisation expenses amounting to Rs 5,000 on behalf of Harsh who had to bear these expenses. 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. Assets were realised as follows: ₹ Debtors 30,000 Stock 26,000 Plant 42,750 3. The cost of realisation came to Rs 500. Unrecorded assets realised Rs 1,500. Remaining stock was sold at a profit of 25% on cost. 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. Answer 50:Question 51: The partnership between A and B was dissolved on 31st March, 2019. When a firm is dissolved, it results in the closing of all accounts, assets are sold off, and liabilities are paid off. The financial position of the firm was:P took over Investments for Rs 12,500. Assets were realised as follows: Rs Debtors 30,000 Stock 26,000 Plant 42,750 3. Reproduce the format of Realisation Account. 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. Investment realised ₹ 76,000 and fixtures ₹ 4,000. Realisation expenses are to be borne by Rashim for which he will be paid ₹ 70,000 as remuneration for completing the dissolution process. Answer 28:Question 29: A, B and C were equal partners. B took a machine at the agreed valuation of Rs 7,500. This study material, compiled by our experienced subject-matter experts, gives deep knowledge of the solutions of NCERT and insight into the subject. Amount which is received on the sale of assets should be used in the following order i. Realisation expenses amounting to ₹ 30,000 are paid by Rashim, a partner. State the order of payment of Mrs. You are required to record the journal entries for Realisation of assets. 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.Record necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya:1. There was unrecorded Bike of ₹ 40,000 which was taken over By Mr. Karim. Sundry creditors amounting to ₹ 36,000 were settled at a discount of 15%. Gupta's Loan A/c Dr. 20,000 Mrs. On what account realisation account differs from revaluation account. Answer 7:Question 8: Pass necessary journal entries for the following transactions on the dissolution of the firm P and Q after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account :(a) Bank Loan Rs 12,000 was paid. (b) Stock worth Rs 16,000 was taken over by partner Q.(c) Partner P paid a creditor Rs 4,000.(d) An asset not appearing in the books of accounts realised Rs 1,200.(e) Expenses of realisation Rs 2,000 were paid by partner Q.(f) Profit on realisation Rs 36,000 was distributed between P and Q in 5 : 4 ratio.Answer 8:Question 9: X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 2 : 1 respectively. (d) Dev, a partner, agreed to do the work of dissolution for Rs 7,5000. On March 31, 2017 their balance sheet was as follows: Liabilities Amt (Rs.) Amt (Rs.) Assets Amt (Rs.) Capitals: 160,000 Cash 22,500 Rita 80,000 Debtors 52,300 Geeta 50,000 Stock 36,000 Ashish 30,000 Investments 69,000 Creditors 65,000 Plant 91,200 Bills payable 26,000 General reserve 20,000 271,000 271,000 On the date of above-mentioned date the firm was dissolved:1. The loan is paid in cash after fulfilling the payment of all external liabilities. Gupta Loan) 20,000 Stock 42,000 Bank A/c: Bills Receivable 16,000 Creditors 36,860 Machinery 49,000 1,59,000 Mrs. Pass necessary journal entries for the above at the time of dissolution of firm. Loans and advances that are owed to partners should be cleared. He also agreed to pay Outstanding Salary of Rs 20,000 not provided in books.Prepare Realisation Account, Partners' Capital Accounts and Bank Account in the books of the firm.Answer 31:Question 32: A and B are partners in a firm sharing profits and losses in the ratio of 2 : 1 . (c) C took over Investments at Rs 54,000 and half of Creditors at their book value. (b) Profit and Loss Account was showing a credit balance of Rs 15,000 on the date of dissolution. Cost of Realisation amounted to Rs 1,200. 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) 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) 11. On 31st March,2018, their Balance Sheet stood as:The firm was dissolved on the above date on the following terms:(a) For the purpose of dissolution, Investments were valued at Rs 18,000 and A took over the Investments at this value.(b) Fixed Assets realised Rs 29,700 whereas Stock and Debtors realised Rs 80,000.(c) Expenses of realisation amounted to Rs 1,300.(d) Creditors allowed a discount of Rs 800.(e) One Bill receivable for Rs 1,500 under discount was dishonoured as the acceptor had become insolvent and was unable to pay anything and hence the bill had to be met by the firm .Prepare Realisation Account , Partner's Capital Accounts and Cash Account showing how the accounts would finally be settled among the partners. Also, explore – NCERT Solutions for Class 12 Accountancy Part I About this chapter: TS Grewal Class 12 Chapter 8 Dissolution of a Partnership Firm explains the accounting concepts relating to selling of assets, paying off liabilities, distribution of remaining amount among the partners in their profit sharing ratio, payment to creditors and finally closing the books. 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. The drawings of the partners are P——Rs 8,000; Q——Rs 7,000; and R——Rs 5,000. The actual amount of Realisation amounted to ₹ 3,000. A firm may be dissolved in the following ways: 1. On 31st March, 2018, their Balance Sheet was as follows:The firm was dissolved on 31st March, 2018 and both the partners agreed to the following:(a) A took Investments at an agreed value of Rs 8,000. Land and Building (book value ₹ 1,60,000) sold for ₹ 3,00,000 through a broker who charged 2%, commission on the deal, 5. Investment whose face value was Rs 4,000 was realised at 50%.How will you deal with the Realisation expenses of the firm of Rashim and Bindiya in the following cases1. (h) 'Z' an old customer whose account for Rs 20,000 was written off as bad in the previous year, paid 60%. During the two years ended 31st March, 2018, the firm made profit of Rs 21,600 and Rs 25,140 respectively before allowing or charging interest on capital and drawings. Expenses of dissolution amounted to Rs 760.Draw up necessary Ledger Account to close the books of the firm.Answer 54:Points of Knowledge :Divisible profit for first year ending 31st March, 2013 = 21,600 – 6,000 – 4,500 – 3,000 + 150 + 150 + 150 = 8,550Divisible profit for the second year ending 31st March, 2014 = 25,140 – 6,619 – 4,680 – 2,741 + 150 + 150 + 150 = 11,,550Dissolution of partnership means change in relationship among the partners but the firm continues. All the partners want to dissolve the firm. Dissolution by agreement which can be with the consent of all partners or a contract between all partners. This was sold for Rs 10,000. Unrecorded liabilities (i) For Unrecorded Assets An unrecorded asset is such an asset whose value is written off from books of accounts, but it is in usable form. (b) Balbir took half the Investments @ 10% discount. 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. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of Economic Relationship'.Question 6. Answer 45:Question 46: Ashok and Kishore were in partnership sharing profits in the ratio of 3 : 1 . EXERCISE ::------->Question 1: 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. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of Court's intervention.Question 5. Prepare Realisation Account , Partners' Capital Accounts and Bank Account . Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation. On that date, the creditors amounted to Rs 20,000. Building was sold at Rs 1,00,000.Compensation to employees paid by the firm amounted to Rs 10,000. These shares are valued @ Rs 6 each and divided among the partners in their profit sharing ratio.All partners wish to dissolve the firm. 8 Dr. Cr. Particulars Amount ₹ Particulars Amount ₹ Stock 6,000 Creditors 38,000 Debtors 19,000 Mrs. Creditors worth Rs 10,000 were given a piece of furniture costing Rs 8,000 in full and final settlement. They decided to dissolve the partnership on December 31, 2017. Realisation A/c Dr. 40,000 To Bank A/c 40,000 (Compensation paid to the employees) 4. They decided to dissolve the firm on 31st March, 2018. Answer 9:Question 10: Pass necessary journal entries to record the following unrecorded assets and liabilities in the books of Paras and Priya: (a) There was an old furniture in the firm which had been written off completely in the books. They accepted Building valued at Rs 1,20,000 and paid cash to the firm Rs 30,000 Answer 5:Question 6: Pass journal entries for the following at the time of dissolution of a firm:(a) Sale of Assets——Rs 50,000.(b) Payment of Liabilities——Rs 10,000.(c) A commission of 5% allowed to Mr . Hence, Yastin's argument is correct that her loan of ₹ 2, 00,000 must be paid off before the payment of the partners' capital. On the other hand, dissolution of firm means business of the firm is discontinued, i.e. closed and the firm is wound up i.e. dissolved.Question 2. Rs 20,000 of the book debts proved bad. 5. They decided to dissolve the firm on 31st March, 2018 at which date their Balance Sheet stood as:The realisation shows the following results:(a) Goodwill was sold for Rs 1,000.(b) Debtors were realised at book value less 10%.(c) Trademarks were realised for Rs 800.(d) Machinery and Stock-in-Trade were taken over by Krishna for Rs 14,400 and Rs 3,600 respectively.(e) An unrecorded asset estimated at Rs 500 was sold for Rs 200.(f) Creditors for goods were settled at a discount of Rs 80 . X , a partner, on sale of assets.(d) Realisation expenses amounted to Rs 15,000 . 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. Stock and Investments are taken by both partner in profit sharing ratio. What Journal entry is passed when a partner agrees to pay the realisation expenses on behalf of the firm?Realisation A/c .... According to Section 48 of the Indian Partnership Act, 1932, outside party's debts are paid before payment of partner's loan.Question 11. Shilpa, Meena and Nanda decided to dissolve their partnership on March 31, 2017. A's loan and B's loan with reason, if there were no creditors of the firm.According to the Section 48 of the Indian Partnership Act, 1932, Mrs. (e) There was a bill for 1,200 under discount. Distinguish between firm's debts and private debts.Answer:Question 4. Rita Chowdhary took over the goodwill of the firm at a valuation of Rs 30,000.(f) An unrecorded asset of Rs 6,900 was handed over to an unrecorded liability of Rs 6,000 in full settlement.(g) Realisation expenses were Rs 5,250.Show Realisation Account, Partners' Capital Accounts and Bank Account in the books of the firm.Answer 35:Question 36: Following is the Balance Sheet of Arvind and Balbir as at 31st March,2019: The firm was dissolved on the above date under the following arrangement:(a) Arvind promised to pay off Mrs. For more solutions and study materials of NCERT solutions for Class 12 Accountancy, visit BYJU'S or download the app for more information. The remaining Assets realised as follows: Sundry Debtors Rs 56,500 and Stock Rs 36,500. Interest on capital was to be allowed @ 15% p.a. and interest on drawing was to be charged at an average rate of 5%. Prepare Realisation Account, Bank Account and Partners Capital Accounts. Explain dissolution of a firm by (i) Agreement and (ii) Notice.Answer:The modes by which a firm may be dissolved are:1.) Agreement:- a firm may be dissolved when all the partners agree for its dissolution. 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. Capitals of all the partners should be paid off. The same has been taken over by a partner Nitin for ₹ 3,000. They decided to dissolve their firm on 31st March, 2018 , the date on which their Balance Sheet stood as: The following additional information is given:(a) The Investments are taken over by Vinod for Rs 5,000 Assets realised as follows: Rs.(c) Expenses on realisation amounted to Rs 2,000.Close the books of the firm giving relevant Ledger Accounts. For the year ended 31st March, 2017, the firm suffered a loss of Rs 50,000. 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. (d) Trade Creditors and Bills Payable were due on average basis of one month after 31st March, but were paid immediately on 31st March @ 2% discount per annum.(e) Plant realised Rs 37,500; Building Rs 60,000; Goodwill Rs 9,000 and remaining Investments Rs 6,750. (c) Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of Rs 7,000. 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. Rita chowdhary and Miss Sobha are partners in a firm, Fancy Garments Exports, sharing profits and losses equally . Balance in the Realisation account is either gain or loss, which is transferred to the Capital Accounts of the Partners in their profit-sharing ratio.Question 16. Explain the process of dissolution of a partnership firm? He was paid Rs. 1,000 as commission for his services. On that date the respective credits to the capitals were A—Rs. 1,70,000 and B—Rs. 30,000. Answer 17:Realisation AccountQuestion 18: Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On December 31, 2017 their balance sheet was as follows: Balance Sheet of Sanjay, Tarun and Vineet as on December 31, 2017 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. The assets realised Rs 1,08,600 and realisation expenses amounted to Rs 1,800. Murray case. Prepare Realisation Account , Partner's Capital Accounts and Bank Account.Answer 43:Question 44: A and B were partners sharing profits and losses as to 7/11th to A and 4/11th to B. Show Realisation Account, Partners Capital Account, Loan Account and Cash Account.Shilpa, Meena and Nanda decided to dissolve their partnership on March 31,2017. They dissolved the partnership on 30th May, 2018. Prepare Realisation Account. 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. [d] Amit, a partner was appointed to realise the assets, at a cost of ₹ 4,000. Actual dissolution expenses Rs 6,000 were paid from the firm's bank account. This was sold for ₹ 3,000, 2. Amount which is received on the sale of assets should be used in this sequence: i. Investments were realised at 85% of the book value, 4. Answer 20:Question 21: Achal and Vichal were partners in a firm sharing profits in the ratio of 3 : 5 . Realisation Expenses amounted to Rs 15,000. 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 liabilitiy 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 × (50/100) × (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 × (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%. On 1st April, 2015 their firm was dissolved. 'P' took over 50% of stock at a discount of 10%. The assets (other than cash of Rs 2,000) of the firm realised Rs 1,10,000. Half of the trade creditors accepted Plant and Machinery at an agreed valuation of Rs 54,000 and cash in full settlement of their claims after allowing a discount of Rs 16,000. 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 17. 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 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 56667 33333 97870 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 15. the liabilities were Rs 20,000. The expenses of realisation amounted to Rs 1,200.There was a car in the firm, which was completely written off from the books. (d) The Realisation expenses incurred amounted to ₹ 1,200. 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. Investment realised Rs 76,000 and fixtures Rs 4,000. Sundry Creditors (including Bills Payable) were paid Rs 57,500 in full settlement. Question 27: P, Q and R were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2 . Ir was taken over by A for Rs 20,000. 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. 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 ₹ 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. They dissolved the firm on 1st April, 2019. Prepare Realisation Account, Partner's Capital Accounts and Bank Account . The remaining stock was sold at ₹ 14,000 and debtors amounting to ₹ 10,000 realised ₹ 8,000. They accepted Machinery valued at Rs 18,000 in settlement of their claim.[c] Creditors were Rs 90,000. There was an old typewriter which had been written-off completely from the books. The remaining stock was sold at a loss of Rs 15,000. (c) The Sundry Creditors were paid off less 3% discount. Land and Buildging (book value Rs 1,60,000) sold for Rs 3,00,000 through a broker who charged 2%, commission on the deal,5. Answer 22:Question 23: Shilpa, Meena and Nanda decided to dissolve their partnership on 31st March, 2018. Aziz, a partner took over 50% of the Stock at a discount of 20%,3. He took away stock of the same amount as his commission. Prepare Realisation Account, Partners' Capital Accounts and Cash Account.Answer 49:Question 50: On 1st April, 2018, A, B and C commenced business in partnership sharing profits and losses in proportion of 1/2,1/3 and 1/6 respectively. 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) 9. It was estimated to realise Rs 400. 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 × (50/100) × (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 × (40/100) × (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) 8. Anup and Sumit are equal partners in a firm. On 1st April, 2019, the Balance Sheet of the firm was:The firm was dissolved on the date given above. They decided to dissolve their firm on 31st March, 2018 when the Balance Sheet was:Following transactions took place: (a) A took over Stock at Rs 36,000. (e) The firm had a debit balance of Rs 15,000 in the Profit and Loss Account on the date of dissolution. Rs 20,000 had to be paid for Employees' Provident Fund. Numerical Questions for NCERT Accountancy Solutions Class 12 Part 1 Chapter 5 1. 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. How will you deal with the Realisation expenses of the firm of Rashim and Bindiya in the following cases? Explain the provisions of Section 48 of Partnership Act, 1932 dealing with the settlement of accounts at the time of dissolution of 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. Journalise the entries to be made on the dissolution and prepare Realisation Account, Bank Account and Partners Capital Accounts. But X, another partner, demands that capitals be paid before payment of Y's loan. As on that date their capitals were: A Rs 7,000 and B Rs 4,000. On 31st March,2018 the partners decided to dissolve the partnership due to difference of opinion. What Journal entry is passed when the firm pays realisation expenses on behalf of a partner who has to bear the expenses?Concerned Partner's Capital A/c .... Prepare Realisation Account, Capital Accounts of Partners and Cash Account. The above-mentioned are the illustrations for Class 12 CBSE syllabus. They share profits in the ratio of 4 : 1 . 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. It was estimated to realize Rs 400. If any asset remains after clearing the debt, it gets distributed between the partners. Stock realised Rs 20,000 and Debtors Rs 25,000. Ashish, an old customer whose Account for ₹ 1,000 was written-off as bad in the previous year, paid 60%, of the amount, 3. Answer 24:Question 25: Balance Sheet of P, Q and R as at 31st March, 2019, who were sharing profits in the ratio of 5 : 3 : 1 , was:The partners dissolved the business. On 31st March, 2018, their Balance Sheet was:On this date, the firm was dissolved. 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. Cost of realisation amounted to Rs 1,200. What journal entries will be recorded for the following transactions on the dissolution of a firm: [a] Payment of unrecorded liabilities of ₹ 3,200. Prepare Realisation Account.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 Amt (Rs.) Assets Amt (Rs.) Creditors 38,000 Bank 11,500 Mrs. The firm had agreed with Amrit , a partner, to reimburse him up to Rs 10,000.(e) Z, an old customer , whose account for Rs 6,000 was written off as bad in the previous year , paid 60% f the amount written off.(f) Investment (Book Value Rs 10,000) realised at 150% Answer 6:Point of Knowledge:-I) Transferring all assets except Cash and Bank Account to the debit side of the account.II) Amount realised on sale of assets is credited to the account. 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. Answer 37:Question 38: A, B and C were in partnership sharing profits in the ratio of 7 : 2 : 1 and the Balance Sheet of the firm as at 31st March, 2018 was: It was agreed to dissolve the partnership as on 31st March, 2018 and the terms of dissolution were-(a) A to take over the Building at an agreed amount of Rs 31,500;(b) B who was to carry on the business , to take over the Goodwill, Stock and Debtors at book value , the Patents at Rs 30,000 and Plant at Rs 30,000 and Plant at Rs 5,000. A has given a loan of 20,000 to the firm and the firm also obtained a loan of 10,000 from B. Debts that are owed by a partner to any other person outside the firm. These shares are valued @ ₹ 6 each and divided among the partners in their profit sharing ratio. (c) Rohit had given a loan of Rs 70,000 to the firm which was duly paid. But dissolution of the firm refers to winding up of the business as well as partnership firm.Question 9. 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 × (85/100)] 5. (b) Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of Rs 15,000. The dissolution of a partnership firm results in the business being discontinued. Actual dissolution expenses Rs 16,000 were paid by Vijay, another partner on behalf of Jay. On this date, they decided to dissolve the firm. Ashok, Babu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. 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. It can be shown in records as 1. 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 f 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. Journalise the transaction, supposing. Creditors agreed to accept ₹ 37,000 as a final settlement. Pradeep was deputed to realise the assets and to pay off the liabilities. Land and Building Rs 1,20,000.(e) Mrs. Rita Chowdhary undertook to pay Mr.Chowdhary's Loan and took over 50% of the Stock at a discount of 20%.(b) Book Debts realised Rs 54,000; balance of the Stock was sold off at a profit of 30% on cost.(c) Sundry Creditors were paid out at a discount of 10%. Mrs. The firm could realise Stock at 15% less and Furniture at 20% less than the book value. Prepare Realisation Account, Bank Account, Partners Capital Accounts to close the books of the firm.Ashu and Harish are partners sharing profit and losses as 3:2. A partnership firm is set up by an agreement, similarly, it can be dissolved by an agreement.2.) Notice:- In case partnership is at will, the firm may be dissolved by any partner giving notice in writing to all the other partners of his intention to dissolve the firm. Motor car was taken over by Tanu for Rs 60,000. A took over Investments at an agreed valuation of Rs 35,000. The expenses of dissolution amounted to Rs 2,200.Prepare Realisation Account, Bank Account and Partners Capital Accounts. The creditors are Rs 30,000. (c) A third creditor amounting to Rs 90,000 accepted Rs 45,000 in cash and investments worth Rs 43,000 in full settlement of his claim. 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. The Capital Accounts of A, B and C showed a balance of Rs 20,000 each. List any two grounds on which a court may dissolve a firm.Court may pass order for the dissolution of the firm when:(a) A partner becomes permanently incapable of preforming his duties as a partner.(b) A partner is found guilty of misconduct, which is likely to adversely affect the business of the firm.Question 18. (b) Ramesh, a partner, was paid remuneration of Rs 25,000 and he was to meet all expenses.(c) Anuj, a partner, was paid remuneration of Rs 20,000 and he was to meet all expenses. [b] Stock worth ₹ 7,500 is taken by a partner Rohit. They accepted Machinery valued at Rs 18,000 in settlement of their claim.(c) Creditors were Rs 90,000. All partners wish to dissolve the firm. What is dissolution of a firm?Dissolution of a firm means the dissolution of partnership among all the partners of the firm and the firm's business is closed.Question 3. 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. 2. 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. He also took over his wife's loan. Does the loan from an outside have priority over the loan from a partner as to repayment? Answer 23:Question 24: A and B are partners in a firm sharing profits and losses in the ratio of 3 : 2 . (e) An unrecorded asset was sold for Rs 22,000. [d] An unrecorded asset realised ₹ 5,500. Expenses of Realisation amounted to Rs 7,500. Bills Payable were paid in full.(d) Plant and Machinery realised Rs 75,000. 31 Realisation A/c Dr. 66,860 To Bank A/c 66,860 (Liabilities paid: Mrs. (i) 'P' undertook to pay Mrs. Answer:Question 3. This liability was not provided for in the above Balance Sheet. Arvind's Loan and took Stock at Rs 6,000. Realisation expenses amounted to Rs 3,000. Cost of Realisation was Rs 2,400. They decided to dissolve the firm on December 31, 2017. They contributed capital Rs 40,000, Rs 30,000 and Rs 20,000 respectively and agreed to share profits in the ratio of 3 : 2 : 1 . 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. What is meant by Dissolution?Dissolution of partnership means change in relationship among the partners but the firm continues. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. Give any two objects of preparing Realisation Account in the dissolution of a firm.(I) transferring all assets except Cash or Bank Account to the debit side of the account(ii) transferring all liabilities except Partner's Loan Account and Partners' Capital Accounts to the credit of the account.Question 15. Books of Gupta and Sharma Journal Date Particulars L.F. Amount ₹ Amount ₹ 2012 Dec. Ashu agreed to pay Creditor and Harish agreed to meet Bank overdraft. 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. Sundry Creditors were settled at discount of 7%. Surjit's loan.2. Other assets wererealisedas follows: Stock Rs. 5,000 Debtors Rs. 18,500 Furniture Rs. 4,500 Plant Rs. 25,000 3. There was an Outstanding Bill of Electricity Rs 800 which was paid off. They agreed to share profits and losses equally. (c) Book Debts realised Rs 28,500. The expenses of dissolution amounted to ₹ 2,200. A Firm has a Stock of Rs 1,60,000. Rita, Geeta and Ashish were partners in a firm sharing profits/losses in the ratio of 3:2:1. 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 13. The firm paid ₹ 40,000 as compensation to employees. 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. Answer 12:Question 13: Book value of assets (other than cash and bank) transferred to Realisation Account is Rs 1,00,000. The assets proved to have been undervalued in the last Balance Sheet and actually realised Rs 24,000. (b) Debtors Rs 2,25,000. It was taken away by Priya at an estimated price less 25%, 5. A Firm has a Stock of ₹ 1, 60,000. You are required to settle the conflict giving reasons.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.