

## **Chapter 6: Dissolution of Partnership Firm**

### **Question: 1**

Answer in one Sentence only.

What is dissolution of partnership firm?

### **Solution**

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

### **Question: 2**

Answer in one Sentence only.

When is Realisation Account opened?

### **Solution**

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

### **Question: 3**

Answer in one Sentence only.

Which accounts are not transferred to Realisation Account?

### **Solution**

The following accounts are not transferred to Realisation Account:

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

### **Question: 4**

Answer in one Sentence only.

Who is called Insolvent person?

### **Solution**

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

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

**Question: 5**

Answer in one Sentence only.  
What is Capital Deficiency?

**Solution**

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

**Question: 6**

Answer in one Sentence only.  
In what proportion is the balance on Realisation Account transferred to Partner's Capital Account?

**Solution**

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

**Question: 7**

Answer in one Sentence only.  
Who should bear the capital deficiency of an insolvent partner?

**Solution**

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

**Question: 8**

Answer in one Sentence only.  
Which account is debited on repayment of Partner's Loan?

**Solution**

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

**Question: 9**

Answer in one Sentence only.  
Why is Realisation Account opened?

**Solution**

Realisation Account is opened to determine the amount of profit or loss from the realisation of assets and payment of liabilities at the time of dissolution of a partnership firm.

**Question: 10**

Answer in one Sentence only.

Which account is debited on payment of dissolution expenses?

**Solution**

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

**Question: 11**

Write the word / term / phrase, which can substitute the following statements.  
Debit balance in realisation account.

**Solution**

**Realisation Loss**

**Explanation:** Debit balance in Realisation Account is regarded as 'Loss on Realisation'. It arises when the debit side of Realisation A/c is more than its credit side. This loss is borne by all the partners' in their profit-sharing ratio.

**Question: 12**

Write the word / term / phrase, which can substitute the following statements.  
Winding up of partnership business.

**Solution**

**Dissolution of Partnership**

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

**Question: 13**

Write the word / term / phrase, which can substitute the following statements.  
An account opened to find out the Profit or Loss on Sale of Assets and Settlement of Liabilities.

**Solution**

**Realisation Account**

**Explanation:** Realisation Account is opened to find out the profit or loss on sale of assets and settlement of liabilities at the time of dissolution of the firm.

**Question: 14**

Write the word / term / phrase, which can substitute the following statements.  
Debit balance of an insolvent Partner's Capital Account.

**Solution**

**Capital Deficiency**

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

**Question: 15**

Write the word / term / phrase, which can substitute the following statements.  
Credit balance in Realisation Account.

**Solution**

**Realisation Profit**

**Explanation:** Credit balance in Realisation Account is regarded as 'Profit on Realisation'. It arises when the credit side of Realisation A/c is more than the debit side. This profit is distributed among all the partners in their profit-sharing ratio.

**Question: 16**

Write the word / term / phrase, which can substitute the following statements.  
Conversion of assets into cash on dissolution of firm.

**Solution**

**Realisation**

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

**Question: 17**

Write the word / term / phrase, which can substitute the following statements.  
Liability likely to arise in future on happening of certain events.

**Solution**

**Contingent Liabilities**

**Explanation:** Liability likely to arise in future on happening of certain events is known as contingent liabilities. These are termed as contingent, as their occurrence is

dependent upon the happening of a future event, which may or may not happen (i.e. it is uncertain). Therefore, these are not shown in a company's Balance Sheet.

**Question: 18**

Write the word / term / phrase, which can substitute the following statements.  
Assets which are not recorded in the books of accounts.

**Solution**

**Unrecorded Assets**

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

**Question: 19**

Write the word / term / phrase, which can substitute the following statements.  
The account which shows realisation of assets and discharge of liabilities.

**Solution**

**Realisation Account**

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

**Question: 20**

Write the word / term / phrase, which can substitute the following statement.  
Expenses incurred on dissolution of a partnership firm.

**Solution**

**Dissolution/Realisation Expenses**

**Explanation:** Dissolution/Realisation Expenses are the expenses incurred on dissolution of a firm. These expenses belong to the firm and hence, they should be paid by the firm. However, sometimes these expenses are paid by the firm on behalf of a partner. In such cases, the Concerned Partner's Capital Account is debited.

**Question: 21**

State whether the following statements is True or False.

The firm is dissolved automatically on the retirement of a partner.

**Options**

- True
- False

### **Solution**

#### **False**

**Explanation:** Change in profit sharing ratio among the existing partners, admission of a new partner, retirement or death of a partner, result in dissolution of partnership. In such instances, the existing partnership deed gets dissolved and it is replaced by a new partnership deed. However, the partnership firm continues to operate. On the other hand, in case of dissolution of a partnership firm, the whole firm is put to an end (along with the partnership deed).

Therefore, it is incorrect to say that a firm dissolves on the retirement of a partner.

### **Question: 22**

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

On dissolution Cash or Bank Account is closed automatically.

#### **Options**

- True
- False

### **Solution**

#### **True**

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

### **Question: 23**

State whether the following statements is True or False.

On dissolution Bank Overdraft is transferred to Realisation Account.

#### **Options**

- True
- False

### **Solution**

#### **False**

**Explanation:** The amount of bank overdraft is **not** transferred to Realisation Account; instead, it is shown on the credit side of Bank Account.

**Question: 24**

State whether the following statements is True or False.

A Solvent partner having debit balance to his Capital Account does not share the deficiency of Insolvent Partner's Capital Account.

**Options**

- True
- False

**Solution****True**

**Explanation:** A solvent partner who has a debit balance does not share deficiency of an insolvent partner, even though he or she may be more financially sound compared to the other solvent partners. This is because it violates the principle of natural justice and equity.

**Question: 25**

State whether the following statements is True or False.

At the time of dissolution of Partnership Firm all assets should be transferred to Realisation A/c.

**Options**

- True
- False

**Solution****False**

**Explanation:** All assets except the cash or bank balances are transferred to the Realisation Account. Therefore, the given statement is incorrect.

**Question: 26**

State whether the following statements is True or False.

Debit balance of insolvent Partner's Capital A/c is known as Capital Deficiency.

**Options**

- True
- False

**Solution**

**True**

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

**Question: 27**

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

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

**Options**

- True
- False

**Solution**

**False**

**Explanation:** Partner's loan is transferred to a separate account known as Partner's Loan Account. This is because partner's loan is **not** an external (outside) liability. Its payment can be made only after the settlement of external liabilities.

**Question: 28**

State whether the following statements is True or False.

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

**Options**

- True
- False

**Solution**

**True**

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

**Question: 29**

State whether the following statements is True or False.

The insolvency loss at the time of dissolution of the firm is shared by the Solvent Partner's in their Profit-sharing ratio.

**Options**

- True



- False

### **Solution**

**True**

**Explanation:** Insolvency loss, i.e. capital deficiency (debit balance in the capital account of an insolvent partner) is shared among the solvent partners in their profit sharing ratio.

### **Question: 30**

State whether the following statements is True or False.

Realisation loss is not transferred to insolvent partner's Capital Account.

### **Options**

- True
- False

### **Solution**

**False**

**Explanation:** Realisation loss is transferred to All Partners' Capital Accounts (including the insolvent partner). After this, the total amount of capital deficiency is ascertained and is shared by the other solvent partners in their profit-sharing ratio.

### **Question: 31**

Select the most appropriate alternative from those given below :

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

### **Options**

- Bank A/c
- Partner's capital A/c
- Realisation A/c
- Partner's current A/c

### **Solution**

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

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

### **Question: 32**

Select the most appropriate alternative from those given below :

Dissolution expenses are credited to \_\_\_\_\_A/c.

**Options**

- Realisation A/c
- Cash/Bank A/c
- Partner's Capital A/c
- Partner's Loan A/c

**Solution**

Dissolution expenses are credited to **Cash/Bank** A/c.

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

**Question: 33**

Select the most appropriate alternative from those given below :

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

**Options**

- capital ratio
- profit-sharing ratio
- sale ratio
- liquidity ratio

**Solution**

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

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

**Question: 33**

Select the most appropriate alternative from those given below :

If any asset is taken over by partner from firm his Capital A/c will be\_\_\_\_\_.

**Options**

- credited

- debited
- added
- none of these

### **Solution**

If any asset is taken over by a partner from the firm, then his Capital A/c will be **debited**.

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

### **Question: 34**

Select the most appropriate alternative from those given below :

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

### **Options**

- Cash/Bank A/c
- Realisation A/c
- Partner's Capital A/c
- Loan A/c

### **Solution**

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

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

### **Question: 35**

Select the most appropriate alternative from those given below :

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

### **Options**

- Solvent
- Insolvent
- Creditor
- None of these

### **Solution**

Partnership is compulsorily dissolved when the partners of the firm become **insolvent**.

**Explanation:** When the partners of a firm become insolvent, it implies that the assets of the firm have decreased in comparison to the liabilities. Moreover, the partners do not have enough funds to make payment to the creditors; hence, the partnership is compulsorily dissolved as per the order of a court of justice.

### **Question: 36**

Select the most appropriate alternative from those given below :

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

#### **Options**

- Market
- purchase
- sale
- book

### **Solution**

Assets and liabilities are transferred to the Realisation Account at their **book** values.

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

### **Question: 37**

Select the most appropriate alternative from those given below :

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

#### **Options**

- dissolved
- established
- realisation
- None of these

### **Solution**

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

**Explanation:** As per the Indian Partnership Act of 1932, at least two people are

required to form a partnership firm. Thus, if the minimum number of members falls below two, then the partnership firm gets automatically dissolved.

**Question: 38**

Select the most appropriate alternative from those given below :

Realisation Account is \_\_\_\_\_ on realisation of assets.

**Options**

- debited
- credited
- deducted
- None of these

**Solution**

Realisation Account is **credited** on realisation of assets.

**Explanation:** If the assets are realised in cash, then the Realisation A/c is credited and Cash/Bank A/c is debited with the amount actually realised.

**Question: 39**

Select the most appropriate alternative from those given below :

All activities of the partnership firm cease (stop) on \_\_\_\_\_ of firm.

**Options**

- dissolution
- admission
- retirement
- None of these

**Solution**

All activities of the partnership firm cease (stop) on **dissolution** of firm.

**Explanation:** Dissolution of a partnership firm involves discontinuance of the firm's business, besides the termination of the existing partnership deed. Thus, at the time of dissolution of a partnership firm, all the activities of the firm tend to cease.

**Question: 40**

Sushil and Sumit were in partnership sharing profits and losses in the proportion of  $\frac{3}{5}$  and  $\frac{2}{5}$  respectively. On 31<sup>st</sup> March, 2005 they decide to dissolve the firm when their Balance Sheet was as under:

**Balance Sheet as on 31<sup>st</sup> March, 2005**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sushil's Capital	20,000	Plant and Machinery	15,000
Sumit's Capital	18,000	Stock	15,000
General Reserve	5,000	Sundry Debtors	22,000
Sumit's Loan A/c	2,000	Bank	3,000
Sundry Creditors	10,000		
	<b>55,000</b>		<b>55,000</b>

**The Assets realised as follows:** Stock Rs 14,000, Plant and Machinery Rs 12,000 and Debtors Rs 20,000. The Sundry Creditors were paid Rs 9,000 in full settlement.

**Prepare:** Realisation Account, Partners Capital Accounts and Bank Account.

### Solution

#### Realisation Account

Dr.

Cr.

Particulars			Particulars		
<b>Sundry Assets</b>			<b>Sundry Liabilities-</b> Sundry Creditors		10000
Plant and Machinery	15000	52000	Bank A/c		
Stock	15000		Stock	14000	46000
Sundry Debtors	22000		Plant and Machinery	12000	
Bank A/c (Sundry Creditors)	9000		Bank	20000	
			Loan transferred to:		
			Sunil's Capital A/c	3000	5000
			Sumit's Capital A/c	2000	
		<b>61000</b>			<b>61000</b>

#### Partners' Capital Accounts

Dr.

Cr.

Particulars	Sushil	Sushil	Particulars	Sushil	Sushil
Realisation A/c (Loss)	3000	2000	Balance b/d	20000	18000
Bank A/c	20000	18000	General Reserve	3000	2000
	<b>23000</b>	<b>20000</b>		<b>23000</b>	<b>20000</b>

#### Sumit's Loan Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	2000	Balance b/d	2000
	<b>2000</b>		<b>2000</b>

### Cash/Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	3000	Realisation A/c (Liabilities)	9000
Realisation A/c (Assets)	46000	Loan A/c	2000
		Capital A/c	
		Sushil	20000
		Sumit	18000
	<b>49000</b>		<b>49000</b>

### Question: 41

Ganesh and Chandan were partners sharing profits and losses in the proportion of 3:2. They dissolve the partnership firm on 31<sup>st</sup> March, 2011 when their position was as follows:

### Balance Sheet as on 31<sup>st</sup> March, 2011

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry Creditors	25000	Debtors	112500
Bank overdraft	20000	Less : R.D.D	12500
Reserve Fund	30000	Stock	225000
Capital Accounts:		Furniture	50000
Ganesh	230000	Motor Car	75000
Chandan	150000	Cash in hand	5000
	<b>455000</b>		<b>455000</b>

**The Assets realised as follows:** Debtors Rs 90,000, Stock Rs 2,00,000, and Goodwill Rs 25,000, Motor Car was taken over by Ganesh for Rs 70,000 and Furniture by Chandan for Rs 60,000.

The Creditors were paid Rs 22,500 in full settlement. The expenses of realisation amounted to Rs 10,000.

Pass necessary journal entries in the books of the firm.

### Solution

### Journal Entry

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Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Realisation A/c Dr To Debtors A/c To Stock A/c To Furniture A/c To Motor Car A/c (Being Assets transferred to Realisation A/c)		462500	112500 225000 50000 75000
	Sundry Creditors A/c Dr. Reserve for Doubtful Debts A/c Dr. To Realisation A/c (Being Liabilities transferred to Realisation A/c)		25000 12500	37500
	Cash A/c Dr. To Realisation A/c (Being Assets realised)		315000	315000
	Ganesh's Capital A/c Dr. To Realisation A/c (Being Motor Van Taken over by Ganesh)		70000	70000
	Chandan's Capital A/c Dr To Realisation A/c (Furniture taken over by Chandan)		60000	60000
	Realisation A/c Dr To Cash A/c (Being Realisation expenses and creditors are paid off)		32500	32500
	Ganesh's Capital A/c Dr. Chandan's Capital A/c Dr. To Realisation A/c (Being Loss transferred to Partner's capital A/c)		7500 5000	12500
	Reserve Fund A/c Dr To Ganesh's Capital A/c To Chandan's Capital A/c (Being Reserve Fund transferred to Partner's Capital A/c)		30000	18000 12000
	Bank Overdraft A/c Dr. To Cash A/c (Being Bank overdraft transferred to Cash A/c)		20000	20000
	Ganesh's Capital A/c Dr Chandan's Capital A/c Dr To Cash A/c		170500	267500



	(Being Amount paid off on account of final settlement)		97000	
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**Note:** As per the book the amounts paid to Ganesh and Chandan are Rs 1,72,500 and Rs 95,000, respectively, however, as per the solution above these balances should be Rs 1,70,500 and Rs 97,000, respectively.

### Question: 42

Anil and Sunil were partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31<sup>st</sup> March, 2009.

#### Balance Sheet as on 31<sup>st</sup> March, 2009

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Account		Bank	30000
Anil	50000	Stock	25000
Sunil	30000	Debtors	70000
Current Account		Plant	45000
Anil	15000	Building	35000
Sunil	10000		
Creditors	87000		
Bills payable	13000		
	<b>205000</b>		<b>205000</b>

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

- 1) Stock Rs 20,000, Debtors Rs 60,000, Plant Rs 40,000 and Building Rs 30,000.
- 2) Anil agreed to pay off the bills payable.
- 3) Creditors were paid in full.
- 4) Dissolution expenses were Rs 7,000.

### Prepare:

- (i) Realisation Account
- (ii) Bank Account
- (iii) Current Account and Capital Account of the partners.

### Solution

#### Realisation Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
<b>Sundry Assets:</b>		<b>Sundry Liabilities:</b>	
Stock	25000	Sundry Creditors	87000
	175000		100000

Debtors	70000		Bills Payable	13000	
Plant	45000		Bank A/c:		
Building	35000		Stock	20000	
Bank A/c-			Debtors	60000	
Creditors	87000		Plant	40000	150000
Dissolution Expenses	7000	94000	Building	30000	
Anil's Current A/c		13000	Loss transferred to :		
			Anil's Current A/c	19200	
			Sunil's Current A/c	12800	32000
		<b>282000</b>			<b>282000</b>

### Partners' Current Accounts

Dr.

Cr.

Particulars	Anil	Sunil	Particulars	Anil	Sunil
Realisation A/c (Loss)	19200	12800	Balance b/d	15000	10000
Capital A/c	8800		Realisation A/c (Bills Payable paid off)	13000	
			Capital A/c		2800
	<b>28000</b>	<b>12800</b>		<b>28000</b>	<b>12800</b>

### Partners' Capital Accounts

Dr

Cr.

Particulars	Anil	Sunil	Particulars	Anil	Sunil
Current A/c		2,800	Balance b/d	50,000	30,000
Bank A/c	58,800	27,200	Current A/c	8,800	
	<b>58800</b>	<b>30000</b>		<b>58800</b>	<b>30000</b>

### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	30000	Realisation A/c (Liabilities)	94000
Realisation A/c (Assets)	150000	Capital A/cs:	
		Anil	58800
		Sunil	27200
	<b>180000</b>		<b>180000</b>

**Question: 43**

X, Y and Z were carrying on business. They share profits and losses in the ratio of 5:3:2 respectively. Their Balance Sheet as on 31<sup>st</sup> March, 2010 was as under:

**Balance Sheet as on 31<sup>st</sup> March, 2010**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry Creditors	21000	Plant and Machinery	20000
Y's loan	5000	Investment	8000
Reserve fund	20000	Stock	
Capital Account:		Debtors	18000
X	20000	Less : R.D.D	1000
Y	10000	Cash in hand	2000
Z	4000	Cash at Bank	3000
	<b>80000</b>		<b>80000</b>

On the above date the firm was dissolved and the assets realised as under:

- 1) Investment Rs 5,000, Stock Rs 24,000 and Debtors Rs 15,000.
- 2) The Plant and Machinery was taken over by Mr. 'X' at book value.
- 3) Sundry Creditors and Mr. 'Y' loan were paid in full.
- 4) Realisation expenses incurred Rs 1,000.

Prepare Realisation Account, Partner's Capital Account and Bank Account

**Solution****Realisation Account**

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
<b>Sundry Assets:</b>		<b>Sundry Liabilities:</b>	
Plant and Machinery	20000	Reserve for Doubtful Debts	1000
Investments	8000	Sundry Creditors	21000
Stock	30000	Bank A/c:	
Debtors	18000	Investments	5000
Bank A/c		Stock	24000
Creditors	21000	Debtors	15000
Realisation Expenses	1000	X's Capital A/c (Plant and Machinery)	20000
		Loss transferred to:	

		X's Capital A/c	6000	12000
		Y's Capital A/c	3600	
		Z's Capital A/c	2400	
	<b>98000</b>			<b>98000</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	X	Y	Z	Particulars	X	Y	Z
Realisation A/c (Loss)	6000	3600	2400	Balance b/d	20000	10000	4000
Realisation A/c (Plant and Machinery)	20000			Reserve Fund	10000	6000	4000
Bank A/c	4000	12400	5600				
	<b>30000</b>	<b>16000</b>	<b>8000</b>		<b>30000</b>	<b>16000</b>	<b>8000</b>

### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	3000	Realisation A/c (Liabilities)	22000
Cash A/c	2000	Capital A/cs:	
Realisation A/c (Assets)	44000	X	4000
		Y	12400
		Z	5600
		Y's Loan A/c	5000
	<b>49000</b>		<b>49000</b>

### Y's Loan Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	5000	Balance b/d	5000
	<b>5000</b>		<b>5000</b>

### Question: 44

A, B and C were partners sharing profits and losses in the ratio of 3:2:1. On 31<sup>st</sup> March, 2010. Their Balance Sheet was as follows:

### Balance Sheet as on 31<sup>st</sup> March, 2010

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry Creditors	15400	Cash at Bank	3500
Bills payable	3600	Stock	19800
A's loan A/c	10000	Debtors	15000
Capital Account:		Less : Provision	1000
A	20000	Join Life Policy	4000
B	16000	Plant and Machinery	43700
C	8000		
Reserve Fund	12000		
	<b>85000</b>		<b>85000</b>

The firm was dissolved on 31<sup>st</sup> March, 2010 and the assets realised as follows:

- 1) Join Life Policy was taken over by Mr. A at Rs 5,000.
- 2) Stock realised Rs 18,000, Debtors realised Rs 14,500, Plant and Machinery was sold for Rs 36,000.
- 3) Liabilities were paid in full. In addition one bill for Rs 700 under discount was dishonoured and had to be taken up by the firm.
- 4) There were no realisation expenses.

Give the Journal entries and necessary Ledger Accounts to close the books of the firm.

### Solution

#### Journal Entry

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Realisation A/c Dr. To Stock A/c To Debtors A/c To Joint Life Policy A/c To Plant and Machinery A/c (Being Sundry Assets transferred to Realisation A/c)		82500	19000 15000 4000 43700
	Sundry Creditors A/c Dr. Bills Payable A/c Dr Provision on Debtors A/c Dr To Realisation A/c (Being Sundry Liabilities transferred to Realisation A/c)		15400 3600 1000	20000
	Bank A/c Dr. To Realisation A/c		68500	68500

	(Being Assets realised)			
	Realisation A/c Dr To Bank A/c (Being Liabilities paid off)		19700	19700
	A's Capital A/c Dr To Realisation A/c (Being Joint Life Policy taken over by Mr. A for Rs 5,000)		5000	5000
	A's Capital A/c Dr B's Capital A/c Dr C's Capital A/c Dr To Realisation A/c (Being Loss on realization transferred to Partner's Capital A/c)		4350 2900 1450	8700
	Reserve Fund Dr To A's Capital A/c To B's Capital A/c To C's Capital A/c (Being Reserve Fund transferred to Partner's Capital A/c)		12000	6000 4000 2000
	A's Loan A/c Dr To Bank A/c (Being A's Loan has been paid off)		10000	10000
	A's Capital A/c Dr B's Capital A/c Dr C's Capital A/c Dr To Bank A/c (Being Amount Paid off to partner on account of final settlement)		16650 17100 8550	42300

### Realisation Account

Dr.

Cr.

Particulars		Amount (Rs)	Particulars		Amount (Rs)
<b>Sundry Assets:</b>			<b>Sundry Liabilities:</b>		
Stock	19,800	82,500	Provision on Debtors	1,000	20,000
Debtors	15,000		Bills Payable	3,600	
Joint Life Policy	4,000		Sundry Creditors	15,400	
Plant and Machinery	43,700		Mr. A's Capital A/c (Joint Life Policy)		5,000
Bank A/c:			Bank A/c:		
Creditors	15,400	19700	Stock	18,000	68,500
Bills Payable	3,600		Debtors	14,500	

Bill Dishonoured	700		Plant and Machinery	36,000	
			Loss transferred to:		
			A's Capital A/c	4,350	8,700
			B's Capital A/c	2,900	
			C's Capital A/c	1,450	
		<b>93,500</b>			<b>93,500</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	A	B	C	Particulars	A	B	C
Realisation A/c (Loss)	4350	2900	1450	Balance c/d	20000	16000	8000
Realisation A/c (Joint Life Policy)	5000			Reserve fund	6000	4000	2000
Balance c/d	16650	17100	8550				
	<b>26000</b>	<b>20000</b>	<b>10000</b>		<b>26000</b>	<b>20000</b>	<b>10000</b>

### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	3,500	Realisation A/c (Liabilities)	19700
Realisation A/c (Assets)	68500	Capital A/cs:	
		A	16650
		B	17100
		C	8550
		A's Loan A/c	10000
	<b>72000</b>		<b>72000</b>

### A's Loan Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	10000	Balance b/d	10000
	<b>10000</b>		<b>10000</b>

**Note:** As per the book amounts paid to A, B and C is Rs 16,650, Rs 16,700 and Rs 8,950 respectively but as per our solution it should be Rs 16,650, Rs 17,100 and Rs 8,550 respectively.

**Question: 45**

Pannalal, Babulal and Hiralal were partners sharing profits and losses in the proportion of 2:2:1, following is their Balance Sheet as on 31<sup>st</sup> March, 2008.

**Balance Sheet as on 31<sup>st</sup> March, 2008**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Accounts:		Machinery	25000
Pannalal	30000	Stock	10000
Babulal	10000	Debtors	27500
Hiralal	10000	Less : R.D.D	1500
			26000
General Reserve	3000	Investment	12000
Creditors	20000	Profit and Loss A/c	9000
Pannalal's Loan A/c	4000	Bank	2000
Bills payable	7000		
	<b>84000</b>		<b>84000</b>

On the above date the partners decided to dissolve the firm:

1) Assets were realised: Machinery Rs 22,500, Stock Rs 9,000, Investment Rs 10,500, Debtors Rs 22,500.

2) Dissolution expenses were Rs 1,500.

3) Goodwill of the firm realised Rs 12,000

Pass the necessary Journal entries in the books of the firm.

**Solution****Journal Entry**

Date	Particulars	L.F	Debit Amount (Rs)	Credit Amount (Rs)
	Realisation A/c Dr To Machinery A/c To Stock A/c To Debtors A/c To Investments A/c (Being Sundry Assets transferred to Realisation A/c)		74,500	25,000 10,000 27,500 12,000
	Creditors A/c Dr Bills Payable A/c Dr Reserve for Doubtful Debts A/c Dr		20000 7000	28500



	To Realisation A/c (Being Sundry Liabilities transferred to Realisation A/c )		1500	
	Bank A/c Dr. To Realisation A/c (Being Sundry Assets realised)		76500	76500
	Realisation A/c Dr To Bank A/c (Being Sundry Liabilities paid off)		28500	28500
	Realisation A/c Dr. To Pannalal's Capital A/c To To Babulal's Capital A/c To Hiralal's Capital A/c (Being Profit on Realisation transferred to Partner's Capital Account)		2000	800 800 400
	Pannalal's Capital A/c Dr. Babulal's Capital A/c Dr Hiralal's Capital A/c Dr To Profit and Loss A/c (Being Profit and Loss A/c (Dr.) transferred to Partner's Capital A/c)		3600 3600 1800	9000
	General Reserve A/c Dr To Pannalal's Capital A/c To Babulal's Capital A/c To Hiralal's Capital A/c (Being General Reserve transferred to Partner's Capital A/c)		3000	1200 1200 600
	Pannalal's Loan A/c Dr. To Bank A/c (Being Pannalal's Loan has been paid)		4000	4000
	Pannalal's Capital A/c Dr Babulal's Capital A/c Dr Hiralal's Capital A/c Dr To Bank A/c (Being Amount paid to partners on account of final settlement)		28400 8400 9200	46000

#### Question: 46

Mahesh, Suresh and Jayesh were partners of the firm. They decided to dissolve the firm on 31<sup>st</sup> March, 2012. Their Balance Sheet as on that date was as under:

#### Balance Sheet as on 31<sup>st</sup> March, 2012

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	18000	Cash at Bank	9600
Loan	4500	Sundry Assets	51000
Capitals		Debtors	72600
			69000

Mahesh	82500	Less : R.D.D.	3600	
Suresh	30000	Stock		23400
Jayesh	21000	Furniture		3000
	<b>156000</b>			<b>156000</b>

**The firm was dissolved as follows:**

- 1) Mahesh will accept furniture for Rs 2,000 and agreed accept the debtors of book value of Rs 60,000 at on agreed value of Rs 51,000.
- 2) Suresh will accept stock at an agreed value Rs 20,000, and Sundry Assets of Book value Rs 24,000 at Rs 23,500.
- 3) Jayesh will accept remaining Sundry Assets for Rs 25,000 He will further accept the liability of loan along with due interest at 12% p.a.  
  
Interest for three months on this loan was outstanding and was not recorded in the books.
- 4) Expenses of dissolution were Rs 1,000 and outstanding expenses of Rs 1,200 were to be paid from the firm.
- 5) The remaining debtors were realised Rs 7,000.

**Prepare:**

- 1) Realisation A/c
- 2) Partner's Capital A/c
- 3) Bank A/c

**Solution**

**Realisation Account**

Dr.

Cr.

Particulars		Amount (Rs)	Particulars		Amount (Rs)
<b>Sundry Assets:</b>			<b>Sundry Liabilities:</b>		
Assets	51000	150000	Creditors	18,000	26100
Debtors	72600		Loan	4,500	
Stock	23400		Reserve for Doubtful debts	3,600	
Furniture	3000		Mahesh's Capital A/c:		
Bank A/c:			Furniture	2,000	53000
Creditors	18,000	20200	Debtors	51,000	
Dissolution Expenses	1,000		Suresh's Capital A/c:		
Outstanding	1,200		Stock	20,000	43500

Expenses					
Jayesh's Capital A/c (Loan with its 3 months outstanding Interest)	4635	Sundry Assets	23,500		
		Jayesh's Capital A/c (Sundry Assets)	25000		
		Bank A/c (Debtors)	7000		
		Loss transferred to:			
		Mahesh's Capital A/c	6745		
		Suresh's Capital A/c	6745		
		Jayesh's Capital A/c	6745		
	<b>174835</b>			<b>174835</b>	

### Partners' Capital Accounts

Dr.

Cr.

Particulars	Mahesh	Suresh	Jayesh	Particulars	Mahesh	Suresh	Jayesh
Realisation A/c	53000	43500	25000	Balance b/d	82500	30000	21000
Realisation A/c (Loss)	6745	6745	6745	Realisation A/c (Loan paid)			4635
Bank A/c	22755			Bank A/c		20245	6110
	<b>82500</b>	<b>50240</b>	<b>31745</b>		<b>82500</b>	<b>50245</b>	<b>31745</b>

### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	9,600	Realisation A/c (Liabilities)	20200
Realisation A/c (Assets)	7000	Mahesh's Capital A/c	22755
Capital A/cs:			
Suresh	20245		
Jayesh	6110		
	<b>42955</b>		<b>42955</b>

### Question: 47

Gautam, Viral and Ashwin were Partners sharing profits and losses equally. Their Balance sheet as on 31<sup>st</sup> December, 2011 was as follows:

### Balance Sheet as on 31<sup>st</sup> December, 2011

--	--	--	--

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Accounts:		Building	73,900
Gautam	75000	Furniture	44,100
Virat	45000	Stock	25,400
Reserve Fund	27,000	Debtors	33,600
Creditors	48,500	Cash	15,000
Bank Loan	11,500	Ashwin's Capital	15,000
	<b>207000</b>		<b>207000</b>

The firm was dissolved due to insolvency of Ashwin and the following was the result.

**(i)** The realisation of Assets were as follows:

- a) The stock was completely damaged and could realise worth Rs 16,500 only.
- b) Building was sold for Rs 49,800.
- c) Furniture was realised by the firm at Rs 23,100 less than the book value.
- d) A Customer who owes Rs 14,400 became insolvent and nothing could be recovered from his private estate.

**(ii)** Creditors were paid for Rs 36,900 in full settlement and Bank Loan was discharged fully.

**(iii)** The expenses of realisation Rs 4,100

**(iv)** Ashwin became insolvent and the firm could recover only Rs 4,000 from his private estate.

Prepare Realisation A/c, Partner's Capital A/c and cash A/c to close the books of the firm.

### Solution

#### Realisation Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
<b>Sundry Assets:</b>		<b>Sundry Liabilities:</b>	
Building	73,900	Creditors	48500
Furniture	44,100	Bank Loan	11500
Stock	25,400	Bank A/c :	
Debtors	33,600	Stock	16500
Bank A/c :		Building	49800
Creditors	36900	Furniture	21000

Bank loan	11500		Debtors	19200	
Realisation Expenses	4100		Loss transferred to:		
			Gautam's Capital A/c	21000	63000
			Virat's Capital A/c	21000	
			Ashwin's Capital A/c	21000	
		<b>229500</b>			<b>229500</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	Gautam	Virat	Ashwin	Particulars	Gautam	Virat	Ashwin
Balance b/d			15000	Balance b/d	75000	45000	
Realisation A/c (Loss)	21000	21000	21000	Reserve fund	9000	9000	9000
Ashwin's Capital A/c	11500	11500		Cash			4000
Bank A/c	51500	51500		Gautam's Capital A/c			11500
				Virat's Capital A/c			11500
	<b>84000</b>	<b>54000</b>	<b>36000</b>		<b>84000</b>	<b>54000</b>	<b>36000</b>

### Cash/Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	15000	Realisation A/c (Liabilities)	52500
Realisation A/c (Assets)	106500	Capital A/cs	
Ashwin's Capital A/c	4000	Gautam	51500
		Virat	21500
	<b>125500</b>		<b>125500</b>

### Working Notes:

Calculation of Capital Deficiency

Capital Deficiency of Ashwin of Rs 23000 brought in by Gautam and Virat in their Profit Sharing Ratio

Gautam will bring =  $23000 \times \frac{1}{2} = 11500$

Virat will bring =  $23000 \times \frac{1}{2} = 11500$

**Question: 48**

**(When one partner becomes insolvent)**

Rahul, Rohit and Ramesh were partners in a firm sharing profit and losses in the ratio of 2:2:1 respectively. The Balance Sheet as on 31<sup>st</sup> March, 2012 was as follows:

**Balance Sheet as on 31<sup>st</sup> December, 2011**

<b>Liabilities</b>	<b>Amount (Rs)</b>	<b>Assets</b>	<b>Amount (Rs)</b>
Sundry Creditors	20000	Cash at Bank	8000
Bills payable	5000	Stock	20000
General Reserve	6000	Debtors	16000
Rahul's Loan A/c	16000	Less : R.D.D	1000
Capital Account		Plant and Machinery	30000
Rahul	25000	Furniture	6000
Rohit	10000	Ramesh's Capital A/c	3000
	<b>82000</b>		<b>82000</b>

The firm was dissolved on the above date:

1) The Assets realised as follows:

Debtors Rs 9,000, Plant and Machinery Rs 26,000, Stock Rs 14,000 and Furniture Rs 3,000.

2) The Creditors were paid Rs 18,000 in full settlement and the bills payable were paid in full.

3) The realisation expenses amounted to Rs 3,000.

4) Ramesh become insolvent and was able to bring in only Rs 1,800 from his private estate.

**Prepare:**

- 1) Realisation A/c
- 2) Bank A/c and
- 3) Partner's Capital A/c

**Solution****Realisation Account**

Dr.

Cr.

<b>Particulars</b>	<b>Amount (Rs)</b>	<b>Particulars</b>	<b>Amount (Rs)</b>
<b>Sundry Assets:</b>		<b>Sundry Liabilities:</b>	
Debtors	16000	Sundry Creditors	20000
Stock	20000	Bills Payable	5000
Plant and Machinery	30,000	Reserve for Doubtful Debts	1000
Furniture	6000		
	72000		26000

			Bank A/c:	
Bank A/c:			Debtors	9000
Sundry Creditors	18000	26000	Plant and Machinery	26000
Bills Payable	5000		Stock	14000
Realisation Expenses	3000		Furniture	3000
			Loss transferred to:	
			Rahul's Capital A/c	8000
			Rohit's Capital A/c	8000
			Ramesh's Capital A/c	4000
		<b>98000</b>		<b>98000</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	Rahul	Rohit	Ramesh	Particulars	Rahul	Rohit	Ramesh
Balance b/d			3000	Balance b/d	25000	10000	
Realisation A/c (Loss)	8000	8000	4000	General Reserve	2400	2400	1200
Ramesh's Capital A/c	2000	2000		Bank A/c			1800
Bank A/c	17400	17400		Rahul's Capital A/c			2000
				Rohit's Capital A/c			2000
	<b>27400</b>	<b>12400</b>	<b>7000</b>		<b>27400</b>	<b>12400</b>	<b>7000</b>

### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	8000	Realisation A/c (Liabilities)	26000
Realisation A/c (Assets)	52000	Capital A/cs:	
Ramesh's Capital A/c	1800	Rahul	17400
		Rohit	2400
		Rahul's Loan A/c	16000
	<b>61800</b>		<b>61800</b>

### Rahul's Loan Account

**Dr.**

**Cr.**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	16000	Balance b/d	16000
	<b>16000</b>		<b>16000</b>

#### Working Notes:

#### Capital Deficiency of Ramesh

	Rs.
Debit balance of Ramesh	7000
Less: General Reserve	1200
	5800
Less: Cash brought in by Ramesh	1800
<b>Capital Deficiency</b>	<b>4000</b>

Capital Deficiency of Rs 4,000 to be distributed between Rahul and Rohit (Solvent Partners) in the ratio 2:2.

Rahul's Share =  $4000 \times \frac{2}{4} = 2000$

Rohit's Share =  $4000 \times \frac{2}{4} = 2000$

#### Question: 49

#### (When all partners become insolvent)

Shiv, Sadashiv and Sadanand are Partners in a firm sharing Profit and Losses equally whose Balance-sheet as on 31<sup>st</sup> December, 2011 stood as follows:

#### Balance Sheet as on 31<sup>st</sup> December, 2011

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Accounts		Sadanand's Capital A/c	2000
Shiv	6000	Buildings	18300
Sadashiv	4000	Machinery	12700
Parvati's Loan	10000	Debtors	9100
Sundry Creditors	30000	Bank	7900
	<b>50000</b>		<b>50000</b>

Shiv, Sadashiv and Sadanand were declared bankrupt and hence the firm was dissolved as on that date:

(i) The sundry Assets realised as follows:

Building Rs 10,900, Machinery Rs 8,200, Debtors Rs 6,800.



(ii) Realisation expenses amounted to Rs 1,300.

(iii) Sadanand was unable to contribute anything-

Whereas Rs 1,100 and Rs 900 were recovered from the realisation of private estate of Shiv and Sadashiv respectively.

You are required to close the books of the firm.

### Solution

#### Realisation Account

Dr.

Cr.

Particulars		Amount (Rs)	Particulars		Amount (Rs)
<b>Sundry Assets:</b>			Bank A/c:		
Building	18300	40100	Building	10900	25900
Machinery	12700		Machine	8200	
Debtors	9100		Debtors	6800	
Bank A/c (Realisation Expenses)		1300	Loss transferred to:		
			Shiv's Capital A/c	5167	15500
			Sadashiv's Capital A/c	5167	
			Sadanand's Capital A/c	5167	
		<b>41400</b>			<b>41400</b>

#### Partners' Capital Accounts

Dr.

Cr.

Particulars	Shiv	Sadashiv	Sadanand	Particulars	Shiv	Sadashiv	Sadanand
Balance b/d			2000	Balance b/d	6000	4000	
Realisation A/c (Loss)	5167	5167	5166	Bank A/c	1100	900	
Deficiency A/c	1933			Deficiency A/c		267	7166
	<b>7100</b>	<b>5167</b>	<b>7166</b>		<b>7100</b>	<b>5167</b>	<b>7166</b>

#### Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)

Balance b/d	7900	Realisation A/c (Realisation Expenses)	1300
Realisation A/c (Assets)	25900	Sundry Creditors	25875
Capital A/cs		Parvati's Loan A/c	8625
Shiv	1100		
Sadashiv	900		
	<b>35800</b>		<b>35800</b>

#### Sundry Creditors Account

**Dr.**

**Cr.**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	25875	Balance b/d	30000
Deficiency A/c	4125		
	<b>30000</b>		<b>30000</b>

#### Parvati's Loan Account

**Dr.**

**Cr**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank A/c	8,625	Balance b/d	10,000
Deficiency A/c	1,375		
	<b>10000</b>		<b>10000</b>

#### Deficiency Account

**Dr.**

**Cr.**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Sadashiv's Capital A/c	267	Shiv's Capital A/c	1933
Sadanand's Capital A/c	7166	Sundry Creditors A/c	4125
		Parvati's Loan A/c	1375
	<b>7433</b>		<b>7433</b>

#### Working Notes:

Amount Left for payment = 35800-1300 = 34500

Amount Paid to Sundry Creditors and Parvati's Loan Account in the ratio 3 : 1 (i.e. 30000 : 10000)

Therefore, amount paid to sundry Creditors =  $34500 \times \frac{3}{4} = 25875$

Amount Paid towards Parvati's Loan A/c =  $34500 \times \frac{1}{4} = 8625$

**Question: 50**

Ganga, Yamuna and Godavari are in Partnership sharing profits and losses equally. Their Balance sheet as on 31<sup>st</sup> December, 2011 was as follows:

**Balance Sheet as on 31<sup>st</sup> December, 2011**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Accounts		Currnet Accounts	
Ganga	25000	Yamuna	20000
Yamuna	10000	Godavari	4000
Godavari	5000	Premises	17200
Ganga's Currnet A/c	3000	Machinery	10800
Sundry Creditors	4000	Debtors	9600
Bank loan	3000	Cash	6400
	<b>50000</b>		<b>50000</b>

Godavari was declared insolvent and hence the firm was dissolved as on that date. Premises was sold at Rs 14,800, Machinery realised Rs 6,400. Bad debts and discount allowed to Debtors amounted to Rs 1,600. Sundry creditors agreed to receive 80 paise in a rupee (Rs) in full satisfaction of their claim. Bank Loan was settled at 60% of book value. During the course of dissolution a liability under an action for damages was settled for Rs 1,400 against Rs 2,100 provided in the books of the firm. The expenses of realisation amounted to Rs 900. Goodwill contributed Rs 1,900 from her private Property.

Prepare necessary ledger accounts in the books of the firm.

**Solution****Realisation Account**

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
<b>Sundry Assets:</b>		<b>Sundry Liabilities:</b>	
Premises	17200	Sundry Creditors	4000
Machinery	10800	Bank Loan	3000
Debtors	9600	Bank A/c:	
Bank A/c:		Premises	14800
Sundry Creditors	3200	Machinery	6400
Bank Loan	1800	Debtors	8000
Realiation Expenses	900	Loss transferred to:	
Damages	1400	Ganga's Capital A/c	2900
		Yamuna's Capital	2900

		A/c	
		Godavari's Capital A/c	2900
	<b>44900</b>		<b>44900</b>

### Partners' Current Accounts

Dr.

Cr.

Particulars	Ganga	Yamuna	Godavari	Particulars	Ganga	Yamuna	Godavari
Balance b/d		2000	4000	Balance b/d	3000		
Realisation A/c (Loss)	2900	2900	2900	Cash A/c			1900
Capital A/c	100			Capital A/c		4900	5000
	<b>3000</b>	<b>4900</b>	<b>5000</b>		<b>3000</b>	<b>4900</b>	<b>5000</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	Ganga	Yamuna	Godavari	Particulars	Ganga	Yamuna	Godavari
Current A/c		4900	5000	Balance b/d	25000	10000	5000
Cash A/c	25100	5100		Current A/c	100		
	<b>25100</b>	<b>10000</b>	<b>5000</b>		<b>25100</b>	<b>10000</b>	<b>5000</b>

### Cash/Bank Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	6400	Realisation A/c (Liabilities)	7300
Realisation A/c (Assets)	29200	Capital A/cs:	
Godavari's Capital A/c	1900	Ganga	25100
		Yamuna	5100
	<b>37500</b>		<b>37500</b>

### Working Notes:

#### Capital deficiency of Godavari

Capital A/c Cr. Balance

Add : Amount contributed

Less: Debit Balance of current A/c

Less: Realisation Loss

**It is needless to transfer solvent partner's**

**Rs.**

5000

1900

6900

4000

2900

2900

**NIL capital A/c**