CHAPTER – 05

DISSOLUTION OF PARTNERSHIP FIRM

The word Dissolution implies "the undoing or breaking of a bond tie". In other words, dissolution implies that the existing state of arrangement is done away with. In terms of the partnership, dissolution means discontinuance of relationships amongst the partners.

But the dissolution of partnership and dissolution of a partnership firm are two different terms. As we know that the reconstitution of a partnership firm takes place on account of admission, retirement, or death of a partner. Here, the existing partnership is dissolved, but the firm may continue under the same name if the partners so decide. It means that it results in the dissolution of a partnership but not that of the firm.

The dissolution of a partnership does not lead to the dissolution of the firm since the two situations are different. In case of dissolution of the partnership, the firm continues, only the partnership relation is reconstituted, but in case of dissolution of the firm, not only partnership is dissolved but the firm also loses its existence, implying thereby that the firm ceases to operate as a partnership firm.

Dissolution of a Partnership:

If dissolution involves only the reconstitution of the firm and the business in partnership is continued in the same name after the dissolution of the partnership agreement, it is known as the 'Dissolution of the Partnership'. It involves a change in the relationship between partners without affecting the continuity of business. Here, the firm is reconstituted without the dissolution of the Finn.

A partnership is dissolved by change of mutual contract in the following cases:

1. Change in the existing profit sharing ratio among partners.
2. Admission of a new partner.
3. Retirement of a partner.
4. Expulsion of a partner.
5. Death of a partner (Section 42).
6. Insolvency of a partner.
7. Expiry of the period of the partnership, if the partnership is for a specific period.

Dissolution of a Firm:

According to Section 39 of the Indian Partnership Act, 1932 dissolution of a partnership between all the partners of a firm is called the 'dissolution of the firm'.

It refers to the winding up of the business in partnership. It involves a complete breakdown of relations among all the partners and is the dissolution of a partnership between all the partners of a firm. Here, in this situation, business is to be discontinued, it requires the Realisation of assets and settlement of liabilities.

Modes of Dissolution of Partnership Firm

A partnership firm can be dissolved in any of the following ways:

(A) Without the Intervention of the Court:

1. **By Mutual Agreement(Section 40):** A partnership firm may be dissolved when all the partners agree for its dissolution. Since a partnership firm is set up by an agreement, it can be dissolved by an agreement.
2. **Compulsory Dissolution(Section 41):** A firm is compulsorily dissolved in the following cases:
   - (i) Where all or all but one partner of the firm becomes insolvent; or
   - (ii) When the business of the firm becomes illegal; or

3. **On Happening of an event(Section 42):** A firm may e dissolved on the happening of any one of the following incidents:
   (i) On the insolvency if a partner
   (ii) On death of a partner
   (iii) On the fulfilment of the object for which partnership was formed
   (iv) On the expiry of the period for which the firm was formed.
4. **Dissolution by Notice(Section 43):**
   When the duration of the partnership firm is not fixed and it is at will, any partner by giving notice to other partners can dissolve the firm.

(B) Dissolution by Court (Under Section 44):
The court may, on an application by a partner, order the dissolution of the partnership firm under the following circumstances:
(i) When a partner has become of unsound mind.
(ii) When a partner, other than the partner filing a suit, has become permanently incapable of performing his duties by a partner.
(iii) When a partner, other than the partner filing a suit, is guilty of misconduct that may harm the partnership.
(iv) When a partner, other than the partner filing a suit, wilfully or persistently commits breach of partnership agreement.
(v) When a partner, other than the partner filing a suit, has transferred the whole of his interests in the firm to a third party.
(vi) When the court is satisfied that the firm cannot be carried on except at a loss.
(vii) When the court is satisfied that the dissolution is just and equitable due to some other reasons.

Difference between Dissolution of Partnership and Dissolution of Firm:

Basis of Distinction	Dissolution of Partnership	Dissolution of Firm
Meaning	If refers to a change in the existing agreement between the partners. The firm continues its business.	It refers to closure of the firm.
Continuation of the Business	The firm continues its business	Business of the firm comes to an end.
Economic Relationship	Economic relationship between the partners continues though in a change form.	Economic relationship between the partners comes to an end.
Closure of Books of Accounts	Books of accounts need to be closed.	Books of accounts have to be closed.
Settlement of Assets and Liabilities	Assets are revalued and liabilities are reassessed and gain or loss on revaluation is distributed among the partners in their old profit sharing ratio.	Assets are sold and liabilities paid off and balance, if any, is distributed among all the partners.
Effect	Dissolution of partnership does not necessarily means the dissolution of firm.	Dissolution of firm necessarily means the dissolution of partnership also.
Court's Intervention	There is no intervention by the court since the partnership is dissolved by mutual consent.	A Firm can be dissolved either without the intervention of court or by the order of the court

Settlement of Accounts
Section 48 of the partnership act specify the mode of settlement of accounts on the dissolution of partnership firm. It is as follows:
1. First of all, the amount of loss, including the deficiency of capital shall be paid out of profits, next out of capital, and lastly, if necessary, will be realised from the partners in their profit sharing ratio.
2. Amount realised from the sale of assets of the firm (including any sum contributed by the partners), shall be applied in the following manner and order:
   (i) First of all, outside debts of the firm will be paid.
   (ii) Out of realising amount, the loans advanced by partners will be paid off.
   (iii) Thereafter, the balance of partner's Capital Accounts will be returned.
   (iv) If some amount remains, it will be divided among the partners in their profit sharing ratio.

Private Debts and Firm's Debts:
Where both the debts of the firm and private debts of a partner co-exist, the following rules, as stated in Section 49 of the Indian Partnership Act, 1932, shall apply:
(a) The property of the firm shall be applied first in the payment of debts of the firm and then the surplus if any is distributed among the partners.
(b) The private property of any partner shall be applied first in payment of his private debts and the surplus, in any, may be utilized for payment of the firm's debts, in case the firm's liabilities exceed the firm's assets. In nutshell, private property shall be first used to settle private debts and business property shall be first used to settle business debts, and the surplus if any, can be transferred.

Difference between Firm's Debts and Private Debts

Basis	Firm's Debts	Private Debts
Meaning	Firm's debts refer to the debts payable by the firm to the outsiders.	Private Debts refer to the debts payable to a partner in his personal capacity.
Who is Liable?	For firm's debts, all partners are liable jointly and severally.	For private debts, only the concerned partner is liable personally.
Application of Firm's Property	Firm's property is applied first towards payment of firm's debts.	Concerned partner's share in excess of firm's property firm's debts can be applied towards payment of his private debts.
Application of Private Property	Surplus of partner's private property over his private debts can be applied towards payment of firm's debts.	Private property is applied first towards payment of private debts.

Accounting Treatment:

Dissolution of the firm involves the Realisation of assets and settlement of liabilities and capital accounts. For this purpose, the following accounts are opened in the firm's books:

1. Realisation Account.
2. Loan by Firm to Partner
3. Loan by Partner to firm
4. Partner's Capital Account
5. Bank or Cash Account

1. **Realisation Account:**
   A Realisation Account is opened on the dissolution of a firm. It is a nominal account. It shows the net result of Realisation of assets and settlement of liabilities.
   For Closing Assets A/c: All assets of the firm (except Cash and Bank balance) are transferred to this account at book values. Entry is:

1. **For transfer of Assets**
   Realisation A/c Dr.
   To Sundry Assets A/c
   [Assets transferred to Realisation A/c at book values]
   While transferring the assets to this account , the following points should be kept in mind:
   Only those assets which can be converted into cash are transferred to this account. Fictitious assets such as accumulated losses like Dr. balance of P and L A/c and deferred revenue expenditure like Dr. balance of Advertisement of Suspense A/c etc. are not included in the definition of assets and should not be transferred to Realisation A/c etc., are not included in the definition of assets and should not be transferred to Realisation A/c. Such accounts should be transferred to Capital Accounts:
   Partner's Capital A/cs Dr.
   To Profit and Loss A/c
   To Deferred Revenue Expenditure A/c
   (Such as advertisement suspense a/c)
   (Balance of loss transferred to Partner's Capital A/cs in profit sharing ratio)

(ii) If there exists a provision against any asset, such as 'Provision for Bad and Doubtful Debts' etc. the assets should be transferred to the Realisation A/c at its gross figure and such Provision A/c should be transferred to Credit side of Realisation A/c. For eg. If the total debtors are ₹50,000 and the Provision for doubtful debts is ₹4,000, the entries will be:

(a)	Realisation A/c	Dr.	50,000
	To Debtors A/c		50,000
(b)	Provision for Doubtful Debts A/c	Dr.	4,000
	To Realisation A/c		4,000

2. **For transfer of liabilities**
   Book value of all outside liabilities recorded in the books is transferred to Realisation account along with provisions against various assets.
   Liabilities A/c Dr.
   To Realisation A/c
   Following points should be kept in the mind while transferring the liabilities to this account:
   (i) Only those liabilities which relate to third parties are transferred to Realisation A/c such as Creditors, Bill Payable, Bank overdraft, Other outside loans, Outstanding Expenses, Partner's Wife Loan etc.
   (ii) Partner's loan accounts too are not transferred to realisation account. Partner's loan accounts are prepared and paid off separately. This is because partner's loan is to be paid after payment of outside liabilities but before payment of partner's capitals.
   (iii) Undistributed profits such as general reserve, credit balance of P and L A/c are also not transferred to Realisation A/c. These accounts are transferred to Partner's capital accounts in their profit sharing ratio. Following entry is passed:
   General Reserve A/c Dr.
   Reserve Fund A/ Dr.
   Profit and Loss A/c Dr.
   To Partner's Capital A/c
   (Undistributed profits transferred to Capital A/cs)

Workmen Compensation Reserve

This reserve is created out of profits of the firm to meet the claim for compensation by workers. At the time of dissolution this reserve is dealt with as follows:

(i) In case, there is no liability against Workmen Compensation Reserve: In such a case, the entire amount of Workmen Compensation Reserve is credited to the capital accounts of partners in their profit sharing ratio. The Journal Entry is:
Workmen Compensation Reserve A/c Dr.
To Partner's Capital A/cs

(ii) In case, the amount of liability is less than the amount of Workmen Compensation Reserve:
Amount equal to liability is credited to Realisation A/c and the remaining amount is credited to Partner's Capital Accounts in their profit sharing ratio. The Journal Entry is:
Workmen Compensation Reserve A/c Dr.
To Realisation A/c
To Partner's Capital A/cs

(iii) In case, the amount of liability is equal to amount of Workmen Compensation Reserve: This amount of Workmen Compensation Reserve is credited to Realisation A/c
Workmen Compensation Reserve A/c Dr.
To Realisation A/c

(iv) In case, the amount of liability is more than the amount of Workmen Compensation Reserve:
The entire amount of Workmen compensation reserve is transferred to Realisation A/c. The Journal entry is:
Workmen Compensation Reserve A/c Dr.
To Realisation A/c

3. Entries for realisation of Assets:
Bank/Cash A/c Dr.
To Realisation A/c
[With the amount actually Realised]
For an asset taken over by a partner
Partner's Capital A/c Dr.
To Realisation A/c
[With the agreed take over the price of the assets]
Note: If the question is silent about realisation of an asset, it is assumed that the asset has not realised any amount

4. For payment of outside liabilities
(i) When Liabilities are paid in cash:
Realisation A/c Dr.
To Bank/Cash A/c
[Liabilities paid in cash]
(ii) For a liability which a partner takes responsibility to discharge
Realisation A/c Dr.
To Partner's Capital A/c
[With the agreed value of liability taken over]
Note: If the question is silent about the payment of a liability, it has to paid out in full.

5. For payment of Realisation Expenses:
(i) When expenses are paid by the firm:
Realisation A/c Dr.
To Cash/ Bank A/c
(Realisation Expenses paid in cash)
(ii) When expenses of realisation are paid by a partner on behalf of the firm:
Realisation A/c Dr.
To Partner's Capital A/c
(Realisation Expenses paid by partner)
(iii) When the firm has agreed to pay a fixed amount to the partner towards realisation expenses and the partner has to bear the expenses:
Realisation A/c Dr.
To Partner's Capital A/c
(Remuneration allowed to the partner)
(iv) When realisation expenses are to borne by the partner and the expenses are paid by the firm:
Partner's Capital A/c Dr.
To Cash/ Bank A/c
(Realisation expenses paid on the behalf of the partner)
(v) No entry will be passed if the expenses are to be borne and paid by the partner out of his pocket.
Note: If nothing is mentioned about the treatment of realisation expenses it is assumed that the firm has met the realisation expenses.

6. For Closing Realisation Account:
(i) When Realisation account discloses profit:
Realisation A/c Dr.
To Partner's Capital A/cs
(Transfer of profit on Realisation to partner's capital a/cs)
(ii) When realisation account discloses loss:
Partner's Capital A/cs
To Realisation A/c

Format of Realisation Account

Dr. **Realisation Account** **Cr.**

Particulars	₹	***Particulars***	₹
To All assets (excluding cash/ bank balance, fictitious assets, Dr. balance of P & L A/c, Dr. balance of partner's Capital/ current Accounts, Loan to partner)		By All liabilities (excluding Cr. Balance of P & L A/c, Reserves, Partner's Capital/ Current Accounts, Loan from Partners)	

To Bank/Cash A/c (Amount paid for discharging liabilities) To Bank/Cash A/c (Amount paid for unrecorded liabilities) To Bank/Cash (Expenses on realisation) To Partner's Capital A/c (Liability taken over by a partner or any expenses paid by him or remuneration/commission payable to him) To Partner's Capital A/cs (for transferring profit on realisation)		By Provision on any asset (such as provision for doubtful debts, provision for depreciation etc.) By Bank/Cash A/c (Amount received on realisation of assets) By Bank/Cash A/c (Amount received from unrecorded assets) By Partner's Capital A/c (Asset taken over by a partner) By Partner's Capital A/cs (For transferring loss on realisation)	

Difference between Revaluation Account and Realisation Account

Basis of Distinction	Revaluation Account	Realisation Account
When Prepared	This account is prepared on the admission, retirement or death of a partner.	This account is prepared on the dissolution of partnership firm.
Object of Preparation	This account is prepared to make necessary adjustments in the value of assets and liabilities.	This account is prepared to find out the profit or loss on sale of assets and repayment of liabilities.
Result	Even after the preparation of revaluation account the firm continues to function, though with a changed relationship among the partners.	The firm comes to an end after the preparation of this account.
Value of assets and liabilities recorded	Only the difference between the book values and revised value of assets and liabilities is recorded in this account.	Book value of assets and liabilities, the realised value of assets and the actual payment of liabilities is recorded in this account.
When prepared	This account may be required to be prepared many times during the life time of the firm.	This account is prepared only once during the life-time of a firm.

Loan by Firm to Partner: If the firm has given loan to a partner, it is an asset of the firm and this amount should be utilised to make payment to third party liabilities of the firm. Hence, it is not transferred to capital account but is recovered from the partner by passing the following entry:
Cash/ Bank A/c
To Loan to Partner A/c

Loan by Partner to Firm: If a partner has given any loan to the firm, his loan will be paid off after all the liabilities are paid in full. Therefore, 'Loan by Partner' is not transferred to the realisation account and his loan account is prepared separately and paid off by passing the following entry:
Loan by partner A/c Dr.
To Cash/ Bank A/c

Partner's Capital Accounts: After the transfer of profit or loss on realisation undistributed profits, reserves etc. to the capital accounts of the partners the balance of capital accounts are closed in the following manner:

(i) **When a partner is required to bring in cash to clear off his debit balance, the entry will be**:
Cash/ Bank A/c
To Partner's Capital A/c

(ii) **When a partner is paid the credit balance of his account**:
Partner's Capital A/c Dr.
To Cash/ Bank A/c
(Excess cash paid to partner)

Cash or Bank Account

Opening balance of cash and bank and all the receipts are entered on the debit side of this account and all the payments are entered on the credit side. This account must be prepared and closed last of all and the total of both the sides must be equal. In this way this account also helps in verification of the arithmetical accuracy of the accounts.

Note: If cash balance and bank balance both are given in balance sheet, only one account, either cash or bank account is prepared. If cash account is prepared, an entry is passed for withdrawing the bank balance and if a bank is prepared, the cash balance is deposited into the bank.

Important:
1. If nothing is mentioned regarding the sale value of intangible assets like goodwill, prepaid expenses, patents, etc., it is assumed that these are valueless.
2. If nothing is mentioned regarding the sale value of tangible assets in the question, it is assumed that these are Realised at their book value shown in the Balance Sheet.

Loan by Firm to partner and Loan by Partner to firm

Both of these loans are recorded in cash or bank account. Bothe of these are neither recorded in Realisation Account nor in the Partner's capital account. Loan by partner to firm is prepared separately. It is prepared before capital accounts because at the time of dissolution capitals are paid off only if any balance is left after payment of loan by partner to the firm.

Assets taken over by partner

On dissolution, if a partner takes over an asset of the firm, it is debited to his capital a/c and credited to Realisation A/c

Partner's Capital A/c Dr.

To Realisation A/c

Liability Taken over by partner

If a partner takes over responsibility for payment of a creditor or some other liability of the firm, it is debited to Realisation A/c and credited to Partner's capital account.

Realisation A/c Dr.

To Partner's Capital A/c

Treatment of Goodwill

Treatment of goodwill is very easy in case of dissolution of a firm.

(i) If goodwill is already appearing in the balance sheet, it is treated like any other asset, and is transferred to Realisation Account at the value given in the balance sheet. Following entry is passed for it:
Realisation A/c Dr.
To Goodwill A/c

(ii) If goodwill is not appearing in the Balance sheet, the above mentioned entry will not be passed.

(iii) When some amount is realised for goodwill. Following entry is passed for it:
Cash/ Bank A/c Dr.
To Realisation A/c

(iv) If Goodwill is taken over by partners:
Partner's Capital A/c Dr.
To Realisation A/c
Note: If the question is silent about the realisation of goodwill, it is assumed that goodwill has not realised any amount.

Solved Examples

Q1. Lavanya and Priya were partners sharing profits in the ratio of 2 : 1. Pass journal entries for the following transactions at the time of dissolution of firm :

(i) Workmen Compensation Reserve stood at ₹1,80,000 in the Balance Sheet and there was no liability towards Workmen Compensation.

(ii) Workmen Compensation Reserve stood at ₹1,50,000 in the Balance Sheet and liability in respect of it was ascertained at ₹90,000.

(iii) Workmen Compensation Reserve stood at ₹1,50,000 in the Balance Sheet and liability in respect of it was ascertained at ₹1,50,000.

(iv) Workmen Compensation Reserve stood at ₹1,50,000 in the Balance Sheet and liability in respect of it was ascertained at ₹2,00,000.

(v) There was no Workmen Compensation Reserve in the Balance Sheet and firm had to pay ₹60,000 as compensation to the workers.

Solution:

JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Workmen Compensation Reserve A/c Dr.		1,80,000	
	To Lavanya's Capital A/c			1,20,000
	To Priya's Capital A/c			60,000
	(Workmen Compensation Reserve transferred to Partners' Capital Accounts in their profit-sharing ratio)			
(ii) (a)	Workmen Compensation Reserve A/c Dr.		90,000	
	To Realisation A/c			90,000
	(Workmen Compensation Reserve to the extent of liability transferred to Realisation Account)			
(b)	Workmen Compensation Reserve A/c Dr.		60,000	
	To Lavanya's Capital A/c			40,000
	To Priya's Capital A/c			20,000

	(Surplus of Workmen Compensation Reserve transferred to Partners' Capital Account in their profit-sharing ratio)			
(c)	Realisation A/c Dr. To Bank A/c (Payment of liability on account of Workmen Compensation)		90,000	 90,000
(iii) (a)	Workmen Compensation Reserve A/c Dr. To Realisation A/c (Workmen Compensation Reserve transferred to Realisation Account)		1,50,000	 1,50,000
(b)	Realisation A/c Dr. To Bank A/c (Payment of liability on account of Workmen Compensation)		1,50,000	 1,50,000
(iv) (a)	Workmen Compensation Reserve A/c Dr. To Realisation A/c (Workmen Compensation Reserve transferred to Realisation Account)		1,50,000	 1,50,000
(b)	Realisation A/c Dr. To Bank A/c (Payment of liability on account of Workmen Compensation)		2,00,000	 2,00,000
(v)	Realisation A/c Dr. To Bank A/c (Payment of liability on account of Workmen Compensation)		60,000	 60,000

Q2. Pass journal entries for the following transactions :

(i) Realisation expenses amounted to ₹5,000.

(ii) Realisation expenses amounted to ₹8,000 were paid by partner *X*.

(iii) Realisation expenses amounted to ₹10,000 were paid by the firm on behalf of a partner.

(iv) Realisation expenses amounted to ₹15,000 were paid by the firm. Mr. *X*, one of the partners, has to bear these expenses.

(v) Realisation expenses amounted to ₹20,000 were paid by the firm. ₹8,000 were to be borne by the firm and the balance by Maruti, a partner.

(vi) Dissolution expenses amounted to ₹20,000, ₹8,000 were to be borne by the firm and the balance by Maruti, a partner. The expenses were paid by Maruti.

(vii) Sudhir, a partner, was allowed a remuneration of ₹10,000 to carry out dissolution of the firm. He was to bear all expenses of realisation which amounted to ₹16,000 were paid by the firm.

(viii) Dev, a partner, is allowed a remuneration of ₹15,000 for dissolution work and is to bear all expenses of realisation which amounted to ₹5,000 were paid by the firm.

(ix) Anil, a partner, is to be paid remuneration of ₹20,000 for dissolution work. Realisation expenses amounted to ₹7,500 were paid by the firm.

(x) Sunil, a partner, is to be paid remuneration of ₹25,000 for dissolution work. Realisation expenses amounted to ₹9,000 were paid by him.

(xi) Ramesh, a partner, paid realisation expenses of ₹10,000 and these were to be borne by him.

Solution:

JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Bank A/c (Payment of realisation expenses)		5,000	 5,000
(ii)	Realisation A/c Dr. To *X*'s Capital A/c (Realisation expenses paid by *X* on behalf of the firm)		8,000	 8,000
(iii)	Partner's Capital A/c Dr. To Bank A/c (Realisation expenses paid by the firm on behalf of the partner)		10,000	 10,000
(iv)	*X*'s Capital A/c Dr.		15,000	

	To Bank A/c (Realisation expenses paid by the firm on behalf of the partner)			15,000
(v)	Realisation A/c Dr. Maruti's Capital A/c Dr. To Bank A/c (Realisation expenses paid by the partner on behalf of the firm)		8,000 12,000	 20,000
(vii)	Realisation A/c Dr. Sudhir's Capital A/c Dr. To Bank A/c (Remuneration allowed to the partner and excess expenses charged from him)		10,000 6,000	 16,000
(viii)	Realisation A/c Dr. To Dev's Capital A/c To Bank A/c (Remuneration allowed to Dev and expenses paid by the firm on his behalf)		15,000	 10,000 5,000
(ix)	Realisation A/c Dr. To Anil's Capital A/c To Bank A/c (Remuneration allowed and expenses paid)		27,500	 20,000 7,500
(x)	Realisation A/c Dr. To Sunil's Capital A/c (Remuneration allowed and expenses paid by him)		34,000	 34,000
(xi)	No Entry			

Q3. Ashish and Karan were partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2018 their Balance Sheet was as follows :

BALANCE SHEET OF ASHISH AND KARAN
as at 31st March, 2018

Liabilities	(₹)	Assets	(₹)
Trade Creditors	42,000	Bank	35,000
Employees' Provident Fund	60,000	Stock	24,000
Mrs. Ashish's Loan	9,000	Debtors	19,000
Karan's Loan	35,000	Furniture	40,000
Workmen's Compensation Reserve	20,000	Plant	2,10,000
Investment Fluctuation Reserve	4,000	Investments	32,000
Capitals:		Profit and Loss Account	10,000
Ashish 1,20,000			
Karan 80,000	2,00,000		
	3,70,000		3,70,000

On the above date they decided to dissolve the firm.

(i) Ashish agreed to take over furniture at ₹ 38,000 and pay off Mrs. Ashish's loan.
(ii) Debtors realised ₹18,500 and plant realised 10% more.
(iii) Karan took over 40% of the stock at 20% less than the book value. Remaining stock was sold at a gain of 10%.
(iv) Trade creditors took over investments in full settlement.
(v) Karan agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹12,000 and to bear realisation expenses. Actual expenses of realisation amounted to ₹8,000.
Prepare Realisation Account.

Solution:

Dr. **REALISATION ACCOUNT** Cr.

Particulars	(₹)	Particulars	(₹)
To Sundry Asset:		By Sundry Liabilities:	
Stock 24,000		Trade Creditors 42,000	
Debtors 19,000		Employee's Provident	

Furniture 40,000 Plant 2,10,000 Investments 32,000	3,25,000	Fund 60,000 Mrs. Ashish's Loan 9,000	1,11,000
To Ashish's Capital A/c (Mrs. Ashish's Loan)	9,000	By Investment Fluctuation Reserve	4,000
To Karan's Capital A/c (Remuneration)	12,000	By Ashish's Capital A/c (Furniture)	38,000
To Bank A/c (Payment made): To Employee's Provident Fund	60,000	By Bank A/c: Debtors 18,500 Plant 2,31,000 Stock 15,840	2,65,340
To Partner's Capital A/cs: (Gain) Ashish 12,012 Karan 8,008	20,020	By Karan's Capital A/c (Stock)	7,680
	4,26,020		4,26,020

Q4. Brahma, Vishnu and Mahesh are in partnership sharing in 3 : 3 : 4. They decided to dissolve the partnership firm. At the date of dissolution their creditors amounted to ₹16,000 and in the course of dissolution a contingent liability of ₹2,650 not brought into the accounts matured and had to be met. Their capitals stood at ₹12,000; ₹ 10,000 and ₹8,000 respectively. Vishnu had lent to the firm, in addition to capital ₹14,000. The assets realised ₹40,150.

Prepare the realisation account and the partner's capital accounts. Also show the cash account.

Solution:

If a balance sheet on the date of dissolution is not given in the question, first of all, the Balance Sheet in proper form should be prepared in order to find out the missing figure. In this question Balance Sheet will disclose the figure of Sundry Assets on the date of dissolution.

BALANCE SHEET

Particulars	(₹)	Particulars	(₹)
Creditors	16,000	Sundry Assets (Balancing figure)	60,000
Vishnu's Loan	14,000		
Capital Accounts: Brahma 12,000 Vishnu 10,000 Mahesh 8,000	30,000		
	60,000		60,000

Dr. REALISATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Sundry Assets	60,000	By Creditors A/c	16,000
To Cash Account: Creditors 16,000 Contingent Liability 2,650	18,650	By Cash A/c	40,150
		By Loss transferred to: Brahma's Capital A/c 6,750 Vishnu's Capital A/c 6,750 Mahesh's Capital A/c 9,000	22,500
	78,650		78,650

Dr. VISHNU'S LOAN ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Cash A/c	14,000	By Bal. b/d	14,000

Dr. CAPITAL ACCOUNTS Cr.

Particulars	Brahma	Vishnu	Mahesh	Particulars	Brahma	Vishnu	Mahesh

	₹	₹	₹		₹	₹	₹
To Realisation A/c (Loan)	6,750)	6,750	9,000	By Balance b/d	12,000	10,000	8,000
To Cash A/c (Final Payment)	5,250	3,250	--	By Cash A/c (Amount) brought in)	--	--	1,000
	12,000	10,000	9,000		12,000	10,000	9,000

Dr. **CASH ACCOUNT** **Cr.**

Particulars	₹	Particulars	₹
To Realisation A/c (Assets realised)	40,150	By Realisation A/c (Liabilities paid)	18,650
To Mahesh's Capital A/c	1,000	By Vishnu's Loan A/c	14,000
		By Brahma's Capital A/c	5,250
		By Vishnu's Capital A/c	3,250
	41,150		41,150

Q5. Ram, Shyam and Mohan shared profits in the ratio of 2 : 2 : 1. Following is their Balance Sheet on the date of dissolution:

Liabilities	₹	Assets	₹
Creditors	40,000	Cash at Bank	44,000
Bills Payable	2,600	Debtors	15,000
Provision for Depreciation	15,000	Stock	50,000
Ram's Loan	40,000	Plant	75,000
Capital Accounts:		Patents	20,000
Ram	1,35,000	100 Shares in X Co.	5,000
Shyam	30,000	300 Shares in Y Co.	18,000
Mohan	10,000	Goodwill	15,600
		Advertisement Suspense A/c	30,000
	2,72,600		2,72,6000

1. Ram takes over Debtors at ₹10,000; Stock at a 20% less value; and Plant at ₹3,00,000.
2. One of the Creditors took some of the patents whose book value was ₹8,000, at a valuation of ₹4,800. Balance of the creditors were paid at a discount of ₹1,200.
3. There was an unrecorded asset of ₹15,000 (not mentioned in the Balance Sheet) which was taken over by Ram at ₹10,000 in part payment of his loan.
4. Shares in *X* Co. were agreed to be taken over by Shyam at ₹30 per share.
5. Shares in *Y* Co. were valued at ₹12,000. All partners divided these shares in their profit sharing ratio.
6. Balance of the Patents realised 70% of their book value.

Prepare necessary ledger accounts.

Dr. **REALISATION ACCOUNT** **Cr.**

Particulars	₹	Particulars		₹
To Debtors	15,000	By Creditors		40,000
To Stock	50,000	By Bills Payable		2,600
To Plant	75,000	By Provision for Depreciation		15,000
To Patents	20,000	By Ram's Capital A/c		
To 100 Shares in *X* Co.	5,000	(10,000 + 40,000 + 30,000)		80,000
To 300 Shares in *Y* Co.	18,000	By Ram's Loan A/c		
To Goodwill	15,600	(Unrecorded asset)		10,000
To Bank (payment to Creditors)	34,000	By Shyam's Capital A/c (Shares)		3,000
To Bank (B/P paid)	2,600	By Ram's Capital A/c (Shares)		4,800
		By Shyam's Capital A/c (Shares)		4,800
		By Mohan's Capital A/c (Shares)		2,400
		By Bank A/c (Patents)		8,400
		By Loss transferred to:		
		Ram's Capital A/c	25,680	
		Shyam's Capital A/c	25,680	
		Mohan's Capital	12,840	64,200
	2,35,200			2,35,200

Dr. **RAM'A LOAN ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Realisation A/c (Asset taken)	10,000	By Balance b/d	40,000
To Bank A/c	30,000		
	40,000		40,000

Dr. **CAPITAL ACCOUNT** Cr.

Particulars	Ram	Shyam	Mohan	Particulars	Ram	Shyam	Mohan
	₹	₹	₹		₹	₹	₹
To Adverstisement Suspense A/c	12,000	12,000	6,000	By Bal. b/d	1,35,000	30,000	10,000
To Realisation A/c	80,000			By Bank A/c		15,480	11,240
To Realisation A/c		3,000					
To Realisation A/c (Shares of Y Co.)	4,800	4,800	2,400				
To Realisation (Loss)	25,680	25,680	12,840				
To Bank A/c	12,520						
	1,35,000	45,480	21,240		1,35,000	45,480	21,240

Dr. **BANK ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Balance b/d	44,000	By Realisation A/c (Creditors)	34,000
To Realisation A/c (Patents)	8,400	By Realisation A/c (B/P)	2,600
To Shyam's Capital A/c	15,480	By Ram's Loan A/c	30,000
To Mohan's Capital A/c	11,240	By Ram's Capital A/c	12,520
	79,120		79,120

Notes: 1. Net Amount paid to Creditors : ₹40,000 (–) 4,800 (–) 1,200 = ₹34,000.

2 Entry for Ram's Loan:

Ram's Loan A/c	Dr.	40,000
To Realisation A/c		10,000
To Bank A/c		30,000

QUESTIONS FOR PRACTICE

MCQ

1. Partners may dissolve a firm by mutual agreement. This is specified in Section .... of the Act.
   (a) 39 (b) 40
   (c) 41 (d) 42

2. The firm of A and B was dissolved on 31st March, 2020. According to the agreement, B had agreed to undertake the dissolution work for an agreed to undertake the dissolution work for an agreed remuneration of ₹8,000 and bear all the realisation expenses. Dissolution expenses were ₹ 5,000. The journal entry passed will be
   (a) Realisation A/c Dr 5,000
   To Bank A/c 5,000
   (b) Realisation A/c Dr 8,000
   To Bank A/c 8,000
   (c) Realisation A/c Dr 5,000
   To B's Capital A/c 5,000
   (d) Realisation A/c Dr 8,000
   To B'S Capital A/c 8,000

3. P and Q are partners in a firm. They decided to dissolve the firm. Assets other than cash ₹1,60,000, cash ₹25,000, total liabilities ₹1,75,000. On dissolution, assets realised ₹1,25,000 and liabilities paid ₹1,40,000. Net profit or loss on realisation is
   (a) profit ₹25,000 (b) loss ₹25,000
   (c) loss ₹15,000 (d) no profit, no loss

4. On dissolution of a firm, partner's loan account is transferred to
   (a) realisation account
   (b) partners' capital accounts
   (c) partners' current account
   (d) None of the above

5. After transferring liabilities like creditors and bills payables in the realisation account, in the absence of any information regarding the payment, such liabilities are treated as
   (a) never paid (b) fully paid

(c) partly paid (d) None of these

6. In the event of dissolution of partnership firm, where is provision for doubtful debts transferred?
(a) Credit side of realisation account
(b) Debit side of realisation account
(c) Debit side of Partner's Capital Account
(d) None of these

7. Unrecorded assets when taken over by a partner are shown in
(a) debit side of realisation account
(b) debit side of bank account
(c) credit side of realisation account
(d) credit side of bank account

8. Court cannot pass the order to dissolve the firm, when ......
(a) partner has become of unsound mind.
(b) on insolvency of a partner
(c) business of the firm cannot be carried except at a loss
(d) partner transfer whole of its interest to a third party

9. In the event of dissolution of a firm, the partners' personal assets are first applied for payment of......... .
(a) the personal liabilities
(b) the firm's liabilities
(c) Both (a) and (b)
(d) preferential tax liabilities

10. Which of the statements is/are correct?
(i) Dissolution of firm is a subset of dissolution of partnership.
(ii) If nothing is mentioned about the treatment of realisation expenses it is assumed that the firm has met the realisation expenses.

Alternatives
(a) Only (i) (b) Only (ii)
(c) Both (a) and (b) (d) None of these

11. On the basis of the following data, how much final payment will be made to a partner on firm's dissolution? Credit balance of capital account of the partner was ₹50,000. Share of loss on realisation amounted to ₹10,000. Firm's liability taken over by him was for ₹8,000.
(a) ₹32,000 (b) ₹48,000
(c) ₹40,000 (d) ₹52,000

12. On the dissolution of the firm, realisation account is closed through:
(a) Bank Account
(b) Partner's Capital Account
(c) Loan Account
(d) Drawings Account

13. What journal entry will be passed if remuneration expenses of ₹5,450 were to be borne by Rajesh, however it is paid by Sanjana?

(a)	Sanjana's Capital A/c	Dr	5,450
	To Bank A/c		5,450
(b)	Rajesh's Capital A/c	Dr	5,450
	To Sanjana's Capital A/c		5,450
(c)	Sanjana's Capital A/c	Dr	5,450
	To Rajesh's Capital A/c		5,450
(d)	Rajesh's Capital A/c	Dr	5,450
	To Bank A/c		5,450

14. Amit, Barun and Chanda are partners. They decided to dissolve the firm. There is a debit balance of ₹27,000 in the profit and loss account on the date of dissolution. What journal entry would be passed?

(a)	Profit and Loss A/c	Dr	27,000
	To Amit's Capital A/c		9,000
	To Barun's Capital A/c		9,000
	To Chandra's Capital A/c		9,000
(b)	Amit's Capital A/c	Dr	9,000
	Barun's Capital A/c	Dr	9,000
	Chandra's Capital A/c	Dr	9,000
	To Profit and Loss A/c		9,000

(c) No entry
(d) None of the above

15. When an unrecorded asset is realised at the time of dissolution of the firm, ... account is debited and .... account is credited.
(a) realisation, cash
(b) concerned partner account, cash
(c) cash, realisation
(d) realisation, concerned partner account

16. Jhunjhun, a partner paid loan of the firm of ₹1,00,000 at the time of dissolution. Pass the journal entry for this transaction.

(a)	Jhunjhun's Capital A/c	Dr	1,00,000
	To Realisation A/c		1,00,000
(b)	Realisation A/c	Dr	1,00,000
	To Loan A/c		1,00,000
(c)	Realisation A/c	Dr	1,00,000
	To Jhunjhun's Capital A/c		1,00,000

(d) None of the above

17. If the debit side of realisation account exceeds the credit side, then it signifies
(a) profit on realisation (b) loss on realisation
(c) neither profit nor loss (d) None of these

18. On firm's dissolution, a partner A took over 50% of the stock at a discount of 20% (book value of stock was ₹5,00,000). What will be the value of taken over stock?
(a) ₹2,50,000 (b) ₹1,00,000
(c) ₹2,00,000 (d) ₹5,00,000

19. Realisation Account is prepared at the time of ....
(a) Admission of a partner
(b) Change in profit sharing ratio
(c) Dissolution of a firm
(d) Dissolution of a partnership only

20. At the time of dissolution of partnership firm, journal entry for the settlement of loan advanced by the firm to a partner would be
(a) Bank A/c Dr

To Loan to Partner A/c

(b) Loan to Partner A/c Dr
To Bank A/c

(c) Realisation A/c Dr
To Loan to Partner A/c

(d) All of the above

SUBJECTIVE QUESTIONS

1. Pass necessary journal entries on the dissolution of a partnership firm in the following cases:

(i) Expenses of dissolution were ₹9,000.

(ii) Expenses of dissolution ₹3,400 were paid by a partner, Vishal.

(iii) Shiv, a partner, agreed to do the work of dissolution for a commission of ₹4,500. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹3,900 were paid from the firm's bank account.

(iv) Naveen, a partner, agreed to look after the dissolution work for which he was allowed a remuneration of ₹3,000. Naveen also agreed to bear the dissolution expenses. Actual expenses on dissolution ₹2,700 were paid by Naveen.

(v) Vivek, a partner, was appointed to look after the dissolution work for a remuneration of ₹7,000. He agreed to bear the dissolution expenses. Actual dissolution expenses ₹6,500 were paid by Rishi, another partner, on behalf of Vivek.

(vi) Gaurav, a partner, was appointed to look after the work of dissolution for a commission of ₹ 12,500. He agreed to bear the dissolution expenses. Gaurav took over furniture of ₹12,500 as his commission. The furniture had already been transferred to realisation account.

2. Adiraj and Karan were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2018 the firm was dissolved. After the transfer of assets (other than cash in hand and at bank) and third party liabilities to the Realisation Account, the following information was provided:

(i) Furniture of ₹70,000 was sold for ₹68,000 by auction and auctioneer's commission amounted to ₹2,000.

(ii) Adiraj's loan amounting to ₹35,000 was paid.

(iii) Out of the stock of ₹80,000, Karan took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.

(iv) A bill receivable of ₹3,000 under discount was dishonoured as the acceptor had become insolvent and hence the bill had to be met by the firm.

(v) Profit and Loss Account showed a debit balance of ₹56,000.

(vi) Realisation expenses amounted to ₹2,000 which were paid by Adiraj.

Pass the necessary journal entries for the above transactions on the dissolution of the firm.

3. Pass the necessary journal entries for the following transactions on the dissolution of the firm of Sudha and Shiva after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account:

(i) Sudha agreed to pay off her husband's loan ₹19,000.

(ii) A debtor whose debt of ₹9,000 was written off in the books paid ₹7,500 in full settlement.

(iii) Shiva took over all investments at ₹13,300.

(iv) Sundry creditors ₹10,000 were paid at 9% discount.

(v) Realisation expenses ₹3,400 were paid by Sudha for which she was allowed ₹3,000.

(vi) Loss on realisation ₹9,400 was divided between Sudha and Shiva in 3 : 2 ratio.

4. The firm of Manjeet, Sujeet and Jagjeet was dissolved on 31st March, 2018. It was agreed that Sujeet will take care of the dissolution related activities and will get 10% of the value of assets realised. Sujeet agreed to bear the realisation expenses. Assets realised ₹10,00,750 and realisation expenses were ₹90,000, which were paid from the firm's cash. ₹4,50,000 were paid to the creditors in full settlement of their claim.

Pass necessary journal entries for the above transactions in the books of the firm.

5. Prem and Suresh were partners in a firm sharing profits in the ratio of 7 : 8. On 1st April, 2015 their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information:

(a) Raman, a creditor of ₹4,00,000 accepted land valued at ₹7,00,000 and paid ₹3,00,000 to the firm.

(b) Gopal, a second creditor for ₹1,05,000 accepted ₹90,000 in cash and investments of ₹14,000 in full settlement of his account.

(c) Hari, a third creditor amounting to ₹75,000 accepted stock of the book value of ₹60,000 for ₹45,000 and the balance was paid to him by cheque.

(d) Loss on dissolution was ₹45,000.

Pass necessary journal entries for the above transactions in the books of the firm.

6. Pass necessary journal entries on the dissolution of a partnership firm in the following cases:

(i) Expenses of dissolution were ₹4,500.

(ii) Expenses of dissolution ₹5,000 were paid by a partner, Sudhir.

(iii) Sudha, a partner, agreed to do the dissolution work for a commission of ₹7,300. She also agreed to bear the dissolution expenses. Actual dissolution expenses paid by Sudha were ₹7,500.

(iv) Somesh, a partner, agreed to do the dissolution work for a commission of ₹5,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,750 were paid from the firm's bank account.

(v) Sheetal, a partner, was appointed to look after the dissolution work for a remuneration of ₹8,000. She also agreed to bear the dissolution expenses. Actual dissolution expenses ₹7,500 were paid by Smita, another partner, on behalf of Sheetal.

(vi) Somaya, a partner, was appointed to look after the dissolution process for a remuneration of ₹11,000. Somaya agreed to bear the dissolution expenses. Somaya took over stock of the same value as her remuneration. The stock had already been transferred to realisation account.

7. X and Y are partners sharing profits and losses equally. They decided to dissolve their firm. Give journal entries for settlement of creditors through assets in the following alternative cases:

(i) A, a creditor (already transferred to Realisation Account) for ₹25,000 accepted furniture (already transferred to Realisation Account) at ₹36,000, in full settlement of his claim.

(ii) B, a creditor (already transferred to Realisation Account) for ₹25,000 accepted furniture (already transferred to Realisation Account) at ₹20,000 in settlement of his claim.

(iii) C, a creditor (already transferred to Realisation Account) for ₹30,000 agreed to take Machinery (already transferred to Realisation Account) at ₹48,000 (book value ₹50,000) in settlement of his claim.

(iv) D, a creditor of ₹20,000 (unrecorded in the books) agreed to accept computer (unrecorded in the books) at ₹15,000 plus ₹2,000 in full settlement of his claim.

8. Give necessary journal entries in each of the following cases at the time of dissolution of firm:

(i) Expenses of realisation amounted ₹7,400.

(ii) Expenses of realisation ₹7,400 were paid by Ravi, a partner.

(iii) Realisation expenses were to be borne by Deepak, a partner, for which he was allowed a commission of 2% of net cash realised from dissolution. The net cash realised from dissolution was ₹1,00,000 and actual realisation expenses were ₹7,400.

(iv) Expenses of realisation ₹7,400 were to be borne by Khan, a partner. Khan used firm's cash for paying these expenses.

9. J, K and L were partners in a firm sharing profits in the ratio of 4 : 5 : 1. On 31st March, 2018 their firm was dissolved. On this date, the Balance Sheet showed a balance of ₹1,34,000 in Debtors Account and a balance of ₹14,000 in Provision for Bad Debts Account. Both the accounts were closed by transferring their balances to Realisation Account. ₹4,000 of the debtors became bad and nothing could be realised from them on dissolution. K agreed to look after the dissolution work for which he was allowed a remuneration of ₹16,000. K also agreed to bear dissolution expenses for which he was allowed a lumpsum payment of ₹4,000. Actual dissolution expenses were ₹6,500 and the same were paid from the firm's cash. Loss on dissolution amounted to ₹37,000.

Pass necessary journal entries for the above transactions in the books of the firm on its dissolution.

10. Shanti and Satya were partners in a firm sharing profits in the ratio of 4:1. On 31st March, 2013 their Balance Sheet was as follows:

Balance Sheet of Shanti and Satya

as at 31st March, 2013

Liabilities	(₹)	Assets	(₹)
Creditors	45,000	Bank	55,000
Workmen Compensation Fund	40,000	Debtors	60,000
Satya's Current Account	65,000	Stock	85,000
Capitals:		Furniture	1,00,000
Shanti	2,00,000	Machinery	1,30,000
Satya	1,00,000	Shanti's Current Account	20,000
	4,50,000		4,50,000

On the above date the firm was dissolved:

(1) Shanti took over 40% of the stock at 10% less than its book value and the remaining stock was sold for ₹40,000. Furniture realised ₹80,000.

(2) An unrecorded investment was sold for ₹20,000. Machinery was sold at a loss of ₹60,000.

(3) Debtors realised ₹55,000.

(4) There was an outstanding bill for repairs for which ₹19,000 were paid.

Prepare Realisation Account

Homework Questions

MCQ

1. Expenses on dissolution of firm is called:

(a) Realisation Expenses (b) Legal Expenses

(c) Loss Expenses (d) None of these

2. Dissolution of a firm may take place due to ……….
(i) insolvency of a partner
(ii) death of a partner
(iii) change in profit sharing ratio
(iv) admission of new partner
(v) on the completion of venture
(vi) expiry of period of partnership
Alternatives
(a) (iii) (iv) (v) (vi) (b) (i) (ii) (iii) (v) (vi)
(c) (i) (ii) (v) (vi) (d) (i) (iii) (v) (vi)

3. Dissolution expenses amounting to ₹6,000 were to be borne by partner X and the balance by the firm. Dissolution expenses amounted to ₹15,000 and the entire amount was paid to firm. Pass necessary Journal entry for the above.

(a)	Realisation A/c	Dr	9,000
	X's Capital A/c	Dr	6,000
	To Bank A/c		15,000
(b)	Realisation A/c	Dr	15,000
	To Bank A/c		15,000
(c)	X's Capital A/c	Dr	15,000
	To Bank A/c		15,000
(d)	Realisation A/c	Dr	9,000
	To Bank A/c		9,000

4. In the event of dissolution of a firm, the partners' personal assets are first applied for payment of ……
(a) the personal liabilities
(b) the firm's liabilities
(c) Both (a) and (b)
(d) preferential tax liabilities

5. Which of the following is not included in Dissolution of firm 'On happening of an event' ?
(a) Insolvency of a partner
(b) Death of a partner
(c) When business becomes unlawful
(d) On the expiry of the period for which the firm was formed

6. On the basis of the following data, how much final payment will be made to a partner on firm's dissolution? Credit balance of capital account of the partner was ₹50,000. Share of loss on realisation amounted to ₹10,000. Firm's liability taken over by him was for ₹8,000.
(a) ₹32,000 (b) ₹48,000
(c) ₹40,000 (d) ₹52,000

7. Rishabh and Vansh are partners in a firm sharing profits in the ratio of 3 : 2. Mrs. Rishabh has given a loan of ₹ 20,000 to the firm and the firm has also taken a loan from Vansh of ₹15,000. The firm was resolved and its assets were realised for ₹30,000. To whom company will repay if there were no other creditors of the firm?
(a) First repay ₹15,000 to Mr. Vansh
(b) First repay ₹20,000 to Mrs. Rishabh
(c) Repay ₹15,000 each
(d) Repay in the ratio of 4:3

8. When a liability is taken over by a partner, his capital account will be
(a) debited (b) credited
(c) No entry (d) None of these

9. On the dissolution of the firm, realisation account is closed through
(a) Bank A/c (b) Partner's Capital A/c
(c) Loan A/c (d) Drawings A/c

10. What journal entry will be passed if remuneration expenses of ₹ 5,450 were to be borne by Rajesh, however it is paid by Sanjana?

(a)	Sanjana's Capital A/c	Dr	5,450
	To Bank A/c		5,450
(b)	Rajesh's Capital A/c	Dr	5,450
	To Sanjana's Capital A/c		5,450
(c)	Sanjana's Capital A/c	Dr	5,450
	To Rajesh's Capital A/c		5,450
(d)	Rajesh's Capital A/c	Dr	5,450
	To Bank A/c		5,450

11. Amit, Barun and Chanda are partners. They decided to dissolve the firm. There is a debit balance of ₹27,000 in the profit and loss account on the date of dissolution. What journal entry would be passed?

(a)	Profit and Loss A/c	Dr	27,000
	To Amit's Capital A/c		9,000
	To Barun's Capital A/c		9,000
	To Chanda's Capital A/c		9,000
(b)	Amit's Capital A/c	Dr	9,000
	Barun's Capital A/c	Dr	9,000
	Chanda's Capital A/c	Dr	9,000
	To Profit and Loss A/c		27,000

(c) No entry
(d) None of the above

12. If goodwill does not exist in balance sheet but realised at ₹ 50,000 in cash, how it will be treated?
(a) Not recorded in the books

(b)	Realisation A/c	Dr	50,000
	To Cash A/c		50,000
(c)	Cash A/c	Dr	50,000
	To Realisation A/c		50,000

(d) None of the above

13. State the order of payment of the following
(i) To each partner proportionately what is due to him/her from the firm for advances as distinguished from capital (partners' loan)
(ii) To each partner proportionately what is due to him on account of capital
(iii) From the debts of the firm to the outsiders.
Alternatives
(a) (i) (ii) (iii) (b) (iii) (ii) (i)
(c) (ii) (i) (iii) (d) (iii) (i) (ii)

14. When an unrecorded asset is realised at the time of dissolution of the firm, ... account is debited and .... account is credited.

(a) Realisation, Cash
(b) Concerned partner account, Cash
(c) Cash, Realisation
(d) Realisation, Concerned partner account

15. Match the following.

Column-I	Column-II
A. Loss on realisation	(i) Debit partner's capital account
B. Profit on realisation	(ii) Credit realisation account
C. Assets sold	(iii) Credit partner's capital account
D. Creditors Paid	(iv) Debit realisation account

A B C D
(a) (iii) (i) (iv) (ii)
(b) (i) (iii) (iv) (ii)
(c) (iii) (i) (ii) (iv)
(d) (i) (iii) (ii) (iv)

Directions: Read the following case study and answer the question no. 16 and 17 on the basis of the same. Anju, Manju and Sanju who were sharing profits in the ratio of 2 : 2 : 1 decided to dissolve the firm when their balance sheet was as follows

Balance Sheet
as at ......

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		50,000	Cash	60,000
Bank Loan		35,000	Debtors	75,000
Employee's Provident Fund		15,000	Stock	40,000
Investment Fluctuation Fund		10,000	Investment	20,000
Commission received in advance		8,000	Plant	50,000
Capitals			Profit and Loss A/c	3,000
Anju	50,000			
Manju	50,000			
Sanju	30,000	1,30,000		
		2,48,000		2,48,000

Anju was appointed to realise the assets. Anju was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation. Anju realised the assets as follows:

Debtors 20% less, stock ₹35,500, investments 80%, plant 90% of the book value.

Expenses of realisation amounted to ₹7,500 paid by the firm on Anju's behalf. Commission received in advance was returned to the customers after deducting ₹3,000.

Firm had to pay ₹8,500 of outstanding salary not provided for earlier. Compensation paid to employees amounted to ₹ 17,000. This liability was not provided for in the above balance sheet. ₹20,000 has to be paid for provident fund.

16. The amount received by firm after realisation of assets is ………. .
(a) ₹1,56,500 (b) ₹1,85,000
(c) ₹1,88,000 (d) ₹2,45,000

17. Commission charged by Anju amounted to ……… .
(a) ₹9,275 (b) ₹8,000
(c) ₹7,825 (d) ₹6,000

18. In settlement of Tarun's (a Partner) loan of ₹25,000 to the firm, a computer not appearing in the books is taken over by him at an agreed value of ₹30,000. Pass the Journal entry for the above.
(a) Tarun's Loan A/c Dr. 25,000
To Realisation A/c 25,000
(b) Tarun's Loan A/c Dr. 25,000
Tarun's Capital A/c Dr. 5,000
To Realisation A/c 30,000
(c) Tarun's Loan A/c Dr. 30,000
To Realisation A/c 30,000
(d) No entry will be passed

19. On dissolution, the amount of Sundry assets transferred to Realisation Account is ₹1,00,000. 40 % of the assets realise at 120% of their book value;25% of the remaining were sold at a discount of 20% and nothing was Realised for the remaining . Pass the journal entry for the above.
(a) Bank A/c Dr. 60,000
To Realisation A/c 60,000
(b) Bank A/c Dr. 1,00,000
To Realisation A/c 1,00,000
(c) Bank A/c Dr. 80,000
To Realisation A/c 80,000
(d) Bank A/c Dr. 95,000
To Realisation A/c 95,000

Direction: Read the following case study and answer the question no. 20 to 23 on the basis of the same. P, Q and R who were sharing the profits and losses in the ratio of 3:1:1 respectively decided to dissolve the firm when their balance sheet was as follows.

Balance Sheet
as at ……

Liabilities		Amount (₹)	Assets		Amount (₹)
Creditors		1,20,000	Cash		64,000
Loan from Mrs. Q		30,000	Debtors	4,84,000	
General Reserve		2,00,000	(-) Provision for Doubtful debts	24,000	4,60,000
Capitals			Stock		1,56,000
P	4,90,000		Investment		3,40,000
Q	1,80,000		Fixed Assets		20,000
R	1,20,000	7,90,000	Advertisement Suspense		1,00,000
		11,40,000			11,40,000

It was agreed that

(a) Goodwill is to be ignored.
(b) P is to take over all the fixed assets at ₹4,000 less, debtors amounting to ₹ 4,00,000 at ₹3,44,000. The creditors of ₹ 1,20,000 to be assumed by P at that figure.
(c) Q is to take over all stock at ₹1,40,000 and certain of the investment at ₹1,44,000 (being book value less 10%).
(d) R is to take over the remaining investments at 90% of book value less ₹2,000 allowances and to assume responsibility for the discharge of the Mrs Q's loan, together with accruing interest of ₹600 which has not been recorded in the books of the firm.
(e) The remaining debtors were sold to a debt collecting agency for 50% of book values.
(f) P was entitled to receive ₹5,400 as remuneration for completing the dissolution work and was to bear the realisation expenses. The expenses of realisation ₹3,400 were paid by P out of his private funds.

20. What is the book value of investment taken over by Q?
(a) ₹1,60,000 (b) ₹1,29,600
(c) ₹1,44,000 (d) None of these

21. What is the agreed value of investment taken over by R?
(a) ₹ 1,80,000 (b) ₹ 1,62,600
(c) ₹ 1,62,000 (d) ₹ 1,60,000

22. Balance of advertisement suspense account will be transferred to
(a) debit side of realisation account
(b) credit side of realisation account
(c) debit side of partners' capital account
(d) credit side of partners' capital account

23. Amount collected by selling debtors to collecting agency is ……… .
(a) ₹20,000 (b) ₹42,000
(c) ₹21,000 (d) ₹12,000

Directions: (Q. Nos. 24 to 28) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

24. Assertion (A): Firm's debts are the debts which firm owes to its outsiders.
Reason (R): Private debts are the debts which partners' owes personally.

25. Assertion (A): Dissolution of firm means discontinuation of the firm.
Reason (R): Economic relationship between the partners comes to an end.

26. Assertion (A): Loan from spouse of a partner is considered as external liability.
Reason (R): It is shown on the debit side of realisation.

27. Assertion (A): While transferring liabilities to realisation account, it does not include accumulated profits.
Reason (R): Reserves and accumulated profits are transferred on the credit side of partners' capital account in new profit sharing ratio.

28. Assertion (A): After dissolution, cash / bank account will have nil balance.
Reason (R): Assets whether recorded or unrecorded, are credited to realisation account when realised.

29. At the time of dissolution of partnership firm, the book value of Sundry debtors transferred to Realisation Account was ₹2,00,000. 50% of these sundry assets were taken by partner A at 40% discount, 40% of remaining assets were sold at a profit of 30% on cost. 5% pf the balance was found obsolete and Realised nothing. The remaining assets were taken over by a creditor in full settlement of his claim. What will the journal entry for the above?
(a) A's Capital A/c Dr 80,000

Bank's Capital A/c Dr 52,000
To Realisation A/c 1,32,000

(b) A's Capital A/c Dr 80,000
Bank's Capital A/c Dr 40,000
To Realisation A/c 1,20,000

(c) A's Capital A/c Dr 1,00,000
Bank's Capital A/c Dr 52,000
To Realisation A/c 1,52,000

(d) A's Capital A/c Dr 80,000
Bank's Capital A/c Dr 96,000
To Realisation A/c 1,76,000

30. B, C and D were partners in a firm sharing profits and losses in the ratio of 1:4:5. On 31st March,2018, the firm was dissolved and on that date the Balance Sheet of the firm showed a loan of ₹10,000 given by C's brother F. C agreed to pay his brother's loan. What will the journal entry for the above.

(a) Realisation A/c Dr 10,000
To C's Capital A/c 10,000

(b) C's Capital A/c Dr 10,000
To Realisation A/c 10,000

(c) No entry will be passed

(d) None of the above

SUBJECTIVE QUESTIONS

1. Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2:2:1. On 31st March, 2017 their Balance Sheet was as follows:

Balance Sheet of Srijan, Raman and Manan at 31st March, 2017

Liabilities		(₹)	Assets	(₹)
Capitals:			Capital: Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On the above date, they decided to dissolve the firm:

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows:

	(₹)
Plant	85,000
Stock	33,000
Debtors	47,000

(iii) Investments were realised at 95% of the book value.

(iv) The firm had to pay ₹7,500 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹15,000.

(vi) Expenses of realisation amounting to ₹3,000 were paid by Srijan.

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

2. Verma and Sharma were partners sharing profits in the ratio of 3:1. On 31st March, 2017 their Balance Sheet was as follows:

Balance Sheet of Verma and Sharma
as at 31st March, 2017

Liabilities		(₹)	Assets	(₹)
Capitals:			Land and Building	70,000
Verma	1,20,000		Machinery	60,000
Sharma	80,000	2,00,000	Debtors	80,000
Creditors		70,000	Bank	60,000
		2,70,000		2,70,000

The firm was dissolved on 1-4-2017 and the Assets and Liabilities were settled as follows:
(i) Creditors of ₹50,000 took over Land and Building in full settlement of their claim.
(ii) Remaining Creditors were paid in cash.
(iii) Machinery was sold at a depreciation of 30%.
(iv) Debtors were collected at a cost of ₹500.
(v) Expenses of realisation were ₹1,700.
Pass necessary Journal Entries for dissolution of the firm.

3. Parth and Shivika were partners in a firm sharing profits in the ratio of 3 : 2. The Balance Sheet of the firm on 31st March, 2014 was as follows:

Liabilities		(₹)	Assets	(₹)
Sundry Creditors		80,000	Bank	1,72,000
Shivika's Sister's Loan		20,000	Debtors	27,000
Capital A/cs			Stock	50,000
Parth	1,75,000		Furniture	2,20,000
Shivika	1,94,000	3,69,000		
		4,69,000		4,69,000

On the above date, the firm was dissolved. The assets were realised and the liabilities were paid off as follows:
(i) 50% of the furniture was taken over by Parth at 20% less than book value. The remaining furniture was sold for ₹ 1,05,000.
(ii) Debtors realised ₹ 26,000.
(iii) Stock was taken over by Shivika for ₹ 29,000.
(iv) Shivika's sister's loan was paid off along with interest of ₹2,000.
(v) Expenses on realisation amounted to ₹5,000.
Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

4. A, B and C were partners sharing profits and losses in the ratio of 2 : 2 : 1. Their Balance Sheet as at 31st March, 2018 was as follows:

Balance Sheet of A, B and C
as at 31st March, 2018

Liabilities		(₹)	Assets		(₹)
Capitals:			Cash at Bank		3,00,000
A	7,50,000		Sundry Debtors	1,95,000	
B	3,00,000		*Less:* Provision for Bad Debts	5,000	1,90,000
C	2,50,000	13,00,000	Stock		3,00,000
Creditors		2,00,000	Fixed Assets		7,10,000
		15,00,000			15,00,000

On the above date, they dissolved the firm and following amounts were realised:
Fixed Assets ₹6,75,000; Stock ₹3,39,000; Debtors ₹1,35,000; Creditors were paid ₹1,85,000 in full settlement of their claim.
Expenses on Realisation amounted to ₹ 19,000.
Pass the necessary journal entries on the dissolution of the firm.

5. Following is the Balance Sheet of Vinit and Yogesh as on 31st March, 2015.

Balance Sheet
as on 31st March, 2015

Liabilities		(₹)	Assets		(₹)
Creditors		3,60,000	Bank		80,000
Mrs. Vinit's Loan		60,000	Stock		70,000
Yogesh's Loan		1,00,000	Investments		1,00,000
Investment Fluctuation Fund		30,000	Debtors	2,00,000	
Capitals: Vinit	2,00,000		Less: Provision for Doubtful Debts	20,000	1,80,000
Yogesh	1,00,000	3,00,000	Fixed Assets		3,80,000
			Profit and Loss A/c		40,000
		8,50,000			8,50,000

The firm was dissolved on 31st March, 2015. The assets were realised and the liabilities were paid as under.

(a) Vinit promised to pay off Mrs. Vinit's Loan and took away stock at 20% discount.
(b) Yogesh took away 90% of the investments at 10% discount.
(c) Sunil, a debtor of ₹50,000 had to pay the amount due 3 months after the date of dissolution. He was allowed a discount of 5% for making payment immediately. The remaining debtors were collected in full.
(d) Creditors were paid ₹3,50,000 in full settlement of their claim.
(e) Fixed Assets realised ₹2,82,000 and remaining investment realised ₹7,500.
(f) There was an old furniture which has been written off completely from the books. Yogesh took away the same for ₹4,000.
(g) Realisation expenses ₹2,000 were paid by Vinit.

Prepare Realisation A/c, Bank A/c and Partners' Capital A/cs.

6. Michael, Jackson and John were partners in a firm sharing profits in the ratio of 3 : 1 : 1. On 31st March, 2017, they decided to dissolve their firm. On that date their Balance Sheet was as follows:

Balance Sheet of Michael, Jackson and John

as at 31st March, 2017

Liabilities		(₹)	Assets		(₹)
Creditors		11,500	Bank		6,000
Loan		3,500	Debtors	48,400	
Capitals:			*Less:* Provision for Doubtful Debts	2,400	46,000
Michael	50,000		Stock in Trade		16,000
Jackson	25,000		Furniture		2,000
John	14,000	89,000	Sundry Assets		34,000
		1,04,000			1,04,000

It was agreed that:

(i) Michael was to take over Furniture at ₹2,600 and Debtors amounting to ₹40,000 at ₹34,400; the Creditors of ₹10,000 to be paid by him at this figure.
(ii) Jackson was to take over all the stock in trade at ₹14,000 and some of the Sundry Assets at ₹28,800 (being 10% less than book value).
(iii) John was to take over the remaining Sundry Assets at 90% of the book value and assumed the responsibility for the discharge of the Loan.
(iv) The remaining Debtors were sold to a debt collecting agency for 50% of the book value. The expenses of dissolution ₹600 were paid by John.

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

7. 'X', 'Y' and 'Z' are partners in a firm in the ratio of 5 : 3 : 2. On 31st December, 2017 the firm was dissolved. Following are the conclusions on dissolution:

(i) Assets realised ₹1,70,000 (after a loss of ₹20,000).
(ii) Liabilities to be paid are ₹27,000 (including an unrecorded liability of ₹1,000).
(iii) Realisation expenses paid ₹700.
(iv) On the date of dissolution partners' capitals were in the ratio of 2 : 2 : 1.

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

8. Bora, Singh and Ibrahim were partners in a firm sharing profits in the ratio of 5 : 3 : 1. On 2-3-2015 their firm was dissolved. The assets were realized and the liabilities were paid off. Given below are the Realisation Account, Partners' Capital Accounts and Bank Account of the firm. The accountant of the firm left a few amounts unposted in these accounts. You are required to complete these accounts by posting the correct amounts.

Dr. **Realisation Account** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Stock A/c		10,000	By Provision for bad debts A/c		5,000
To Debtors A/c		25,000	By Sundry Creditors A/c		16,600
To Plant and Machinery A/c		40,000	By Bills Payable A/c		3,400
To Bank A/c:			By Mortgage Loan A/c		15,000
Sundry Creditors	16,000		By Bank A/c–assets realised:		
Bills Payable	3,400		Stock	6,700	
Mortgage Loan	15,000	34,400	Debtors	12,500	
To Bank A/c (Outstanding repairs)		400	Plant & Machinery	36,000	55,200
To Bank A/c (Expenses)		620	By Bank A/c–unrecorded assets realized		6,220
			By		....
		1,10,420			1,10,420

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
To	....	....	....	By Balance b/d	22,000	18,000	10,000
To	....	....	....	By General Reserve	2,500	1,500	500
	24,500	19,500	10,500		24,500	19,500	10,500

Dr. **Bank Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	19,500	By Realisation A/c (liabilities)	34,400
To Realisation A/c (assets realized)	55,200	By Realisation A/c (unrecorded liabilities)	400
To	....	By	....
		By	....
		By	....
		By	....
	80,920		80,920

9. Mala, Neela and Kala were partners sharing profits in the ratio of 3:2:1. On 1.3.2018 their firm was dissolved. The assets were realised and liabilities were paid off. The accountant prepared Realisation Account, Partners' Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.
You are required to complete these below given accounts by posting correct amounts.

Dr. **Realisation A/c** **Cr.**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Provision for bad debts		1,000
Machinery	10,000		By Sundry Creditors		15,000
Stock	21,000		By Sheela's Loan		13,000
Debtors	20,000		By Repairs and Renewals Reserve		1,200
Prepaid Insurance	400		By Cash – Assets sold:		
Investments	3,000	54,400	Machinery	8,000	
To Mala's Capital A/c – Sheela's Loan		13,000	Stock	14,000	
To Cash – Creditors paid		15,000	Debtors	16,000	38,000
To Cash – Dishonoured bill paid		5,000	By Mala's Capital — Investments		2,000
To Cash – Expenses		800	By	....	
			....	....	
			....	....	
			....	....	
					....
		88,200			88,200

Dr. **Partner's Capital Accounts** Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
To	....	....	....	By	....	....	....
To	....	—	—	By	....	—	—
To Cash A/c	12,000	9,000	—	By Cash A/c	—	—	1,000
	23,000	15,000	3,000		23,000	15,000	3,000

Dr. **Cash Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c – Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	By	....
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		41,800

10. Complete the missing figures and entries in the following accounts which are related to dissolution of the firm of P, Q and R:

Dr. **Realisation Account** Cr.

Particulars		(₹)	Particulars	(₹)
To Land and Building A/c		7,00,000	By Bank Loan A/c	4,00,000
To Sundry Debtors A/c		3,00,000	By Sundry Creditors A/c	1,00,000
To Stock A/c		1,00,000	By Q's Capital A/c (Computer)	90,000
To Bank A/c (Repair of Computer)		20,000	By P's Capital A/c (Land and Building)	....
To Bank A/c (Creditors)		25,000		
To P's Capital A/c (Bank Loan)		....	By Shares in BPL Limited A/c (5,000 × ₹100)	5,00,000
To Shares in BPL Limited A/c (Loss) (₹5,00,000 – ₹4,80,000)		20,000		
To				
P's Capital A/c (2/5)	....			
Q's Capital A/c (2/5)	....			
R's Capital A/c (1/5)	....	....		
		16,90,000		16,90,000

Dr. **Partner's Capital Accounts** Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Balance b/d	—	—	80,000	By Balance b/d	4,50,000	2,55,000	—
To Realisation A/c	....	....	—	By General Reserve	24,000	24,000	12,000
To Shares in BPL Limited A/c	2,40,000	2,40,000	—	By Realisation A/c (Profit)	....	....	....
To Bank A/c (Final Payment)	84,000	—	—	By	....	—	—
				By Bank A/c	—	1,000	43,000
	9,24,000	3,30,000	80,000		9,24,000	3,30,000	80,000

Dr. **Bank Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	85,000	By Realisation A/c (Repair of Computer)	....
To	....	By Realisation A/c (Creditors)	....
To Q's Capital A/c (Cash Brought in)	1,000	By P's Capital A/c (Final Payment)	....
	1,29,000		1,29,000

Solutions

Practice Solutions

1. **(b)**

2. **(d):** In this case, the firm pays remuneration to a partner for carrying out dissolution work, so no further entry is passed in the books of the firm regarding actual payment of expenses.

3. **(d):**

Dr. **Realisation Account** **Cr.**

Particulars	Amt (₹)	Particulars	Amt (₹)
To Sundry Assets To Bank	1,60,000 1,40,000	By Sundry Liabilities By Bank	1,75,000 1,25,000
	3,00,000		3,00,000

4. **(d)** 5. **(b)** 6. **(a)** 7. **(c)** 8. **(b)**

9. **(a):** Private property used first for the payment of private debts.

10. **(b)**

11. **(b):**

Dr. **Partners' Capital Account** **Cr.**

Particulars	Amt (₹)	Particulars	Amt (₹)
To Realisation A/c (Loss)	10,000	By Balance b/d	50,000
To Bank A/c (Final payment)	48,000	By Realisation A/c (Liability taken over	8,000
	58,000		58,000

12. **(b)**

13. **(b):** The partner who is ready to bear the expenses, will be debited and the partner who actually pays the expenses will be credited.

14. **(b)**

15. **(c):** Cash/Bank A/c Dr
To Realisation A/c

16. **(c)**

17. **(b)**

18. **(c):** Calculation of value of 50% stock taken over by A

$5,00,000 \times \frac{50}{100} = 2,50,000$

$(-)\ 2,50,000 \times \frac{20}{100} = \underline{(50,000)}$

₹ $\underline{2,00,000}$

19. **(c)**

20. **(a)**

Practice Subjective Solutions

1.

Books of the firm
JOURNAL

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Cash/Bank A/c (Being dissolution expenses paid)		9,000	9,000
(ii)	Realisation A/c Dr. To Vishal's Capital A/c (Being dissolution expenses paid by Vishal)		3,400	3,400
(iii) (a)	Realisation A/c Dr. To Shiv's Capital A/c (Being remuneration given to Shiv for dissolution work)		4,500	4,500
(iii) (b)	Shiv's Capital A/c Dr. To Bank A/c (Being dissolution expenses paid by firm on behalf of the partner)		3,900	3,900
(iv)	Realisation A/c Dr. To Naveen's Capital A/c (Being dissolution expenses paid by Naveen and Compensated by firm)		3,000	3,000
(v) (a)	Realisation A/c Dr. To Vivek's Capital A/c (Being partner Vivek remunerated for dissolution expenses		7,000	7,000
(v) (b)	Vivek's Capital A/c Dr. To Rishi's Capital A/c (Being dissolution expenses paid by Rishi on behalf of Vivek)		6,500	6,500
(vi) (a)	Realisation A/c Dr. To Gaurav's Capital A/c (Being remuneration given to Gaurav)		12,500	12,500
(vi) (b)	Gaurav's Capital A/c Dr. To Realisation A/c (Being furniture taken over by Gaurav as remuneration)		12,500	12,500
(vi) (a) + (b)	Or No Entry			

2.

JOURNAL

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
2018 Mar. 31 (i)	Bank A/c Dr. To Realisation A/c (Being furniture realised)		66,000	66,000
(ii)	Adiraj's Loan A/c Dr. To Bank A/c (Being partner's loan settled)		35,000	35,000
(iii)	Karan's Capital A/c Dr. To Realisation A/c (Being half the stock taken over by Karan)		32,000	32,000
	Bank A/c Dr. To Realisation A/c (Being remaining stock sold at 30% profit)		52,000	52,000
(iv)	Realisation A/c Dr.		3,000	

	To Bank A/c (Being dishonoured bill met)			3,000
(v)	Adiraj's Capital A/c Dr. Karan's Capital A/c Dr. To Profit and Loss A/c (Being debit balance of profit and loss account transferred)		33,600 22,400	 56,000
(vi)	Realisation A/c Dr. To Adiraj's Capital A/c (Being realisation expenses paid by Adiraj)		2,000	 2,000

3.

JOURNAL

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
2018 Mar. 31 (i)	 Realisation A/c Dr. To Sudha's Capital A/c (Being Sudha's husband's loan taken over by Sudha)		 19,000	 19,000
(ii)	Bank A/c Dr. To Realisation A/c (Being debtors realised)		7,500	 7,500
(iii)	Shiva's Capital A/c Dr. To Realisation A/c (Being investments taken over by Shiva)		13,300	 13,300
(iv)	Realisation A/c Dr. To Bank A/c (Being investments taken over by Shiva)		9,100	 9,100
(v)	Realisation A/c Dr. To Sudha's Capital A/c (Being realisation expenses borne by Sudha)		3,000	 3,000
(vi)	Sudha's Capital A/c Dr. Shiva's Capital A/c Dr. To Realisation A/c (Being loss on realisation transferred to partners' capital accounts)		5,640 3,760	 9,400

4.

Books of Manjeet, Sujeet and Jagjeet

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2018 Mar. 31 (*i*)	 Bank A/c Dr. To Realisation A/c (Being assets realised)		 10,00,750	 10,00,750
(*ii*)	Realisation A/c Dr. To Sujeet's Capital A/c (Being remuneration credited to Sujeet's Capital Account)		1,00,075	 1,00,075
(*iii*)	Sujeet's Capital A/c Dr. To Cash A/c (Being realisation expenses paid by firm on behalf of Sujeet)		90,000	 90,000
(*iv*)	Realisation A/c Dr. To Bank A/c (Being creditors paid in full settlement)		4,50,000	 4,50,000

5.

In the books of Prem and Suresh
JOURNAL

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2015 (*a*) Apr. 1	Cash/Bank A/c	Dr.		3,00,000	
	To Realisation A/c				3,00,000
	(Being payment received from creditor)				
(*b*)	Realisation A/c	Dr.		90,000	
	To Cash/Bank A/c				90,000
	(Being partial payment made to creditor)				
(*c*)	Realisation A/c	Dr.		30,000	
	To Bank A/c				30,000
	(Being partial payment made to creditor)				
(*d*)	Prem's Capital A/c	Dr.		21,000	
	Suresh's Capital A/c	Dr.		24,000	
	To Realisation A/c				45,000
	(Being loss on realisation transferred to partners' capital A/cs)				

6.

Books of the firm
JOURNAL

Date	Particulars		L.F	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c	Dr.		4,500	
	To Cash / Bank A/c				4,500
	(Being dissolution expenses paid)				
(ii)	Realisation A/c	Dr.		5,000	
	To Sudhir's Capital A/c				5,000
	(Being dissolution expenses paid by partner)				
(iii)	Realisation A/c	Dr.		7,300	
	To Sudha's Capital A/c				7,300
	(Being commission paid to Sudha for dissolution work)				
(iv) (a)	Realisation A/c	Dr.		5,000	
	To Somesh's Capital A/c				5,000
	(Being the commission paid to Somesh for dissolution)				
(iv) (b)	Somesh's Capital A/c	Dr.		4,750	
	To Cash/Bank A/c				4,750
	(Being dissolution expenses paid by firm)				
(v) (a)	Realisation A/c	Dr.		8,000	
	To Sheetal's Capital A/c				8,000
	(Being a partner, Sheetal remunerated for dissolution expenses)				
(v) (b)	Sheetal's Capital A/c	Dr.		7,500	
	To Smita Capital A/c				7,500
	(Being dissolution expenses paid by Smita on behalf of Sheetal)				
(vi) (a)	Realisation A/c	Dr.		11,000	
	To Somaya's Capital A/c				11,000
	(Being remuneration given to Somaya)				
(vi) (b)	Somaya's Capital A/c	Dr.		11,000	
	To Realisation A/c				11,000
	(Being stock taken over by Somaya as remuneration which had been transferred to Realisation A/c)				
(vi)	Or				

(a) + (b)	No Entry will be passed			

7.

Books of X and Y
JOURNAL

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
Case (i)	(No entry)			
Case (ii)	Realisation A/c Dr		5,000	
	To Cash A/c			5,000
	(Being creditor of ₹25,000 accepted furniture at ₹20,000 in settlement of his claim and balance paid in cash)			
Case (iii)	Cash A/c Dr.		18,000	
	To Realisation A/c			18,000
	(Being creditor of ₹30,000 accepted machinery at ₹48,000 and balance amount received from him)			
Case (iv)	Realisation A/c Dr.		2,000	
	To Cash A/c			2,000
	(Being unrecorded creditor accepted unrecorded computer at ₹15,000 and balance of ₹2,000 paid in cash in full settlement of his claim)			

8. **Journal Entries**

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr.		7,400	
	To Cash A/c			7,400
	(Being payment of realisation expenses)			
(ii)	Realisation A/c Dr.		7,400	
	To Ravi's Capital A/c			7,400
	(Being realisation expenses paid by Ravi)			
(iii)	Cash A/c Dr.		1,00,000	
	To Realisation A/c			1,00,000
	(Being the net amount realised from assets)			
	Realisation A/c Dr.		2,000	
	To Deepak' Capital A/c			2,000
	(Being commission allowed @ 2% on ₹1,00,000)			
	Deepak's Capital A/c Dr.		7,400	
	To Cash A/c			7,400
	(Being actual realisation expenses paid by the firm on behalf of the partner)			
(iv)	Khan's Capital A/c Dr.		7,400	
	To Cash A/c			7,400
	(Being the payment of realisation expenses by the firm on behalf of the partner)			

9.

In the Books of J, K and L
JOURNAL

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
2018 Mar. 31				
(i)	Bank A/c Dr.		1,30,000	
	To Realisation A/c			1,30,000
	(Being amount realised from debtors)			
(ii)	Realisation A/c Dr.		16,000	
	To K's Capital A/c			16,000
	(Being remuneration paid for dissolution work)			
(iii)	Realisation A/c Dr.		4,000	
	To K's Capital A/c			4,000

	(Being amount credited for dissolution expenses)			
	K's Capital A/c Dr.		6,500	
	To Bank A/c			6,500
	(Bing realisation expenses paid by firm on behalf of partner, K)			
(iv)	J's Capital A/c Dr.		14,800	
	K's Capital A/c Dr.		18,500	
	L's Capital A/c Dr.		3,700	
	To Realisation A/c			37,000
	(Being realisation loss transferred to Partners' Capital A/cs)			

10.

Dr. **Realisation Account** **Cr.**

Particulars		(₹)	Particulars		(₹)
To Debtors A/c		60,000	By Creditors A/c		45,000
To Stock A/c		85,000	By Shanti's Current/Captial A/c		30,600
To Furniture A/c		1,00,000	(34,000 – 3,400)		
To Machinery A/c		1,30,000	By Bank A/c – Assets Realised		
To Bank A/c:			Stock	40,000	
Outstanding Bill	19,000		Furniture	80,000	
Creditors	45,000	64,000	Investment	20,000	
			Machinery	70,000	
			Debtors	55,000	2,65,000
			By Loss transferred to:		
			Shanti's Current/Capital A/c	78,720	
			Satya's Current/Capital A/c	19,680	98,400
		4,39,000			4,39,000

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (a) **2. (c)** **3. (a)** **4. (a)** **5. (c)**

6. (b)

Dr. **Partner's Capital A/c** **Cr.**

Particulars	Amount(₹)	Particulars	Amount (₹)
To Realisation A/c (Loss)	10,000	By Balance b/d	50,000
To Bank A/c(Final Payment)	48,000	By Realisation A/c (Liability taken over)	8,000
	58,000		58,000

7. (b) **8. (b)** **9. (b)** **10. (b)** **11. (b)**

12. (c) **13. (d)** **14. (c)** **15. (d)**

16. (a): Amount received on realisation = Debtors + Stock + Investment + Plant
=60,000 + 35,500 + 16,000 + 45,000 = ₹1,56,500

17. (c): Assets Realised $= 1,56,500 \times \frac{5}{100} =$ ₹7,825

18. (b)

19. (a)

20. (a): $1,44,000 \times \frac{100}{90} = ₹\ 1,60,000$

21. (d): Remaining investment = 3,40,000 – 1,60,000 = ₹1,80,000

Book value taken over by R = $1,80,000 \times \frac{90}{100}$ = ₹1,62,000

Agreed Value of Investment = 1,62,000 – 2,000 = ₹1,60,000

22. (c)

23. (b): Remaining Debtors = 4,84,000 – 4,00,000 = ₹84,000

Debtors honoured = $84,000 \times \frac{50}{100}$ = ₹42,000

24. (b)	**25. (a)**	**26. (c)**	**27. (c)**	**28. (b)**
29. (a)	**30. (a)**			

SOLUTION FOR SUBJECTIVE QUESTIONS

1.

Dr. Realisation Account Cr.

Particulars		(₹)	Particulars		(₹)
To Sundry Assets:			By Sundry Liabilities:		
Plant	2,20,000		Creditors	75,000	
Investments	70,000		Bills Payable	40,000	
Stock	50,000		Outstanding salary	35,000	1,50,000
Debtors	60,000	4,00,000			
To Bank A/c:			By Bank A/c:		
Creditors	75,000		Plant	85,000	
Bills Payable	40,000		Stock	33,000	
Outstanding repair bill	7,500		Debtors	47,000	
Contingent liability for bill			Investments	66,500	2,31,500
Discounted	15,000		By Loss transferred to		
Outstanding salary	35,000	1,72,500	Partners' Capital A/cs:		
To Srijan's Capital A/c			Srijan	81,030	
(Commission–2,31,500× 5%)		11,575	Raman	81,030	
			Madan	40,515	
					2,02,575
		5,84,075			5,84,075

Dr. Partners' Capital Accounts Cr.

Particulars	Srijan (₹)	Raman (₹)	Manan (₹)	Particulars	Srijan (₹)	Raman (₹)	Manan (₹)
To Balance b/d	—	—	10,000	By Balance b/d	2,00,000	1,50,000	—
To Profit and Loss A/c	32,000	32,000	16,000	By Realisation A/c	11,575	—	—
To Realisation A/c	81,030	81,030	40,515	By Bank A/c	—	—	66,515
To Bank A/c	98,545	36,970	—				
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Dr.		Bank Account	Cr.
Particulars	**(₹)**	**Particulars**	**(₹)**
To Balance b/d	10,000	By Realisation A/c	1,72,500
To Realisation A/c	2,31,500	By Srijan's Capital A/c	98,545
To Manan's Capital A/c	66,515	By Raman's Capital A/c	36,970
	3,08,015		3,08,015

2.

Journal

Date	Particulars	L.F	Dr. (₹)	Cr. (₹)
2017 April 1	Realisation A/c Dr. To Land and Building A/c To Machinery A/c To Debtors A/c (Being the above assets transferred to Realisation A/c)		2,10,000	 70,000 60,000 80,000
	Sundry Creditors A/c Dr. To Realisation A/c (Being creditors transferred to Realisation A/c)		70,000	 70,000
	Bank A/c Dr. To Realisation A/c (Being amount realised from sale of machinery and collection of debtors)		1,21,500	 1,21,500
	Realisation A/c Dr. To Bank A/c (Being payment made for creditors and realisation expenses)		21,700	 21,700
	Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Realisation A/c (Being loss on realisation debited to Partners' Capital A/cs)		30,150 10,050	 40,200
	Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Bank A/c (Being final payment made to partners)		89,850 69,950	 1,59,800

3.

Realisation Account

Dr. Cr.

Particulars	(₹)	Particulars		(₹)
To Debtors A/c	27,000	By Sundry Creditors A/c		80,000
To Stock A/c	50,000	By Shivika's Sister's Loan A/c		20,000
To Furniture A/c	2,20,000	By Parth's Capital A/c (Furniture) (₹ 1,10,000 – ₹ 22,000)		88,000
To Bank A/c (Sundry Creditors)	80,000			
To Bank A/c (₹ 20,000 + ₹ 2,000) (Shivika's Sister's Loan)	22,000	By Bank A/c (Assets Realised):		
		Furniture	1,05,000	
To Bank A/c (Expenses)	5,000	Debtors	26,000	1,31,000
		By Shivika's Capital A/c (Stock)		29,000
		By Loss transferred to:		
		Parth's Capital A/c	33,600	
		Shivika's Capital A/c	22,400	56,000
	4,04,000			4,04,000

Partners' Capital Accounts

Dr. Cr.

Particulars	Parth (₹)	Shivika (₹)	Particulars	Parth (₹)	Shivika (₹)
To Realisation A/c	88,000	29,000	By Balance b/d	1,75,000	1,94,000
To Realisation A/c (Loss)	33,600	22,400			
To Bank A/c (Final Payment)	53,400	1,42,600			
	1,75,000	1,94,000		1,75,000	1,94,000

Bank Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	1,72,000	By Realisation A/c – Sundry Creditors	80,000
To Realisation A/c—Assets Realised	1,31,000	By Realisation A/c—Shivika's Sister's Loan	22,000
		By Realisation A/c—Expenses	5,000
		By Parth's Capital A/c—Final Payment	53,400
		By Shivika's Capital A/c—Final Payment	1,42,600
	3,03,000		3,03,000

4.

Journal

Date	Particulars		L.F	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c	Dr.		12,05,000	
	To Fixed Assets A/c				7,10,000
	To Stock A/c				3,00,000
	To Debtors A/c				1,95,000
	(Being assets transferred to Realisation A/c)				
(ii)	Sundry Creditors A/c	Dr.		2,00,000	
	Provision for Doubtful Debts A/c	Dr.		5,000	
	To Realisation A/c				2,05,000
	(Being liabilities transferred to Realisation A/c)				
(iii)	Bank A/c	Dr.		11,49,000	
	To Realisation A/c				11,49,000

	(Being assets realised)			
(iv)	Realisation A/c Dr. To Bank A/c (Being creditors paid in full settlement)		1,85,000	1,85,000
	Realisation A/c Dr. To Bank A/c (Being realisation expenses paid)		19,000	19,000
(v)	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 realisation debited to Partners' Capital A/cs)		22,000 22,000 11,000	55,000
(vi)	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Bank A/c (Being Partners' Capital A/c settled on dissolusion)		7,28,000 2,78,000 2,39,000	12,45,000

5.

Dr. **Realisation A/c** **Cr.**

Particulars	(₹)	Particulars	(₹)
To Sundry Assets Stock 70,000 Investments 1,00,000 Debotrs 2,00,000 Fixed Assets <u>3,80,000</u>	7,50,000	By Provision for Doubtful Debts A/c	20,000
To Vinit's Capital A/c (Mrs. Vinit's Loan)	60,000	By Investment Fluctuation Fund A/c	30,000
To Bank A/c (Creditors Paid)	3,50,000	By Creditors	3,60,000
To Vinit's Capital A/c(Realisation Expenses)	2,000	By Mrs. Vinit Loan A/c	60,000
		By Vinit's Capital A/c (Stock)	56,000
		By Yogesh's Capital A/c (90,000 – 9,000)	81,000
		By Bank A/c Debtors (47,500 + 1,50,000) 1,97,500 Fixed Assets 2,82,000 Investments <u>7,500</u>	4,87,000
		By Yogesh's Capital A/c (Old Furniture)	4,000
		By Partner's Capital A/c Vinit's Capital A/c 32,000 Yogesh's Capital A/c <u>32,000</u>	64,000
	11,62,000		11,62,000

Dr. **Partner's Capital A/cs** **Cr.**

Particulars	Vinit	Yogesh	Particulars	Vinit	Yogesh
To Realisation A/c	32,000	32,000	By Balance b/d	2,00,000	1,00,000
To Profit and Loss A/c	20,000	20,000	By Realisation A/c	2,000	--
To Realisation A/c	56,000	81,000	By Realisation A/c	60,000	--
To Realisation A/c	--	4,000	By Yogesh's Loan A/c	--	37,000
To Bank A/c (Final Payment)	1,54,000	--			
	2,62,000	1,37,000		2,62,000	1,37,000

Dr. **Bank A/c** **Cr.**

Particulars	(₹)	Particulars	(₹)
To balance b/d	80,000	By Realisation A/c	3,50,000
To Realisation A/c	4,87,000	By Yogesh's Loan A/c	63,000
		By Vinit's Loan A/c *(Final Payment)	1,54,000
	5,67,000		5,67,000

Note: Yogesh's Capital Account shows a debit balance of ₹37,000 after all adjustments. Therefore, an amount of ₹37,000, *i.e.*, to the extent of debit balance of his capital account has been transferred from his Loan Account to his Capital Account.

6.

Dr. **Realisation Account** Cr.

Particulars		**(₹)**	**Particulars**		**(₹)**
To Debtors		48,400	By Provision for Doubtful Debts A/c		2,400
To Stock-in-Trade		16,000	By Creditors		11,500
To Furniture		2,000	By Loan		3,500
To Sundry Assets		34,000	My Michael's Capital A/c:		
To Michael's Capital A/c (Creditors)		10,000	Furniture	2,600	
To John's Capital A/c			Debtors	34,000	37,000
Loan	3,500		By Jackson's Capital A/c:		
Expenses (Realisation)	600	4,100	Stock in trade	14,000	
To Bank A/c (creditors)		1,500	Sundry Assets	28,800	42,800
			By John's Capital A/c:		
			Sundry assets		1,800
			By Bank A/c (Debtors)		4,200
			By Partners' Capital A/cs:		
			Michael	7,680	
			Jackson	2,560	
			John	2,560	12,800
		1,16,000			1,16,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	**Michael (₹)**	**Jackson (₹)**	**John (₹)**	**Particulars**	**Michael (₹)**	**Jackson (₹)**	**John (₹)**
To Realisation A/c	37,000	42,800	1,800	By Balance b/d	50,000	25,000	14,000
To Realisation A/c (Loss)	7,680	2,560	2,560	By Realisation A/c	10,000	—	4,100
To Bank A/c	15,320	—	13,740	By Bank A/c	—	20,360	—
	60,000	45,360	18,100		60,000	45,360	18,100

Dr. **Bank Account** **Cr.**

Particulars	**(₹)**	**Particulars**	**(₹)**
To Balance b/d	6,000	By Realisation A/c	1,500
To Realisation A/c (Debtors)	4,200	By Michael's Capital A/c	15,320
To Jackson's Capital A/c	20,360	By John's Capital A/c	13,740
	30,560		30,560

Working Notes:

1. Calculation of the book value of Sundry Assets taken over by Jackson:
   ₹28,800 × 100/90 = ₹32,000
   Value of remaining Sundry Assets taken over by John:
   ₹34,000 – ₹32,000 = ₹2,000 and 90% of ₹2,000 = ₹1,800
2. Debtors of ₹40,000 are taken over by Michael and the remaining balance is ₹8,400 which have been sold for 50% or ₹4,200.
3. There is a deficit in the Capital Account of Jackson and it is assumed that he will bring necessary amount.

7.

Dr. **Realisation Account** **Cr.**

Particulars		(₹)	Particulars		(₹)
To Sundry Assets A/c		1,90,000	By Sundry Liabilities A/c		26,000
To Cash A/c (Expenses)		700	By Cash A/c		1,70,000
To Cash A/c:			By Capital A/cs (Loss)		
Sundry Creditors	26,000		X (5/10)	10,850	
Unrecorded Liability	1,000	27,000	Y (3/10)	6,510	
			Z (2/10)	4,340	21,700
		2,17,700			2,17,700

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	X (₹)	Y (₹)	Z (₹)	Particulars	X (₹)	Y (₹)	Z (₹)
To Realisation A/c (loss)	10,850	6,510	4,340	By Balance b/d	65,600	65,600	32,800
To Cash A/c	54,750	59,090	28,460				
	65,600	65,600	32,800		65,600	65,600	32,800

Dr. **Cash Account** **Cr.**

Particulars	(₹)	Particulars	(₹)
To Realisation A/c (Assets Realised)	1,70,000	By Realisation A/c (Creditors)	27,000
		By Realisation A/c (Expenses)	700
		By X's Capital A/c	54,750
		By Y's Capital A/c	59,090
		By Z's Capital A/c	28,460
	1,70,000		1,70,000

Working Note:

Memorandum Balance Sheet

Liabilities		(₹)	Assets	(₹)
Sundry Liabilities		26,000	Sundry Assets (1,70,000 + 20,000)	1,90,000
Capitals: (Balancing figure)				
X (2/5)	65,600			
Y (2/5)	65,600			
Z (1/5)	32,800	1,64,000		
		1,90,000		1,90,000

8.

Dr. **Realisation Account** **Cr.**

Particulars		(₹)	Particulars		(₹)
To Stock A/c		10,000	By Provision for bad debts A/c		5,000
To Debtors A/c		25,000	By Sundry Creditors A/c		16,600
To Plant and Machinery A/c		40,000	By Bills Payable A/c		3,400
To Bank A/c			By Mortgage Loan A/c		15,000
Sundry creditors	16,000		By Bank A/c – Assets realised:		
Bills Payable	3,400		Stock	6,700	
Mortgage Loan	15,000	34,400	Debtors	12,500	
To Bank A/c (Outstanding repairs)		400	Plant and Machinery	36,000	55,200
To Bank A/c (Expenses)		620	By Bank A/c–unrecorded assets realised		6,220
			By *Loss transferred to Partners'*		

		Capital A/cs: *Bora* *5,000* *Singh* *3,000* *Ibrahim* *1,000*	*9,000*
	1,10,420		1,10,420

Dr. **Partners' Capital Account** Cr.

Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
To ***Realisation A/c***	***5,000***	***3,000***	***1,000***	By Balance b/d	22,000	18,000	10,000
To ***Bank A/c***	***19,500***	***16,500***	***9,500***	By General Reserve	2,500	1,500	500
	24,500	19,500	10,500		24,500	19,500	10,500

Dr. **Bank Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	19,500	By Realisation A/c (liabilities)	34,400
To Realisation A/c (assets realised)	55,200	By Realisation A/c (unrecorded liabilities)	400
To ***Realisation A/c (unrecorded assets)***	***6,220***	By ***Realisation A/c (expenses)***	***620***
		By ***Bora's Capital A/c***	***19,500***
		By ***Singh's Capital A/c***	***16,500***
		By ***Ibrahim's Capital A/c***	***9,500***
	80,920		80,920

9.

Dr. **Realisation Account** Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets:			By Provision for bad debts		1,000
Machinery	10,000		By Sundry Creditors		15,000
Stock	21,000		By Sheela's Loan		13,000
Debtors	20,000		By Repairs and Renewals Reserve		1,200
Prepaid Insurance	400		By Cash – Assets sold:		
Investments	3,000	54,400	Machinery	8,000	
To Mala's Capital A/c – Sheela's Loan		13,000	Stock	14,000	
To Cash – Creditors paid		15,000	Debtors	16,000	38,000
To Cash – Dishonoured bill paid		5,000	By Mala's Capital — Investments		2,000
To Cash – Expenses		800	By ***Loss Transferred to Partners' Capital A/cs:***		
			Mala	***9,000***	
			Neela	***6,000***	
			Kala	***3,000***	***18,000***
		88,200			88,200

Dr. **Partners' Capital Accounts** Cr.

Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
To ***Realisation A/c***	***9,000***	***6,000***	***3,000***	By ***Balance b/d***	***10,000***	***15,000***	***2,000***
To ***Realisation A/c (Investments)***	***2,000***	—	—	By ***Realisation A/c (Sheela's Loan)***	***13,000***	—	—
To Cash A/c	12,000	9,000	—	By Cash A/c	—	—	1,000
	23,000	15,000	3,000		23,000	15,000	3,000

Dr. **Cash Account** Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,800	By Realisation A/c – Creditors paid	15,000
To Realisation A/c – Sale of assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	By ***Realisation A/c (Expenses)***	***800***
		By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		41,800

10.

Dr. **Realisation Account** Cr.

Particulars		(₹)	Particulars	(₹)
To Land and Building A/c		7,00,000	By Bank Loan A/c	4,00,000
To Sundry Debtors A/c		3,00,000	By Sundry Creditors A/c	1,00,000
To Stock A/c		1,00,000	By Q's Capital A/c (Computer)	90,000
To Bank A/c (Repair of Computer)		20,000	By P's Capital A/c (Land and Building)	***6,00,000***
To Bank A/c (Creditors)		25,000	By Shares in BPL Limited A/c (5,000 × ₹100)	5,00,000
To P's Capital A/c (Bank Loan)		***4,00,000***		
To Shares in BPL Limited A/c (Loss) (₹5,00,000 – ₹4,80,000)		20,000		
To ***Profit transferred to Partners' Cap. A/cs:***				
P's Capital A/c (2/5)	***50,000***			
Q's Capital A/c (2/5)	***50,000***			
R's Capital A/c (1/5)	***25,000***	***1,25,000***		
		16,90,000		16,90,000

Dr. **Partners' Capital Accounts** Cr.

Particulars	P (₹)	Q (₹)	R (₹)	Particulars	P (₹)	Q (₹)	R (₹)
To Balance b/d	—	—	80,000	By Balance b/d	4,50,000	2,55,000	—
To Realisation A/c	***6,00,000***	***90,000***	—	By General Reserve	24,000	24,000	12,000
To Shares in BPL Limited A/c	2,40,000	2,40,000	—	By Realisation A/c (Profit)	***50,000***	***50,000***	***25,000***
To Bank A/c (Final Payment)	84,000	—	—	By ***Realisation A/c***	***4,00,000***	—	—
				By Bank A/c	—	1,000	43,000
	9,24,000	3,30,000	80,000		9,24,000	3,30,000	80,000

Dr. **Bank Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance b/d	85,000	By Realisation A/c (Repair of Computer)	***20,000***
To ***R's Capital A/c (Cash Brought in)***	***43,000***	By Realisation A/c (Creditors)	***25,000***
To Q's Capital A/c (Cash Brought in)	1,000	By P's Capital A/c (Final Payment)	***84,000***
	1,29,000		1,29,000