

Practice Question

Q.1 Pass the journal entries entries to effect the followings

- (i) bank loan of Rs. 12000 is paid off.
- (ii) Deferred advertisement expenses A/c appeared in the books at Rs.28000.
- (iii) Creditors agreed to take over the machine in full settlement of their calim. (creditors Rs. 2,50,000 and machinery Rs. 2,25,000)
- (iv) Z, an old customer, whose account was written off as bad in the previous year, paid Rs. 500.
- (v) A contingent liability (not provided for) of Rs. 1000 was also discharge.
- (vi) An unrecorded computer realized Rs. 7000.

Q.2 X and Y were partners sharing profits and losses in ratio of 4:1. Their firm was dissolved on 31.3.15. Complete the missing information:

Realisation Account

Particulars	Rs.	Particulars	Rs.
To Goodwill A/c	10,000	By Investment Fluctuation Fund A/c	5,000
To building A/c	25,000	By Provision for Doubtful Debts A/c	2,000
To Investments A/c	25,000	By Creditors A/c	8,000
To Stock A/c	15,000	By Bank Overdraft A/c	6,000
To Debtors A/c	20,000	By X's Brother Loan	8,000
To X's Capital A/c (Brother's loan)	(a)	By Bank A/c (Assets Realised) ₹	
To Bank A/c's: ₹		Debtors	12,000
Creditors	6000	Investments	20,000
Bank Overdraft	<u>6000</u>	Goodwill	7,000
	12,000	Buildings	30,000
To Bank A/c (Realisation Expenses)	(b)	Stock (50% of 10,000)	<u>5,000</u>
		By Y's Capital A/c(stock)	
		X's Capital A/c	(d)
		Y's Capital A/c	(e)
	(f)		(f)
			74,000
			(c)

Partner's Capital Account

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To profit & Loss A/c	8,000	2,000	By Balance b/d	50,000	40,000
To Realisation A/c (Stock)		4,000	By Realisation A/c	(k)	
To Realisation A/c (Loss)	(g)	(h)			
To Bank A/c (Bal. Fig.)	(i)	(j)			
	(l)	(m)		(l)	(m)

Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	20,000	By Y's loan A/c	6,000
To Realisation A/c	(n)	By Realisation A/c (liabilities paid off)	12,000
		By Realisation Expenses A/c	2,000
		By X's Capital A/c	(o)
		By Y's Capital A/c	(p)
	(q)		(q)

Hints:

- Brother's Rs 8,000 (Given on Cr. Side of Realisation A/c)
 - Realisation Expenses Rs 2,000 (From Bank A/c Cr. side)
 - Stock Rs 4,000 (From Y's Capital A/c Dr. side)
- d) ₹ 8,000 (e) ₹ 2,000 (f) 1,17,000 (g) ₹ 8,000 (h) ₹ 2,000
- (i) ₹ 42,000 (j) ₹ 32,000 (k) ₹ 8,000 (l) ₹ 58,000 (m) ₹ 40,000
- (n) ₹ 74,000 (o) ₹ 42,000 (p) ₹ 32,000 (q) ₹ 94,000

Q.3 A and B showing profits and losses in the ratio of 3:2 agreed upon the dissolution of the firm on 31st March 2018 at which date their Balance sheet was as follows:

Liabilities	Rs. Amount	Assets	Rs. Amount
Trade creditor	60,000	Cash	6,000
Employee Provident Fund	15,000	Bank	30,000
Bills payable	25,000	Stock	80,000
Investment fluctuation reserve	24,000	Sunday Debtors	66,000
Profit and Loss A/c	11,000	Loss Provision	<u>6,000</u>
Capital A/c		for D/D	60,000
A	90,000	Plant and Machinery	30,000
B	30,000	Land and Building	33,000
Workman Compensation Reserve	20,000	Investment	10,000
		Goodwill	15,000
		Pre Paid Insurance	1,000
		Advertisement Expenditure	10,000
	2,75,000		2,75,000

The firm was dissolved on the given date and following transition took place :

- (1) B undertook to pay employee provident fund.
- (2) A took 60% stock at a profit of 10% and remaining stock was sold at a discount of 20% on cost.
- (3) Land and building & investments realized ₹ 1,40,000 and ₹ 8,000 respectively.
- (4) Trade creditor accepted plant & machinery loss 10% of value and cash ₹ 27,000 in full settlement of their claim.
- (5) ₹ 8,000 of Book debts proved bad bills payable were paid in full.
- (6) Realisation expenses paid by A ₹ 5,000.
- (7) There were a contingent liability of ₹ 1,000 for Bill discounted also discharged.

Prepare Realisation A/c, partner's capital A/c and Bank A/c.

(Ans. Profit of realisation ₹ 1,06,200, partner final payment ₹ 1,18,520 A, ₹ 5,880 B Total & Bank A/c 2,67,400)

Q 3. Ram, Rahim and Rehman were partners in a firm sharing profits in ratio 4 :1 :5. On 28-2-2017,, the firm was dissolved. On the date of dissolution, the Balance Sheet of the firm was as follows : Rehman was appointed to realize the assets and liabilities for which he was to be given a commission of Rs. 5000 and to bear the actual expenses of realization himself.

Liabilities	'Amount(₹)	Assets	'AmoumXRs.)
Bank loan	4,34,000	Bank	48,000
Creditors	3,80,000	Debtors 2,74,000	
General reserve	1,00,000	Less provision <u>8,000</u>	2,66.000
Ram's wife's loan	40,000	Stock	1,08,000
Capitals:		Furniture	1,32,000
Ram	14,00,000	Machinery	4,00,000
Rahim	6,00,000	Building	30,00,000
Rehman	10,00,000		
	39,54,000		39,54,000

Assets realised as follows: bad debts proved Rs. 4,000. Stock at 15% less. Furniture was taken over by Ram for 9,000. Building was sold for Rs. 29,00,000. Rehman took over 50% of the machinery at 5% less than the book value. Bank Loan was paid with interest of Rs. 79,500. A computer already written off was taken over by Rahim for rs. 3000. Creditors allowed a discount of 5%. Expenses of dissolution Rs. 7,000 were paid by Rehman. Remaining machinery was sold at 10% profit.

Pass journal entries at the time of dissolution.

Q.6. Complete the following journal at the time of a partner ship firm of A, B and C and D were sharing the profits & losses in the ratio of 1 : 2 : 2

Realisation A/c Dr.		6,50,000	
To stock A/c			40,000
To building A/c			2,10,000
To machinery A/c			2,50,000
To Goodwill A/c			_____
To debtors A/c			12,000
To investment A/c			1,00,000
(_____ _____ _____)			
Creditors A/c	Dr.	45,000	
Mrs. A's Loan A/c	Dr.	1,20,000	
Bank Loan A/c	Dr.	2,00,000	
Provision for doubtful debts A/c	Dr.	2,000	
To realization A/c			_____
(_____ _____ _____)			
_____ Dr.		_____	
To _____			_____
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<p>_____ Dr.</p> <p>To _____</p> <p>(creditors worth Rs. 36,000 took over the stock at valuation of Rs. 30,000)</p>	_____	_____
<p>_____ Dr.</p> <p>To _____</p> <p>(A agreed to pay off his wife's loan)</p> <p>_____ Dr.</p> <p>To _____</p> <p>(A took over the half of the investment at 10% discount)</p>	_____	_____
<p>_____ Dr.</p> <p>To _____</p> <p>(Building was sold by the bank for setting off its loan for Rs. 2,50,000 and the balance amount of cash was given to the firm)</p>		
<p>(_____ Dr. _____</p> <p>_____ To _____</p> <p>_____)</p>	_____	_____
<p>(_____ Dr. _____</p> <p>_____ To _____</p> <p>_____)</p>		
<p>B's loan A/c _____ Dr.</p> <p>To _____</p> <p>(B's loan for Rs. 50,000 _____)</p>		

Partners' Capital A/c

Particulars	A's capital	B's Capital	C's capital	Particulars	A's capital	B's Capital	C's capital
To realization A/c				By balance B/d	5000	175,000	1,15,000
To cash				By gen reserves	2,000	2,000	4,000
				By Profit & loss A/c	30000	30000	60000
				By realization A/c			
				By realization A/c			
				By cash			

Cash A/c

Particulars	Amount	Partners	Amount
balance B/d	4000		

Q. 2 Following was the balance sheet of D, G, And T on 28-2-2017

Liabilities(₹)	Amount	Assets	Amount
R's Loan	12,000	Furniture	15,000
Creditors	50,000	Land & Building	2,45,000
General Insurance	20,000	G' s Capital	20,000
G's Loan	8,000	Bank	20,000
Bills payable	10,000	Debtors	30,000
D' s Capital 1,00,000		Stock	20,000
T's Capital 1,50,000	2,50,000		
	3, 50,000		3,50,000

The firm was dissolved on the above date on the following terms:-

- (i) Debtors realised Rs, 28,000 and creditors and bills payable were paid at discount of 10%
- (ii) Stock was taken over by T for Rs . 15,000 and furniture was sold to N for Rs. 12,000.
- (iii) Land & Building was sold for Rs. 2,80,000.
- (iv) R1 Loan was Paid by Cheque for same amount ,
- (v) The firm had a joint Policy of (₹) 5,00,000 with a surrender value (₹) 1,00,,000 -000 The surrender. Prepare necessary ledger A/c

Multiple Choice Question

Dissolution of Partnership Firm

Q. 1 In which condition a partnership firm is deemed to be dissolved?

- (A) On a Partner's admission
- (B) on retirement of a partner
- (C) On expiry of the period of partnership
- (D) On loss in partnership

Q.2 Contingent liability, when paid on dissolution of a firm is debited to :-

- (A) Partner's Capital A/c
- (B) Realisation Account
- (C) Liabilities A/c
- (D) Asset A/c

Q.3 A partnersjhip firm is compulsory dissolved:-

- (A) When the business of the firm is declared illegal
- (B) When a partner of the firm dies
- (C) When a partner of the firm become Insolvent
- (D) When a partner transfer his share to some other person without the consent of the partner

Q.4. At the time of dissolution of Partnership firm, fictitious, assets are transferred to :-

- (A) Capital Account of Partners (B) Realisation Account
(C) Cash Account (D) Partner's Loan Account

Q.5. On dissolution of a firm, debtor (₹) 17,000 were shown in the balance sheet out of this (₹) 2,000 become bad. One debtor become insolvent 70 % were recovered from him out of ₹) 5,000 . Full amount was recovered from the balance debtors. On account of this item loss in realisation account will be:-

- (A) ₹) 5,100 (B) ₹) 1.500
(C) ₹) 3, 500 (D) ₹) 2,000

Q.6 Anu, Khusi and Anmol are partners, The firm had given a loan of (₹) 20,000 to khushi. On the event of dissolution, the loan will be sold by :-

- (A) Transferring it to debt side of Realisation A/c
(B) Transferring it to credit side of Realisation A/c
(C) Transferring it to debti side of Partner's capital.
(D) Khusi paying Anu and Anmol Privately

Q.7 On dissolution, goodwill account is transferred to :-

- (A) In the capital accounts of partners (B) On the Credit of Cash account
(C) On the debit of Realisation A/c (D) On Credit of Realisation A/c

Q.8 Where it is agreed that a partner will be paid a lumsum amount for dissolution expenses payment is made by the firm, the payment is debited to

- (A) Realisation Account (B) Concerned Partner's Capital Account
(C) All Partner's Capital A/c (D) None of these

Q.9 In case of dissolution of Partnership firm, a creditor of ₹ 3,60,000 accepted machine value at ₹ 5,00,000 and paid to the firm ₹ 140,000 and a second creditor for ₹ 50,000 accepted stock ₹ 45,000. in full settlement. What amount should be shown in Realisation for above transaction.

- (A) Dr Realisation ₹ 1,40,000 Cr HIL
- (B) Dr realisation and Cr. NIL ₹ 1,40,000
- (C) Dr Realisation 1,40,000 & cr Realisation 500
- (D) Dr Realisation ₹ 5,000 & cr ₹ 14,0,000

Q.10 Retirement and Death of a partner:-

- (A) Is dissolution of partnership agreement
- (B) Is dissolution of a firm
- (C) a and b both
- (D) None of the above

Q.11 At the time of dissolution non-cash assets are credited with :-

- (A) Market value
- (B) Book Value
- (C) As the agreed amount among partner's
- (D) None of the above

Q.12 Admission of a partner is termination of and not dissolution of (agreement, firm)

Q.13 If all partners mutually decide for the dissolution, it will be dissolution of the (firm)

Q.14 of partner will be paid off before the settlement of partner's capital (Loan)