



INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet No: 9	Topic: DISSOLUTION OF PARTNERSHIP FIRM

1. On dissolution of a firm, realisation account is debited with

- (A) All assets to be realised
- (B) All outside liabilities of the firm
- (C) Cash received on sale of assets
- (D) Any asset taken over by one of the partners

Ans: A

2. At the time of dissolution of firm, "Loan of partners" (Loans given by partners to the firm) is paid out of the amount realised on sale of assets :

- (A) After making the payment of loans given by third party
- (B) After making the payment of balance of Capital Accounts of partners
- (C) After making the payment of above (A) and (B)
- (D) Before the payment of loans given by third party

Ans: A

3. On firm's dissolution, which one of the following account should be prepared at the last?

- (A) Realisation Account
- (B) Partner's Capital Accounts
- (C) Cash/Bank Account
- (D) Partner's Loan Account

Ans: C

4. In the event of dissolution of a partnership firm, the provision for doubtful debts is transferred to:

- (A) Realisation Account
- (B) Partners Capital Accounts

(C) Sundry Debtors Account

(D) None of the above

Ans: A

5. On dissolution of a partnership firm, profit or loss on realisation is distributed among the partners

(A) In capital ratio

(B) In Profit sharing ratio

(C) Equally

(D) None of the above

Ans: B

6. Realisation A/c is a:

(A) Nominal A/c

(B) Real A/c

(C) Personal A/c

(D) Real A/c as well as Personal A/c

Ans: A

7. A partnership firm is compulsorily 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 becomes insolvent

(D) When a partner transfers his share to some other person without the consent of other partners

Ans: A

8. 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 Account

(D) On the Credit of Realisation Account

Ans: C

9. At the time of dissolution of partnership firm, fictitious assets are transferred to

(A) Capital Accounts of Partners

(B) Realisation Account

- (C) Cash Account
- (D) Partners' Loan Account

Ans: A

10. Change in the existing agreement between the partners is called:

- (A) Dissolution of Firm
- (B) Dissolution of Partnership
- (C) Dissolution of Business
- (D) All of the Above

Ans: B

11. On dissolution of a firm, its Balance Sheet revealed total creditors ₹50,000; Total Capital ₹48,000; Cash Balance ₹3,000. Its assets were realised at 12% less. Loss on realisation will be:

- (A) ₹6,000
- (B) ₹11,760
- (C) ₹11,400
- (D) ₹3,600

Ans: C

12. On firm's dissolution, when a partner voluntarily gives his personal asset to firms' creditor as payment, the account credited will be:

- (A) Realisation A/c
- (B) Partner's Capital A/c
- (C) Cash A/c
- (D) None of the Above

Ans: B

13. Sundry Creditors amounted to Rs. 8,000. These were paid at a discount of 5%.

Realisation account will be debited by

- (A) ₹8,000
- (B) ₹7,600
- (C) ₹400
- (D) ₹8,400

Ans: B

14. On dissolution of a firm, an unrecorded furniture of the value of ₹5,000 was taken up by a partner for ₹4,300. Which Account will be credited and by how much amount? :

- (A) Cash Account by ₹4,300

- (B) Realisation Account by ₹700
- (C) Partner's Capital Account by ₹5,000
- (D) Realisation Account by ₹4,300

Ans: D

15. While transferring assets to realisation account, ----- omitted to be transferred:

- (A) Patents
- (B) Goodwill
- (C) Cash
- (D) Investments

Ans: C

16. Anu, Bina and Charan are partners. The firm had given a loan of ₹20,000 to Bina. On the event of dissolution, the loan will be settled by:

- (A) Transferring it to debit side of Realization Account.
- (B) Transferring it to credit side of Realization Account.
- (C) Transferring it to debit side of Bina's Capital Account.
- (D) Bina paying Anu and Charan privately.

Ans: C

17. On dissolution of a firm, partners' capital accounts balance was ₹63,000; creditors balance was ₹12,000 and profit & loss account debit balance was ₹6,000. Profit on realisation of assets was ₹7,800. Total amount realised from assets was:

- (A) ₹81,000
- (B) ₹76,800
- (C) ₹70,800
- (D) None

Ans: B

18. On dissolution of a firm, firm's Balance Sheet total is ₹77,000. On the assets side of the Balance Sheet items were shown preliminary expenses ₹2,000; Profit & Loss Account (Debit) Balance ₹4,000 and Cash Balance ₹1,800. Loss on realisation was ₹6,300. Total assets (including cash balance) realised will be:

- (A) ₹69,200
- (B) ₹71,000
- (C) ₹64,700
- (D) ₹62,900

Ans: C

19. X, Y and Z are partners in a firm in the ratio of 4:3:2. On firm's dissolution, firm's total assets are ₹70,000, creditors are ₹15,000. Realisation expenses are ₹2,100.

Assets realised 15% more than the book-value. Creditors were paid 2% more. For profit/loss on realisation, Y's capital account will be debited/credited with:

(A) Credit ₹8,100

(B) Credit ₹2,700

(C) Debit ₹2,700

(D) Debit ₹2,400

Ans: B

20. On dissolution of firm, which item is debited to the realisation account?

(A) Realisation expenses paid by partner

(B) Balance of reserve fund

(C) Amount of unrecorded asset

(D) Creditor's balance shown in the Balance Sheet

Ans: A

21.

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

- (i) Dissolution expenses were ₹ 700.
- (ii) Dissolution expenses ₹ 1,100 were paid by partner 'A'.
- (iii) Partner 'B' agreed to do the work of dissolution for a commission of ₹ 2,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 2,100 were paid by B.
- (iv) Partner 'C' was appointed to look after the dissolution work for a remuneration of ₹ 10,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 9,800 were paid from the firm's bank account.
- (v) Partner 'D' was appointed to look after the dissolution work for a remuneration of ₹ 15,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 13,000 were paid by partner 'E' on behalf of partner 'D'.
- (vi) Partner 'F' was appointed to look after the process of dissolution for a remuneration of ₹ 9,000. He also agreed to pay the dissolution expenses. 'F' took away furniture of ₹ 9,000 as his remuneration. Furniture had already been transferred to realisation account.

Solution

Journal

Date	Particulars	LF	Dr (₹)	Cr (₹)
(i)	Realisation A/c To Cash/ Bank A/c (Being dissolution expenses paid)	Dr.	700	700
(ii)	Realisation A/c To A's Capital A/c (Being dissolution expenses paid by partner)	Dr.	1,100	1,100
(iii)	Realisation A/c To B's Capital A/c (Being commission given to B)	Dr.	2,000	2,000
(iv) a.	Realisation A/c To C's Capital A/c (Being remuneration given to C)	Dr.	10,000	10,000
(iv) b.	C's Capital A/c To Bank A/c (Being dissolution expenses paid by the firm on behalf of the partner)	Dr.	9,800	9,800

(v) a.	Realisation A/c To D's Capital A/c (Being remuneration given to D)	Dr.	15,000	15,000
(v) b.	D's Capital A/c To E's Capital A/c (Being dissolution expenses paid by E on behalf of D) Note: In case, an examinee has not passed the second entry, full credit may be given for the first entry only	Dr.	13,000	13,000
(vi) a.	Realisation A/c To F's Capital A/c (Being remuneration given to F)	Dr.	9,000	9,000
(vi) b.	F's Capital A/c To Realisation A/c (Being furniture taken over by F as remuneration)	Dr.	9,000	9,000
OR				
(vi) (a.+ b.)	No Entry			

22.

Niyati, Kartik and Ratik were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31st March, 2019 by the order of the court. After transfer of assets (other than cash) and external liabilities to Realization Account, the following transactions took place:

- An unrecorded liability of the firm of ₹ 45,000 was paid by Niyati.
- Creditors, to whom ₹ 67,000 were due to be paid, accepted furniture at ₹ 35,000 and the balance was paid to them in cash.
- Kartik had given a loan of ₹ 18,000 to the firm which was paid to him.
- Stock worth ₹ 85,000 was taken over by Ratik at ₹ 72,000.
- Expenses on dissolution amounted to ₹ 6,000 and were paid by Kartik.
- Loss on dissolution amounted to ₹ 40,000.

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

Solution

2019				
Mar. 31	Realisation A/c To Niyati's Capital A/c (Being unrecorded liability paid by the partner)	Dr.	45,000	45,000
Mar. 31	Realisation A/c To Cash A/c (Being creditors accepted furniture and balance amount paid in cash)	Dr.	32,000	32,000
Mar. 31	Kartik's Loan A/c To Cash A/c (Being Kartik's loan paid)	Dr.	18,000	18,000
Mar. 31	Ratik's Capital A/c To Realisation A/c (Being stock taken over by Ratik)	Dr.	72,000	72,000
Mar. 31	Realisation A/c To Kartik's Capital A/c (Being dissolution expenses paid by Kartik on firm's behalf)	Dr.	6,000	6,000
Mar. 31	Niyati's Capital A/c Kartik's Capital A/c Ratik's Capital A/c To Realisation A/c	Dr. Dr. Dr.	20,000 12,000 8,000	40,000

Give the necessary journal entries for the following transactions in case of dissolution of a partnership firm after various assets (other than cash and bank) and third party liabilities have been transferred to Realisation Account :

- (i) Dissolution expenses ₹ 5,000 were paid by the firm.
- (ii) An unrecorded computer not appearing in the books of accounts realised ₹ 2,200.
- (iii) A creditor for ₹ 1,40,000 accepted building valued at ₹ 1,80,000 and paid to the firm ₹ 40,000.
- (iv) Loss on realisation ₹ 10,000 was divided between the partners Subhi and Sudha in the ratio of 4 : 1.

Solution:

Date	Particulars	Dr Amount (₹)	Cr Amount (₹)
	(i) Realisation A/c Dr. To Cash A/c (Dissolution expenses paid by the firm)	5,000	5,000

	Cash A/c Dr. To Realisation A/c (Unrecorded computer realised)	2,200	2,200
	(iii) Bank/ Cash A/c Dr. To Realisation A/c (Creditor accepted building and paid the remaining cash to the firm)	40,000	40,000
	(ii) Subhi's Capital A/c Dr. Sudha's Capital A/c Dr. To Realisation A/c (Loss on Realisation divided between the partners)	8,000 2,000	10,000

24.

Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Tony and Rony after the various assets (other than cash) and external liabilities have been transferred to Realization Account :

- (i) An unrecorded asset of ₹ 2,000 and cash ₹ 3,000 was paid for liability of ₹ 6,000 in full settlement.
- (ii) 100 shares of ₹ 10 each have been taken over by partners at market value of ₹ 20 per share in their profit sharing ratio, which is 3 : 2.
- (iii) Stock of ₹ 30,000 was taken over by a creditor of ₹ 40,000 at a discount of 30% in full settlement.
- (iv) Expenses of realisation ₹ 4,000 were to be borne by Rony. Rony used the firm's cash for paying these expenses.

Solution:

		Amount (₹)	Amount (₹)
(i)	Realisation A/c To Cash A/c (Amount paid for settlement of liability)	Dr. 3,000	3,000
(ii)	Tony's Capital A/c Rony's Capital A/c To Realisation A/c (Investments taken over by Partners)	Dr. Dr. 1,200 800	2,000
(iii)	No Entry		
(iv)	Rony's Capital A/c To Cash A/c (Realization expense to be borne by Rony, paid by firm)	Dr. 4,000	4,000

25.

Ravi and Mukesh were partners in a firm sharing profits and losses equally. On 31st March, 2019 their firm was dissolved. On the date of dissolution their Balance Sheet showed stock of ₹ 60,000 and creditors of ₹ 70,000. After transferring stock and creditors to realisation account the following transactions took place :

- (i) Ravi took over 40% of total stock at 20% discount.
- (ii) 30% of total stock was taken over by creditors of ₹ 20,000 in full settlement.
- (iii) Remaining stock was sold for cash at a profit of 25%.
- (iv) Remaining creditors were paid in cash at a discount of 10%.

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

Solution

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	Ravi's Capital A/c Dr. To Realisation A/c (Being 40% of the total stock taken over by Ravi at 20% discount)	19,200 -	- 19,200
(ii)	No Entry		
(iii)	Cash A/c Dr. To Realisation A/c (Being stock sold for cash)	22,500 -	- 22,500
(iv)	Realisation A/c Dr. To Cash A/c (Being creditors paid in cash at a discount of 10%)	45,000 -	- 45,000

26.

Girija and Ganesh were partners in a firm sharing, profits and losses in the ratio of 2 : 3. On 31st March, 2017 their Balance Sheet was as follows :

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	80,000	Cash at Bank	20,000
Bank Overdraft	50,000	Debtors	55,000
Girija's Brother's loan	77,000	Less: Provision for	
Ganesh's loan	28,000	doubtful debts	<u>2,000</u>
Investment Fluctuation Fund	15,000	Stock	78,000
Capitals :		Investments	89,000
Girija	1,50,000	Buildings	2,50,000
Ganesh	<u>1,00,000</u>	Profit and Loss A/c.	10,000
	5,00,000		5,00,000

On the above date the firm was dissolved. The assets were realized and the liabilities were paid off as follows :

- Debtors of ₹ 6,000 were proved bad.
- Girija agreed to pay off her brother's Loan.
- One of the creditors for ₹ 10,000 was paid only ₹ 3,000 in full settlement of his account.
- Buildings were auctioned for ₹ 1,80,000 and the auctioneer's commission amounted to ₹ 8,000.
- Ganesh took over part of stock at ₹ 4,000 (being 20% less than the book value). Balance of the Stock was handed over to the remaining creditors in full settlement of their account.
- Investments realized ₹ 9,000 less.
- Realisation expenses amounted to ₹ 17,000 and were paid by Ganesh.

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

Dr.		Realisation Account		Cr.	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Sundry Assets :		By Sundry Liabilities :			
Debtors 55,000		Provision for Doubtful Debts			
Stock 78,000		2,000			
Investments 89,000		Creditors 80,000			
Buildings <u>2,50,000</u>	4,72,000	Girija's Brother's			
To Girija's Capital A/c		Loan 77,000			
(Brother's Loan)	77,000	Bank Overdraft <u>50,000</u>		2,09,000	
To Bank A/c :		By Investment Fluctuation		15,000	
Creditors 3,000		Fund			
Bank Overdraft <u>50,000</u>	53,000	By Bank A/c			
To Ganesh's capital A/c	17,000	Debtors : 49,000			
(Realisation Exp.)		Buildings: 1,72,000			
		Investments: <u>80,000</u>		3,01,000	
		By Ganesh's capital A/c		4,000	
		(stock)			
		By Partners' Capital A/c :			
		(Loss)			
		Girija : 36,000			
		Ganesh: <u>54,000</u>		90,000	
	<u>6,19,000</u>			<u>6,19,000</u>	

Dr.		Partners' Capital A/c		Cr.	
Particulars	Girija (₹)	Ganesh (₹)	Particulars	Girija (₹)	Ganesh (₹)
To P& L A/c	4,000	6,000	By Balance b/d	1,50,000	1,00,000
To Realisation A/c	36,000	54,000	By Realisation A/c	77,000	17,000
To Realisation A/c	-----	4,000			
To bank A/c	1,87,000	53,000			
	<u>2,27,000</u>	<u>1,17,000</u>		<u>2,27,000</u>	<u>1,17,000</u>

Dr.		Bank A/c		Cr.	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To Balance b/d	20,000	By Realisation A/c (liabilities)		53,000	
To Realisation A/c (assets)	3,01,000	By Ganesh's Loan A/c		28,000	
		By Girija's Capital A/c		1,87,000	
		By Ganesh's Capital A/c		53,000	
	<u>3,21,000</u>			<u>3,21,000</u>	

27.

The following is the Balance sheet of Tanu and Manu, who shares profit and losses in the ratio of 5:3, On December 31,2017:

Balance Sheet of Tanu and Manu as on December 31, 2017

Liabilities		Amount Rs	Assets		Amount Rs
Sundry Creditors		62,000	Cash at Bank		16,000
Bills Payable		32,000	Sundry Debtors		55,000
Bank Loan		50,000	Stock		75,000
Reserve fund		16,000	Motor car		90,000
Capital:			Machinery		45,000
Tanu	1,10,000		Investment		70,000
Manu	90,000	2,00,000	Fixtures		9,000
		3,60,000			3,60,000

On the above date the firm is dissolved and the following agreement was made: Tanu agree to pay the bank loan and took away the sundry debtors. Sundry creditors accepts stock and paid Rs 10,000 to the firm. Machinery is taken over by Manu for Rs 40,000 and agreed to pay of bills payable at a discount of 5%.. Motor car was taken over by Tanu for Rs 60,000. Investment realised Rs 76,000 and fixtures Rs 4,000. The expenses of dissolution amounted to Rs 2,200.

Prepare Realisation Account, Bank Account and Partners Capital Accounts.

Solution:

Realisation Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Sundry Debtors	55,000	Sundry Creditors	62,000
Stock	75,000	Bills Payable	32,000
Motor Car	90,000	Bank Loan	50,000
Machinery	45,000	Tanu's Capital A/c:	
Investment	70,000	Sundry Debtors	55,000
Fixtures	9,000	Motor Car	60,000
Manu's Capital A/c (Bills Payable)	30,400	Bank:	
Bank (Expenses)	2,200	Stock	10,000
Tanu's Capital A/c (Bank Loan)	50,000	Investment	76,000
		Fixtures	4,000
		Manu's Capital (Machinery)	40,000
		Loss transferred to	
		Manu's Capital A/c	23,500
		Manu's Capital A/c	14,100
	4,26,600		37,600
			4,26,600

Partners' Capital Account

Dr.			Cr.		
Particulars	Tanu	Manu	Particulars	Tanu	Manu
Realisation (Assets taken)	1,15,000	40,000	Balance b/d	1,10,000	90,000
Realisation (Loss)	23,500	14,100	Realisation (Liabilities)	50,000	30,400
Bank	31,500	72,300	Reserve Fund	10,000	6,000
	1,70,000	1,26,400		1,70,000	1,26,400

Bank Account

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Balance b/d	16,000	Realisation (Expenses)	2,200
Realisation (Assets)	90,000	Tanu's Capital A/c	31,500
		Manu's Capital A/c	72,300
	1,06,000		1,06,000