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XII ACCOUNTANCY
Assignment 15
Topic: Dissolution of a Partnership Firm

Q. 1 What Journal Entries would be passed for the following transactions on the dissolution of a firm, after various assets (other than cash) and third party Liabilities have been transferred to Realisation A/c?

i. Machinery cost ` 60,000 (Accumulated Depreciation `25,000) is taken over by partner L at 20% above the book value.

ii. Compensation to employees paid by the firm amounted to ` 20,000.

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

iv. There was an unrecorded asset of ` 2,000 which was taken over by M, a partner at ` 1,500.

v. Bank Loan of ` 12,000 is paid off along with interest of ` 2,500.

vi. Stock worth ` 1,600 was taken over by M at ` 1,200.

vii. There was an outstanding bill of repairs for ` 2,000, which was paid off.

viii. Deferred Advertisement Expenditure A/c appeared in the books at ` 30,000.

ix. M was to bear all expenses of realisation for which he is given a commission of ` 6,000. Actual expenses ` 8,500 were paid by L.

x. Profit on Realisation ` 21,000 was to be distributed between L and M in the ratio of 4:3.

Q. 2 What Journal entries would be passed in the books of X and Y sharing profits and losses in the ratio of 5:2, for the following transactions on the dissolution of a firm, after various assets (other than cash) and third party liabilities have been transferred to Realisation Account?

i. Y agreed to take over the creditors of ` 18,000 for ` 12,000.

ii. X had given loan of ` 6,000 to the firm. It was paid back to him at the time of dissolution along with interest of ` 1,500

iii. Profit and Loss Account balance of ` 33,000 appeared on the assets side of the Balance Sheet.

iv. Profit and Loss balance ` 7,000 appeared on the credit side of the balance sheet.

v. X, One of the partners was to bear all the realisation expenses for which he was given a commission of 2% of net cash realised from dissolution. Cash realised from assets was ` 15,000 and cash paid for liabilities amounted to ` 3,000.

vi. Loan of ` 6,000 advanced by Y to the firm was refunded with interest for 3 months @ 12%. p.a.

vii. Y takes over an unrecorded asset (Typewriter) at ` 800.

viii. A debtor whose debt of ` 9,300 was written off as bad in the books paid ` 7,500 in full settlement.

ix. Sundry Creditors ` 10,000 were paid at 9% discount.

x. Realisation expenses ` 3,400 were paid by X for which he was allowed ` 3,000.

xi. Loss on realisation ` 9,400 was divided between X and Y in their profit sharing ratio.

Q. 3 Pass journal entries at the time of dissolution for the following:

i. The firm of Ram and Mohan was dissolved on 1^{st} March 2018. According to the agreement Ram agreed to undertake the dissolution work for an agreed remuneration of ` 4,000 and bear all realization expenses. Dissolution expenses were ` 3,000 and the same were paid by the firm.

ii. The amount of sundry assets transferred to Realisation A/c was ` 80,000, 60% of them have been sold at a profit of ` 2,000. 20% of the remaining were sold at a discount of 30% and remaining were taken over by Z (a partner) at book value.

iii. Creditors worth ` 85,000 accepted ` 40,000 as cash and investments worth ` 43,000, in full settlement of their claim.

iv. Creditors were worth ` 15,000. They accepted machinery of book value ` 18,000 at 10 % less than the book value towards settlement of their claim. The difference was settled in cash.

v. Creditors were worth ` 90,000. They accepted buildings valued at ` 1,20,000 and paid cash to the firm ` 30,000.

vi. Sheena, a partner agreed to pay off her husband's loan ` 3,80,000.

vii. Ashok an old customer whose account for ` 10,000 was written off as bad in the previous year paid 60% of the amount.

viii. Paras agreed to take over the firm's goodwill (not recorded in the books) as a valuation of ` 3,00,000.

ix. There was an old typewriter which had been written off completely from the books. It was estimated to realize ` 40,000. It was taken away by Priya at an estimated price less 25%.

x. There were 1,000 shares of the face value ` 10 each in Star Ltd. Acquired at a cost of ` 20,000 which had been written off completely from the books. These shares are valued at ` 6 each and divided between partners A and B in 3:2.

Q. 4 A's Capital ` 60,000, Advance to B ` 40,000, Loan from A ` 40,000, Profits and Loss A/c (debit) ` 1, 60,000, A's Current A/c (credit) ` 60,000, B's Capital ` 80,000, Loan from Mrs. A ` 2, 40,000. Trade Creditors ` 2, 40,000, Cash and

Bank Balance ` 20,000. Prepare the Balance Sheet of the firm as at 31st March 2018, being the date of dissolution of a loss incurring firm.

Q. 5 Ajay and Vijay were in partnership sharing profits in the ratio of 3:1. They agreed to dissolve the firm. The assets (other than cash of ` 4,000) of the firm realised ` 2, 20,000. The liabilities and other particulars of the firm on that date were as follows:

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Creditors	80,000
Ajay's Capital	2, 00,000
Vijay's capital	20,000
Profit and Loss Account (Dr. balance)	16,000

Creditors were settled in full settlement at ` 76,000.

Realisation Expenses were ` 2,000

Prepare Realisation and Cash Account.

Q. 6 R, S and T commenced business on 1st April, 2017 with capitals of: R – ` 2, 00,000; S – ` 2, 00,000 and T – ` 1, 00,000.

Profits are shared in the ratio of 4:3:3. Capital carried interest @ 5% p.a. During the year 2017-18, the firm suffered a loss of ` 1, 50,000 before allowing interest on capital. Drawings of each partner during the year were ` 20,000.

On 31st March 2018, the partners agreed to dissolve the firm as it was no longer profitable. The creditors on that date were ` 40,000. The assets

realised a net value of ` 3, 20,000 and the expenses of realisation were ` 7,000.

Prepare the Realisation Account, Partners' Capital Accounts and Cash Account along with necessary working to close the books of the firm.