

Dissolution of Partnership Firm

1. Aavya, Mitansh and Praveen were partners in a firm. On 31st March, 2023, the firm was dissolved. Creditors took over furniture of book value of ₹ 50,000 at ₹ 45,000 in part settlement of their amount of ₹ 60,000. The balance amount was paid to them through cheque. The amount paid through cheque will be : (2024)

(A) ₹ 10,000

(B) ₹ 50,000

(C) ₹ 45,000

(D) ₹ 15,000

Ans. (D) ₹ 15,000

2. Sunrise Ltd. acquired assets of ₹ 3,60,000 and took over creditors of ₹ 1,00,000 from Moonlight Ltd. for an agreed purchase consideration of ₹ 4,80,000. Sunrise Ltd. issued 9% Debentures of ₹ 100 each at a discount of 4% in satisfaction of the purchase consideration.

Pass necessary journal entries in the books of Sunrise Ltd. Show your workings clearly. (2024)

Ans. In the books of Sunrise Ltd.

JOURNAL

Date	Particulars	L.F	Dr. Amount (₹)	Cr. Amount (₹)
	Sundry Assets A/c Dr.		3,60,000	
	Goodwill A/c Dr.		2,20,000	
	To Creditors A/c			1,00,000
	To Moonlight Ltd.			4,80,000
	(Assets acquired and liabilities taken over from Moonlight Ltd)			
	Moonlight Ltd. Dr.		4,80,000	
	Discount on Issue of			
	Debentures A/c Dr.		20,000	
	To 9% Debentures A/c			5,00,000
	(Purchase consideration settled by issuing 5,000 9% debentures at 4% discount)			

	(Purchase consideration settled by issuing 15,000 11% debentures at 20% premium)			
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3. Grapple Ltd. took over assets of ₹ 25,00,000 and liabilities of ₹ 5,00,000 from Allore Ltd. for an agreed purchase consideration of ₹ 18,00,000. Grapple Ltd. issued 11% Debentures of ₹ 100 each at 20% premium in satisfaction of the purchase consideration.

Pass necessary journal entries in the books of Grapple Ltd. Show your workings clearly. (2024)

Ans. In the books of Grapple Ltd.

JOURNAL

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Sundry Assets A/c Dr. To Liabilities A/c To Allore Ltd. To Capital Reserve A/c (Assets acquired and liabilities taken over from Allore Ltd.) <hr/> Allore Ltd. Dr. To 11% Debentures A/c To Securities Premium A/c		25,00,000 18,00,000	5,00,000 18,00,000 2,00,000 15,00,000 3,00,000
	(Purchase consideration settled by issuing 15,000 11% debentures at 20% premium)			

Working Note:

$$\begin{aligned}
 \text{No. of debentures} &= (\text{Purchase Consideration}) / \text{Issue Price} \\
 &= 18,00,000 / 120 \\
 &= 15,000
 \end{aligned}$$

4. Qumtan Ltd. invited applications for issuing 1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application and Allotment - ₹ per share
(including premium ₹ 3)

On First and Final call - Balance (including premium)

Applications for 1,60,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess money received on application and allotment was returned. Dheeraj, who was allotted 200 shares, failed to pay the first and final call money. His shares were forfeited. All the forfeited shares were reissued at ₹ 5 per share fully paid up.

Pass necessary journal entries in the books of Qumtan Ltd. (2024)

Ans. In the Books of Qumtan Ltd.

JOURNAL

Date	Particulars	L.F	Dr. Amount (₹)	Cr. Amount (₹)
	(i) Bank A/c Dr. To Equity Share Application and Allotment A/c (Application and allotment money received on 1,60,000 shares)		12,80,000	12,80,000
	(ii) Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Application money transferred to Share Capital and Securities Premium; excess amount returned)		12,80,000	5,00,000 3,00,000 4,80,000
	(v) Equity Share First & Final Call A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Share First & Final Call money due)		8,00,000	5,00,000 3,00,000

(vi)				
Bank A/c	Dr.		7,98,400	
Calls- in- Arrears A/c	Dr.		1,600	
To Equity Share First & Final Call A/c				8,00,000
(Share first and final call money received except on 200 shares)				
Alternatively				
Bank A/c	Dr.		7,98,400	
To Equity Share First & Final Call A/c				7,98,400
(Share first and final call money received except on 200 shares)				
<hr/>				
(vii)				
Equity Share Capital A/c	Dr.		2,000	
Securities Premium A/c	Dr.		600	
To Calls- in- Arrears A/c				1,600
To Share Forfeiture A/c				1,000
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(200 equity shares forfeited for non-payment of first and final call)				
Alternatively				
Equity Share Capital A/c	Dr.		2,000	
Securities Premium A/c	Dr.		600	
To Equity Share First and Final Call A/c				1,600
To Share Forfeiture A/c				1,000
(200 equity shares forfeited for non-payment of first and final call)				
<hr/>				
(viii)				
Bank A/c	Dr.		1,000	
Share Forfeiture A/c	Dr.		1,000	
To Equity Share Capital A/c				2,000
(200 forfeited shares reissued)				
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5. Printkit Limited invited applications for issue of 80,000 equity shares of ₹ 10 each. The amount was payable as follows :

On Application - ₹ 3 per share

On Allotment - ₹ 2 per share

On First and Final call - Balance

Applications for 1,50,000 shares were received. Applications for 10,000 shares were rejected and pro-rata allotment was made to the remaining applicants on the following basis :

Category A - Applicants for 80,000 shares were allotted 40,000 shares.

Category B - Applicants for 60,000 shares were allotted 40,000 shares.

Excess money received on application was adjusted towards amount due on allotment and first and final call. All the amounts due on allotment and first and final call were duly received.

Pass necessary journal entries in the books of Printkit Limited. (2024)

Ans. In the books of Printkit Limited

JOURNAL

Date	Particulars	L.F	Dr. Amount (₹)	Cr. Amount (₹)
	(i) Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,50,000 shares)		4,50,000	4,50,000
	(ii) Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Calls-in- Advance A/c To Bank A/c (Application money transferred to Share Capital and excess amount adjusted to Share Allotment A/c and calls-in-advance; application money on 10,000 shares refunded)		4,50,000	2,40,000 1,40,000 40,000 30,000
	(iii) Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money due on 80,000 shares)		1,60,000	1,60,000

(iv)			
Bank A/c	Dr.	20,000	
To Equity Share Allotment A/c			20,000
(Allotment money received after adjusting excess application money)			
(v)			
Equity Share First & Final Call A/c	Dr.	4,00,000	
To Equity Share Capital A/c			4,00,000
(Share First & Final Call money due)			
(vi)			
Bank A/c	Dr.	3,60,000	
Calls- in- Advance A/c	Dr.	40,000	
To Equity Share First & Final Call A/c			4,00,000
(Share first and final call money received after adjusting calls- in- advance)			



Previous Years' CBSE Board Questions

4.1 Dissolution of Partnership

MCQ

- Which of the following does not result into reconstitution of a firm?
 - Dissolution of partnership firm.
 - Dissolution of partnership.
 - Change in profit-sharing-ratio of existing partners.
 - Death of partner. (2020)

4.2 Dissolution of a Firm

VSA (1 mark)

- State any two situations when a partnership firm can be compulsorily dissolved. (Delhi 2019)
- Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of 'Economic relationship'. (Delhi 2016, AI 2016)
- Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of 'Closure of books'. (Delhi 2014)
- Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership firm' on the basis of court's intervention. (AI 2014)

SA I (2 marks)

- Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of:
 - Termination of business.
 - Settlement of assets and liabilities. (Term-II, 2021-22)
- Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' on the basis of:
 - Closure of books
 - Termination of business (2020)

4.4 Accounting Treatment

MCQ

- Total assets of a partnership firm which was dissolved were ₹30,00,000 and its total liabilities were ₹6,00,00. Assets were realised at 80% and liabilities were settled at 5% less. If dissolution expenses were ₹30,000, the profit or loss on dissolution was:
 - Profit ₹18,00,000
 - Loss ₹6,00,000
 - Profit ₹6,00,000
 - Loss ₹18,00,000 (2023)
- At the time of dissolution of a partnership firm, a creditor worth ₹90,500 took away stock ₹77,775

in full settlement. Which of the following will be the accounting entry for the same?

	Particulars	Dr. Amount (₹)	Cr. Amount (₹)
(a)	Realisation A/c Dr. To Bank A/	90,500	90,500
(b)	Realisation A/c Dr. To Bank A/c	77,775	77,775
(c)	Creditor's A/c Dr. To Bank A/c	77,775	77,775
(d)	No entry		

(2021 C)

SA I (2 marks)

- At the time of dissolution of a partnership firm, the book value of sundry assets transferred to Realisation Account was ₹2,00,000. 50% of these sundry assets were taken by partner A at 20% discount, 40% of remaining assets were sold at a profit of 30% on cost. 5% of the balance was found obsolete and realised nothing. The remaining assets were taken over by a creditor in full settlement of his claim. Pass necessary journal entries for the above. (AI 2019)

SA II (3/4 marks)

- Pass the necessary journal entries for the following transactions on the dissolution in case of of the partnership firm of X and Y after various assets (other than cash and bank) and the third party liabilities have been transferred to Realisation Account:
 - Dissolution expenses were ₹4,000.
 - Machinery of the book value of ₹50,000 was sold in the market for ₹47,000 for which a commission of ₹500 was paid to the broker.
 - A creditor for ₹70,000 accepted stock valued at ₹90,000 and paid to the firm ₹20,000.
 - Loss on realization ₹40,000 was divided between the partners X and Y in the ratio 5:3. (2021 C)
- Gaurav, Saurabh and Vaibhav were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st March, 2018. After transferring Sundry assets (other than cash in hand and cash at Bank) and third party liabilities to realisation account, the assets were realised and liabilities were paid off as follows :
 - A machinery with a book value of ₹6,00,000 was taken over by Gaurav at 50% and stock worth ₹5,000 was taken over by a creditor of ₹9,000 in full settlement of his claim.
 - Land and building (book value ₹3,00,000) was sold for ₹4,00,000 through a broker who charged 2% commission.

- (iii) The remaining creditors were paid ₹76,000 in full settlement of their claim and the remaining assets were taken over by Vaibhav for ₹17,000.
- (iv) Bank loan of ₹3,00,000 was paid along with interest of ₹21,000,

Pass necessary journal entries for the above transactions in the books of the firm. (Delhi 2019)

13. L and M were partners in a firm sharing profits in the ratio of 2 : 3. On 28-2-2016, the firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to Realisation Account you are given the following information:

- (a) A creditor for ₹1,40,000 accepted machinery valued at ₹1,80,000 and paid to the firm ₹40,000.
- (b) A second creditor for ₹30,000 accepted machinery valued at ₹28,000 in full settlement of his claim.
- (c) A third creditor amounting to ₹70,000 accepted ₹30,000 in cash and investments of the book value of ₹45,000 in full settlement of his claim.
- (d) Loss on dissolution was ₹4,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. (Delhi 2016) (Ap)

14. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1.4.2015, their firm was dissolved. After transferring assets (other than cash) and outsider's liabilities to realisation account, you are given the following information:

- (a) A creditor of ₹3,60,000 accepted machinery valued at ₹5,00,000 and paid to the firm ₹1,40,000.
- (b) A second creditor for ₹50,000 accepted stock at ₹45,000 in full settlement of his claim.
- (c) A third creditor amounting to ₹90,000 accepted ₹45,000 in cash and investment worth ₹43,000 in full settlement of his claim.
- (d) Loss on dissolution was ₹15,000.

Pass necessary journal entries for the above transactions in the books of the firm assuming that all payments were made by cheque. (AI 2016)

LA I (5/6 marks)

15. Pass the necessary journal entries for the following transactions on the dissolution of the partnership firm of Tanay and Mehak after various assets (other than cash) and external liabilities have been transferred to Realisation Account:

- (i) Creditors of ₹60,000 accepted stock valued at ₹59,000 in full settlement of their claim.
- (ii) Tanay agreed to pay off his wife's loan of ₹12,000.
- (iii) The firm had a debit balance of ₹18,000 in the profit and loss account on the date of dissolution.
- (iv) An unrecorded liability of ₹20,000 was paid by partner Mehak, at a discount of 10%.

- (v) Tanay's loan of ₹4,000 was paid through a cheque.
- (vi) Expenses on dissolution amounted to ₹11,000, which were paid by Mehak. (2023)

16. T, U and V were partners in a firm sharing profits and losses in the ratio of 2:1:2. Their firm was incurring huge losses thus it had to be closed. After transferring assets (other than cash in hand and bank) and third party liabilities to Realisation Account the following transactions took place:

- (i) T took away 50% of the stock at book value less 10% for ₹90,000 and the remaining stock was sold for ₹40,000.
- (ii) Creditors of ₹78,000 took over machinery of ₹80,000 in full settlement of their claim.
- (iii) ₹5,000 debtors previously written-off were recovered.
- (iv) Mrs. V's loan of ₹72,000 was paid by the firm.
- (v) Loss on dissolution was ₹80,000.

Pass necessary journal entries for the above transactions in the books of T, U and V.

(Term-II, 2021-22)

17. Give the necessary journal entries for the following transactions on dissolution of the firm of Sonu and Monu on 31st March, 2021, after transfer of various assets (other than cash and bank balance) and the third party liabilities to Realisation Account.

They shared profits and losses in the ratio of 2 : 1.

- (i) Sonu agreed to take over the firm's goodwill (not recorded in the books of the firm) at a valuation of ₹40,000.
- (ii) Bills payable of ₹30,000 falling due on 30th April, 2021 were discharged at ₹29,550.
- (iii) Stock worth ₹8,00,000 was taken over by partner, Sonu at 10% discount.
- (iv) Creditors of ₹2,00,000 accepted machinery valued at ₹2,20,000 in full settlement of their claim.
- (v) Expenses of realisation ₹10,000 were paid by partner, Sonu. (Term-II, 2021-22) (Ap)

18. Naina, Uday and Tara were partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. The firm was dissolved on 31-3-2019. After transfer of assets (other than cash) and external liabilities to Realisation Account, the following transactions took place :

- (a) A typewriter completely written off from the books was sold for ₹4,000.
- (b) Loan of ₹30,000 advanced by Uday to the firm was paid back.
- (c) Tara was to get remuneration of ₹42,000 for completing the dissolution process and for bearing realisation expenses. Actual realisation expenses amounted to ₹51,000 and were paid by the firm.
- (d) Creditors of ₹23,000 took over all the investments at ₹12,000. Remaining amount was paid to them in cash.
- (e) Uday agreed to pay loan of Mrs. Uday ₹45,000.

(f) Profit and loss Account balance of ₹ 20,000 appeared on the asset side of the balance sheet. Pass necessary journal entries for the above transactions in the books of the firm.

(Term-II, 2021-22)

19. 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 Realisation 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. (2020)

20. Muskaan, Priya and Rohan were partners in a firm sharing profits and losses in the ratio of 2 : 3 : 1. The firm was dissolved on 31-3-2019. After transfer of assets (other than cash) and external liabilities to realisation account, the following transactions took place :

- Furniture of ₹ 70,000 was sold for ₹ 74,000 by auction and auctioneer's commission amounted to ₹ 3,000.
- There was an unrecorded computer which was taken over by Priya for ₹ 7,000.
- Creditors were paid ₹ 44,000 in full settlement of their account of ₹ 49,000.
- Rohan's sister's loan ₹ 20,000 was paid off by Muskaan.
- Expenses on dissolution were ₹ 15,000 and paid by Rohan.
- Loss on dissolution amounted to ₹ 24,000.

Pass necessary journal entries for the above transactions in the books of the firm. (2020)

21. Pass necessary Journal Entries on the dissolution of a firm in the following cases.


- Dharam, a partner, was appointed to look after the process of dissolution at a remuneration of ₹ 12,000 and he had to bear the dissolution expenses. Dissolutions expenses ₹ 11,000 were paid by Dharam.
- Jay, a partner, was appointed to look after the process of dissolution and was allowed a remuneration of ₹ 15,000. Jay agreed to bear dissolution expenses. Actual dissolution expenses ₹ 16,000 were paid by Vijay another partner on behalf of Jay.
- Deepa, a partner, was to look after the process of dissolution and for this work she was allowed a remuneration of ₹ 7,000. Deepa agreed to bear dissolution expenses. Actual dissolution expenses ₹ 6,000 were paid from the firm's bank account.
- Dev, a partner, agreed to do the work of dissolution of ₹ 7,500. He took away stock of the same amount as his commission. The stock had already been transferred to realisation account.
- Jeev, a partner, agreed to do the work of dissolution for which he was allowed a commission of ₹ 10,000. He agreed to bear the dissolution expenses. Actual dissolution expenses paid by Jeev were ₹ 12,000. These expenses were paid by drawing cash from the firm.
- A debtor of ₹ 8,000 already transferred to realisation account agreed to pay the realisation expenses of ₹ 7,800 in full settlement of his account. (Delhi 2017)

22. 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 realised 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 (₹)	Particulars	Amount (₹)
To Stock	10,000	By Provision for Bad Debts	5,000		
To Debtors	25,000	By Sundry Creditors	16,600		
To Plant and Machinery	40,000	By Bills Payable	3,400		
To Bank :		By Mortgage Loan	15,000		
Sundry Creditors	16,000	By Bank-assets realised :			
Bills Payable	3,400	Stock	6,700		
Mortgage Loan	15,000	Debtors	12,500		
To Bank (outstanding repairs)	400	Plant and Machinery	36,000		55,200
To Bank (Exp.)	620	By Bank-unrecorded assets realised			6,220
		By _____			
	1,10,420				1,10,420

Dr. Capital Account				Cr.			
Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)	Particulars	Bora (₹)	Singh (₹)	Ibrahim (₹)
_____	_____	_____	_____	By Bal. b/d	22,000	18,000	10,000
_____	_____	_____	_____	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 Bal. b/d	19,500	By Realisation (Liabilities) A/c	34,400
To Realisation A/c (assets realised)- _____	55,200	By Realisation A/c (unrecorded liabilities)	400
	_____	By _____	_____
	80,920	By _____	_____
			80,920

(Delhi 2015) 

23. Mala, Neela and Kala were partners sharing profits in the ratio of 3 : 2 : 1. On 1.3. 2015, 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 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	<u>3,000</u>	Machinery	8,000				
To Mala's Capital A/c (Sheela's Loan)	13,000	Stock	14,000				
To Cash - Creditors paid	15,000	Debtors	<u>16,000</u>				
To Cash - Dishonoured bill paid	5,000	By Mala's Capital A/c (Investments)	2,000				
To Cash - Expenses	800	_____	_____				
	88,200		88,200				

Dr. Capital Account				Cr.			
Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
To Cash	12,000	9,000		By Cash			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			
To Realisation	38,000	- Creditors paid		15,000	
- Sale of Assets		By Dishonoured bill		5,000	
To Kala's Capital A/c	1,000	By Realisation A/c			
.....		- Expenses Paid		800	
		By Mala's Capital A/c		12,000	
		By Neela's Capital A/c		9,000	
	41,800			41,800	

(AI 2015)

24. 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 on 31st March, 2013

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	45,000	Bank	55,000
Workmen Compensation Fund	40,000	Debtors	60,000
Satya's Current Account	65,000	Stock	85,000
Capitals of :		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 :

- 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.
- An unrecorded investment was sold for ₹ 20,000. Machinery was sold at a loss of ₹ 60,000.
- Debtors realised ₹ 55,000.
- There was an outstanding bill for repairs for which ₹ 19,000 were paid.

Prepare Realisation Account

(Delhi 2014)

25. Hanif and Jubed were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2013 their Balance Sheet was as follows :

Balance Sheet of Hanif and Jubed as on 31st March, 2013

Particulars	Amount (₹)	Particulars	Amount (₹)
Creditors	1,50,000	Bank	2,00,000
Workmen's Compensation Fund	3,00,000	Debtors	3,40,000
General Reserve	75,000	Stock	1,50,000
Hanif's Current Account	25,000	Furniture	4,60,000
Capitals of :		Machinery	8,20,000
Hanif	10,00,000	Jubed's Current Account	80,000
Jubed	<u>5,00,000</u>		
	20,50,000		20,50,000

On the above date, the firm was dissolved :

- Debtors were realised at a discount of 5%. 50% of the stock was taken over by Hanif at 10% less than the book value. Remaining stock was sold for ₹ 65,000.
- Furniture was taken over by Jubed for ₹ 1,35,000. Machinery was sold as scrap for ₹ 74,000.
- Creditors were paid in full.
- Expenses on realisation ₹ 8,000 were paid by Hanif.

Prepare realisation Account.

(Foreign 2014)

LA II (8 marks)

26. 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 31.3.2017

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

It was agreed that :

- Michael was to take over Furniture at ₹ 2,600 and Debtors amounting to ₹ 40,000 at ₹ 34,400 and the Creditors of ₹ 10,000 were to be paid by him at this figure.
- Jackson was to take over all the stock in trade at ₹ 14,000 and some of the other Sundry Assets at ₹ 28,000 (being 10% less than book value).
- 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.
- 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.

(AI 2019)

27. 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 :

Liabilities		Amount (₹)	Assets		Amount (₹)
Capitals :			Capital : Manan		10,000
Srijan	2,00,000		Plant		2,20,000
Raman	<u>1,50,000</u>	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 data they decided to dissolve the firm.

- 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.
- Assets were realised as follows :

(Assets)	(₹)
Plant	85,000
Stock	33,000
Debtors	47,000
- Investments were realised at 95% of the book value.
- The firm had to pay ₹ 7,500 for an outstanding repair bill not provided for earlier.
- A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.
- Expenses of realisation amounting to ₹ 3,000 were paid by Srijan.

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

(2018) (Ap)

CBSE Sample Questions

4.1 Dissolution of Partnership

MCQ

1. Retirement or death of a partner will create a situation for the continuing partners, which is known as:
- Dissolution of Partnership
 - Dissolution of Partnership Firm
 - Winding up of business
 - None of the above.
- (2020-21)


4.2 Dissolution of a Firm

SA I (2 marks)

2. Distinguish between 'Dissolution of Partnership' and 'Dissolution of Partnership Firm' based on:
- Settlement of assets and liabilities
 - Economic relationship. (Term-II, 2021-22)

4.3 Settlement of Accounts

MCQ

3. At the time of dissolution of partnership firm, journal entry for the settlement of loan advanced by the firm to a partner would be:
- Bank A/c Dr.
 To Loan to Partner A/c
 - Loan to partner A/c Dr.
 To Bank A/c
 - Realisation A/c Dr.
 To Loan to Partner A/c
 - None of these (2020-21) 
4. 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.
- ₹32,000
 - ₹48,000
 - ₹40,000
 - ₹52,000 (2020-21)
5. Pick the odd one out:
- Rent to partner
 - Manager's Commission
 - Interest on Partner's Loan
 - Interest on Partner's capital (2020-21)


SA II (3/4 marks)

6. Pass necessary journal entries in the following cases on the dissolution of a partnership firm of partners X, Y, A and B:

- Realisation expenses of ₹ 5,000 were to borne by X, a partner. However, it was paid by Y.
- Investments costing ₹ 25,000 (comprising 1000 shares), had been written off from the books completely. These shares are valued at ₹ 20 each and were divided amongst the partners.
- Y's loan of ₹50,000 settled at ₹ 48,000.
- Machinery (book value ₹ 6,00,000) was given to creditor at a discount of 20%. (2020-21)

4.4 Accounting Treatment

MCQ

7. At the time of dissolution of a firm, Creditors are ₹ 70,000; Firm's Capital is ₹ 1,20,000; Cash Balance is ₹ 10,000. Other assets realised ₹ 1,50,000. Gain/Loss in the realisation account will be:
- ₹ 30,000 (Gain)
 - ₹ 40,000 (Gain)
 - ₹ 40,000 (Loss)
 - ₹ 30,000 (Loss)
- (2022-23) 

SA II (3/4 marks)

8. Charu, Dhvani, Iknor and Paavni were partners in a firm. They had entered into partnership firm last year only, through a verbal agreement. They contributed capitals in the firm and to meet other financial requirements, few partners also provided loan to the firm. Within a year, their conflicts arisen due to certain disagreements and they decided to dissolve the firm. The firm had appointed Ms. Kavya, who is a financial advisor and legal consultant, to carry on the dissolution process. In the first instance, Ms. Kavya had transferred various assets and external liabilities to Realisation A/c. Due to her busy schedule; Ms. Kavya has delegated this assignment to you, being an intern in her firm. On the date of dissolution, you have observed the following transactions:
- Dhwni's loan of ₹ 50,000 to the firm was settled by paying ₹ 42,000.
 - Paavni's loan of ₹ 40,000 was settled by giving an unrecorded asset of ₹ 45,000.
 - Loan to Charu of ₹ 60,000 was settled by payment to Charu's brother loan of the same amount.
 - Iknor's loan of ₹ 80,000 to the firm and she took over machinery of ₹ 60,000 as part payment.
- You are required to pass necessary entries for all the above mentioned transactions. (2022-23)

LA I (5/6 marks)

9. Madhav, Madhusudan and Mukund were partners in Jaganath Associates. They decided to dissolve the firm on 31st March 2021.

Pass necessary journal entries for the following transactions after various assets (other than cash) and third-party liabilities have been transferred to realisation account:

- (i) Old machine fully written off was sold for ₹42,000 while a payment of ₹6,000 is made to bank for a bill discounted being dishonoured.
- (ii) Madhusudan accepted an unrecorded asset of ₹80,000 at ₹75,000 and the balance through cheque, against the payment of his loan to the firm of ₹1,00,000.

- (iii) Stock of book value of ₹30,000 was taken by Madhav, Madhusudan and Mukund in their profit sharing ratio.
- (iv) The firm had paid realisation expenses amounting to ₹5,000 on behalf of Mukund.
- (v) There was a vehicle loan of ₹2,00,000 which was paid by surrender of asset to the bank at an agreed value of ₹1,40,000 and the shortfall was met from firm's bank account.

(Term-II, 2021-22)

Detailed SOLUTIONS

Previous Years' CBSE Board Questions

1. (a) : Dissolution of partnership firm does not result into reconstitution of a firm as the firm winds up and closes its operations permanently.
2. (i) If the firm is constituted for a fixed term, on the expiry of that term.
(ii) If constituted to carry out one or more ventures, on the completion of the venture.
(iii) On the death of a partner.
(iv) On the adjudication of a partner as an insolvent. (any two)

3.

Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
Economic Relationship	Economic Relationship between the partners changes.	Economic Relationship between the partners comes to an end forever.

4.

Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
Closure of Books	It does not require closure of books because the business is not terminated.	All the books of accounts are closed as the business is terminated.

5.

Basis of Difference	Dissolution of Partnership	Dissolution of Firm
Dissolution by Court	Court does not intervene because partnership is dissolved by mutual agreement.	A firm may be dissolved by the order of the court.

6.

	Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
(a)	Termination of business	Business of the firm continue.	Business of the firm comes to an end.
(b)	Settlement of Assets and Liabilities	Assets of the firm are revalued and liabilities are reassessed.	Assets of the firm are realised and liabilities are settled.

7.

	Basis of Difference	Dissolution of Partnership	Dissolution Partnership Firm
	Closure of Books	Books of accounts are not closed.	Books are closed forever.
	Termination of business	Business still continues under new deed.	Business is discontinued.

8. (b) : Loss ₹ 6,00,000

Dr.		Realisation A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Assets	30,00,000	By Liabilities	6,00,000		
To Bank A/c		By Bank A/c	24,00,000		
Liabilities	5,70,000	By Loss transferred to capital accounts of partners	6,00,000		
Realisation expenses	30,000				
	6,00,000				
	36,00,000				36,00,000

9. (d) : No entry

10.

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	A's Capital A/c To Realisation A/c (Being assets taken over by partner)	Dr. 80,000	80,000
(ii)	Bank A/c To Realisation A/c (Being assets realised)	Dr. 52,000	52,000

11.

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	Realisation A/c To Cash/ Bank A/c (Realisation expenses paid by the firm)	Dr.	4,000	4,000
(ii)	Cash/ Bank A/c To Realisation A/c (Machinery sold and commission paid)	Dr.	46,500	46,500
(iii)	Cash/ Bank A/c To Realisation A/c (Amount received from creditors)	Dr.	20,000	20,000
(iv)	X's Capital A/c Y's Capital A/c To Realisation A/c (Loss on Realisation divided between the partners)	Dr. Dr.	25,000 15,000	40,000

12.

Journal

Date	Particulars	Dr. (₹)	Cr. (₹)
(i)	(a) Gaurav's Capital A/c To Realisation A/c (Being machinery taken over by Gaurav) (b) No entry	Dr. 3,00,000	3,00,000
(ii)	Cash/ Bank A/c To Realisation A/c (Being Land and Building sold)	Dr. 3,92,000	3,92,000
(iii)	Realisation A/c To Cash/ Bank A/c (Being payment made to creditors) Vaibhav's Capital A/c To Realisation A/c (Being assets taken over by Vaibhav)	Dr. Dr.	76,000 17,000
(iv)	Realisation A/c To Bank A/c (Being bank loan paid along with interest)	Dr. 3,21,000	3,21,000

13.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2016 Feb. 28	Bank A/c Dr. To Realisation A/c (Being creditor paid balance amount to firm after taking building)		40,000	40,000
2016 Feb. 28	No Entry (As creditor accepted machinery in full settlement)			
2016 Feb. 28	Revaluation A/c Dr. To Bank A/c (Creditor accepted cash 30,000 and investments in full settlement)		30,000	30,000
2016 Feb. 28	L's Capital A/c Dr. M's Capital A/c Dr. To Realisation A/c (Being loss on dissolution transferred to Capital A/c)		1,600 2,400	4,000

14.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2015 April 1	Bank A/c Dr. To Realisation A/c (Being balance paid by creditor)		1,40,000	1,40,000
2015 April 1	No Entry			
2015 April 1	Realisation A/c Dr. To Cash A/c (Being creditor paid ₹ 45,000 in cash in full settlement apart from asset)		45,000	45,000
2015 April 1	Lal's Capital A/c Dr. Pal's Capital A/c Dr. To Realisation A/c (Being loss transferred on dissolution)		4,500 10,500	15,000

15.

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	No entry		-	-
(ii)	Realisation A/c Dr. To Tanay's Capital A/c (For payment of Tanay's wife's loan by Tanay)		12,000	12,000
(iii)	Tanay's Capital A/c Dr. Mehak's Capital A/c Dr. To Profit and Loss A/c (For distributing debit balance in P&L A/c)		9,000 9,000	18,000
(iv)	Realisation A/c Dr. To Mehak's Capital A/c (For settlement of unrecorded liability by Mehak)		18,000	18,000
(v)	Tanay's Loan A/c Dr. To Bank A/c (For Tanay's loan which is paid through cheque)		4,000	4,000
(vi)	Realisation A/c Dr. To Mehak's Capital A/c (As expenses on dissolution paid by Mehak)		11,000	11,000

16.

दिनांक Date	विवरण Particulars	खाता नही पृष्ठ सं. Ledger Folio No.	नाम राशि (₹) Debit Amount (₹)	जमा राशि (₹) Credit Amount (₹)
i)	a) T's Capital A/c To Realisation A/c (Being stock taken over by T for ₹90,000)	Dr.	90,000	90,000
	b) Bank A/c To Realisation A/c (Being remaining stock sold for ₹40,000)	Dr.	40,000	40,000
ii)	No entry			
iii)	Bank A/c To Realisation A/c (Being debtors of ₹5000 previously written off recovered)	Dr.	5,000	5,000
iv)	Realisation A/c To Bank A/c (Being Mr. V's loan paid by firm)	Dr.	72,000	72,000
v)	T's Capital A/c V's Capital A/c V's Capital A/c To Realisation A/c (Being loss on dissolution distributed among partners in their profit sharing ratio)	Dr. Dr. Dr.	32,000 16,000 32,000	80,000

[Topper's Answer, 2022]

17.

Journal

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
(i)	Sonu's Capital A/c To Realisation A/c (unrecorded goodwill taken over)	Dr.	40,000	40,000
(ii)	Realisation A/c To Bank A/c (Bill's payable discharged)	Dr.	29,550	29,550
(iii)	Sonu's Capital A/c To Realisation A/c (stock taken over at discount)	Dr.	7,20,000	7,20,000
(iv)	No entry			
(v)	Realisation A/c To Sonu's Capital A/c (Realisation expenses paid by Sonu)	Dr.	10,000	10,000

Related Theory

- In the case of settlement of creditors through a recorded assets, no entry will be passed in the books of A/c. If part payment is made in asset in cash, then the entry will be made for cash payment only.



18.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Cash A/c To Realisation A/c (Being unrecorded sold)	Dr.	4,000	4,000
Mar. 31	Uday's Loan A/c To Cash A/c (Being Uday's loan paid)	Dr.	30,000	30,000
Mar. 31	Realisation A/c To Tara's Capital A/c (Being remuneration payable for dissolution)	Dr.	42,000	42,000
Mar. 31	Tara's Capital A/c To Cash A/c (Being realisation expenses paid by firm, borne by partner)	Dr.	51,000	51,000
Mar. 31	Realisation A/c To Cash A/c (Being creditors accepted investments and balance paid in cash)	Dr.	11,000	11,000
Mar. 31	Realisation A/c To Uday's Capital A/c (Being Uday agreed to pay Mrs. Uday loan)	Dr.	45,000	45,000
Mar. 31	Naina's Capital A/c Uday's Capital A/c Tara's Capital A/c To Profit & Loss A/c	Dr. Dr. Dr.	10,000 6,000 4,000	20,000

Note: No entry for investment accepted by creditors.

19.

Journal

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
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 (Being loss on dissolution charged to partners)	Dr. Dr. Dr.	20,000 12,000 8,000	40,000

Note: No entry for furniture accepted by creditors. Expenses have been assumed to be borne by the firm.

20.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 Mar. 31	Cash A/c (74,000 - 3,000) To Realisation A/c (74,000 - 3,000) (Being furniture sold and auctioneer's commission paid)	Dr.	71,000	71,000
Mar. 31	Priya's Capital A/c To Realisation A/c (Being unrecorded computer taken over by Priya, a partner)	Dr.	7,000	7,000
Mar. 31	Realisation A/c To Cash A/c (Being creditors paid in full settlement of their dues)	Dr.	44,000	44,000
Mar. 31	Realisation A/c To Muskaan's Capital A/c (Being Rohan's sister loan paid by Muskaan)	Dr.	20,000	20,000
Mar. 31	Realisation A/c To Rohan's Capital A/c (Being expenses on dissolution paid by partner)	Dr.	15,000	15,000
Mar. 31	Realisation A/c To Rohan's Capital A/c (Being expenses on dissolution paid by partner)	Dr.	15,000	15,000
Mar. 31	Muskaan's Capital A/c Priya's Capital A/c Rohan's Capital A/c To Realisation A/c (Being loss on dissolution charged to partners)	Dr. Dr. Dr.	8,000 12,000 4,000	24,000

Note: Expenses have been assumed to be borne by the firm.

21.

Journal Entries

	Particulars		Dr. (₹)	Cr. (₹)
(i)	Realisation A/c To Dharam's Capital A/c (Realisation Expenses borne by Dharam against that remuneration paid to him)	Dr.	12,000	12,000
(ii)	Jay's Capital A/c To Vijay's Capital A/c (Being realisation Expenses borne by Jay paid by Vijay)	Dr.	16,000	16,000
	Realisation A/c To Jay's Capital A/c (Being the remuneration due to partner)	Dr.	15,000	15,000
(iii)	Realisation A/c To Deepa's Capital A/c (Being the remuneration due to partner)	Dr.	7,000	7,000
	Deepa Capital A/c To Bank A/c (Being realisation Expenses Paid on behalf of the partner)	Dr.	6,000	6,000
(iv)	Dev's Capital A/c To Realisation A/c (Being stock took away by the partner as remuneration)	Dr.	7,500	7,500
(v)	Realisation A/c To Jeev's Capital A/c (Being Commission due to the partner as realisation expenses)	Dr.	10,000	10,000
	Jeev's Capital A/c To Cash A/c (Being dissolution expenses paid by firm)	Dr.	12,000	12,000
(vi)	Cash/Bank A/c To Realisation A/c (Realisation Expenses settled with debtor Amount)	Dr.	7,800	7,800

22. Dr. Cr.

Realisation Account			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Stock	10,000	By Provision for Bad debts	5,000
To Debtors	25,000	By Sundry Creditors	16,600
To Plant and Machinery	40,000	By Bills Payable	3,400
To Bank :		By Mortgage Loan	15,000
Sundry Creditors	16,000	By Bank-Assets realised :	
Bills Payable	3,400	Stock	6,700
Mortgage Loan	<u>15,000</u>	Debtors	12,500
To Bank (outstanding repairs)	400	Plant and Machinery	<u>36,000</u>
To Bank (Exp.)	620	By Bank-Unrecorded assets realised	6,220
		By Loss (balancing fig.) transferred to Partners' Capital A/c :	
		Bora (₹ 9,000 × 5/9)	5,000
		Singh (₹ 9,000 × 3/9)	3,000
		Ibrahim (₹ 9,000 × 1/9)	<u>1,000</u>
	<u>1,10,420</u>		<u>1,10,420</u>

Dr. Cr.

Capital Account							
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
	<u>24,500</u>	<u>19,500</u>	<u>10,500</u>		<u>24,500</u>	<u>19,500</u>	<u>10,500</u>

Dr. Cr.

Bank Account			
Particulars	Amount (₹)	Particular	Amount (₹)
To Balance b/d	19,500	By Realisation (Liabilities)	34,400
To Realisation (Assets realised)	55,200	By Realisation (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	<u>9,500</u>
	<u>80,920</u>		<u>80,920</u>

Answer Tips

- For each of the calculation, write the solution properly and stepwise, even if the answer is not correct. As CBSE marking scheme follows the stepwise procedure for allocation of marks.

23. Dr. Cr.

Realisation Account			
Particulars	Amount (₹)	Particular	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	<u>3,000</u>	Machinery	8,000
To Mala's Capital A/c- (Sheela's Loan)	13,000	Stock	14,000
To Cash - Creditors paid	15,000	Debtors	<u>16,000</u>
To Cash - Dishonour bill paid	5,000	By Mala's Capital - Investments	2,000
To Cash - Expenses	800	By Loss (Balancing fig.) transferred to Partners' Capital A/c :	
		Mala	9,000
		Neela	6,000
		Kala	<u>3,000</u>
	<u>88,200</u>		<u>88,200</u>

Dr.		Capital Account						Cr.	
Particulars	Mala (₹)	Neela (₹)	Kala (₹)	Particulars	Mala (₹)	Neela (₹)	Kala (₹)		
To Realisation A/c	9,000	6,000	3,000	By Balance b/d (Balancing figure)	10,000	15,000	2,000		
To Realisation A/c	2,000	-	-		13,000	-	-		
To Cash A/c	12,000	9,000	-	By Realisation A/c	-	-	1,000		
	23,000	15,000	3,000	By Cash A/c	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 Realisation A/c (Dishonour 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		

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Debtors	60,000	By Creditors	45,000		
To Stock	85,000	By Shanti's Current/Capital A/c	30,600		
To furniture	1,00,000	(Stock : ₹ 34,000 - ₹ 3,400)			
To Machinery	1,30,000	By Bank A/c (Realisation) :			
To Bank A/c (Payments) :		Stock	40,000		
Outstanding Bill	19,000	Furniture	80,000		
Creditors	45,000	Investment	20,000		
	64,000	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		

Dr.		Realisation Account		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Debtors	3,40,000	By Creditors	1,50,000		
To Stock	1,50,000	By Hanif's Capital A/c	67,500		
To furniture	4,60,000	(Stock : ₹ 75,000 - ₹ 7,500)			
To Machinery	8,20,000	By Bank A/c (Assets Realised) :			
To Bank A/c (Creditors)	1,50,000	Stock	65,000		
To Hanif's Capitals A/c	8,000	Debtors	3,23,000		
(Realisation Expenses)		Machinery	74,000		4,62,000
		By Jubed's Capital A/c (Furniture)			1,35,000
		By Loss transferred to :			
		Hanif's Capital A/c	7,42,333		
		Jubed's Capital A/c	3,71,167		11,13,500
	19,28,000		19,28,000		



26.

Dr. Realisation A/c				Cr.	
Particulars	₹	Particulars	₹		
Debtors	48,400	Creditors	11,500		
Stock in trade	16,000	Loan	3,500		
Furniture	2,000	Provision for doubtful debts	2,400		
Sundry Assets	34,000	Michael's Capital A/c (Furniture + Debtors)	37,000		
Michael's Capital A/c (Creditors)	10,000	Jackson's Capital A/c (Stock + Sundry Assets)	42,800		
John's Capital A/c (Loan)	3,500	John's Capital A/c (Sundry Assets)	1,800		
John's Capital A/c (Realisation Expenses)	600	Bank A/c (Debtors)	4,200		
Bank A/c (creditors)	1,500	Loss t/f to:			
		Michael	7,680		
		Jackson	2,560		
		John	<u>2,560</u>		12,800
	1,16,000				1,16,000

Dr. Partner's Current A/c								Cr.	
Particulars	Michael (₹)	Jackson (₹)	John (₹)	Particulars	Michael (₹)	Jackson (₹)	John (₹)		
Realisation A/c	7,680	2,560	2,560	Balance b/d	50,000	25,000	14,000		
Realisation A/c	37,000	42,800	1,800	Realisation A/c	10,000	—	4,100		
Bank A/c	15,320	—	13,740	Bank A/c	—	20,360	—		
	60,000	45,360	18,100		60,000	45,360	18,100		

Dr. Bank A/c				Cr.	
Particulars	₹	Particulars	₹		
Balance b/d	6,000	Realisation A/c	1,500		
Realisation A/c	4,200	Michael's Capital A/c	15,320		
Jackson's capital A/c	20,360	John's Capital A/c	13,740		
	30,560		30,560		

27.

Dr. Realisation A/c				Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Sundry Assets		By Sundry liabilities			
Plant	2,20,000	Creditors	75,000		
Investment	70,000	Bills payable	40,000		
Stock	50,000	O/s salary	<u>35,000</u>		1,50,000
Debtor	<u>60,000</u>	By Bank (Assets realised)			2,31,500
	4,00,000	By Loss t/f to Capital A/c			
To Bank (Liab. paid)	1,50,000	Srijan	79,400		
To Bank (Unrecorded liab.)	7,500	Raman	79,400		
To Bank (Contingent liab.)	15,000	Manan	<u>39,700</u>		1,98,500
To Srijan's Capital A/c	75,000				
(1,50,000 × $\frac{5}{100}$ ⇒ Commission)	<u>5,80,000</u>				<u>5,80,000</u>

Dr. Capital A/c				Cr.			
Particulars	Srijan	Raman	Manan		Srijan	Raman	Manan
To Balance B/d	—	—	10,000	By Balance B/d	2,0,000	1,50,000	65,700
To Profit & loss A/c	32,000	32,000	16,000	By Realisation A/c	7,500	—	—
To Realisation A/c	79,400	79,400	39,700	(comm.)			
(loss)	96,100	38,600	—				
To Bank A/c	207500	1,50,000	65,700		2,07,500	1,50,000	65,700

Dr. Bank A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	10,000	By Realisation A/c (liab.)	1,50,000
To Realisation A/c (Assets)	2,31,500	By Realisation (unrecorded) liab.	7,500
To Manan's capital	65,700	By Realisation A/c (cont. liab.)	15,000
		By Srijan's capital A/c	96,100
		By Raman's capital A/c	38,600
	3,07,200		3,07,200

Commonly Made Mistake

- ❌ Fictitious assets such as debit balance of profit and loss account or advertisement suspense account etc are not transferred to Realisation account. These are directly debited to partners' capital accounts in their profit sharing ratio.

CBSE Sample Questions

1. (a) : Dissolution of Partnership (1)
2.

Basis of Distinction	Dissolution of Partnership	Dissolution of Partnership Firm
Settlement of assets and liabilities	Assets are revalued and liabilities are reassessed.	Assets are sold and liabilities are paid off.
Economic relationship	Economic relationship between the partners continues, though in a changed form.	Economic relationship between the partners comes to an end.

(1×2)

3. (a) : Bank A/c Dr. (1)
 To Loan to Partner A/c (1)
4. (b) : ₹48,000 (1)
5. (d) : Interest on Partner's Capital. (1)
- 6.

Journal

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
(i)	X's Capital A/c Dr. To Y's Capital A/c (Being Realisation expenses of ₹ 5,000 were to be borne by X, whereas, paid by Y.)		5,000	5,000
(ii)	X's Capital A/c Dr. Y's Capital A/c Dr. A's Capital A/c Dr. B's Capital A/c Dr. To Realisation A/c (Investment taken over by all partners)		5,000 5,000 5,000 5,000	20,000
(iii)	Y's Loan A/c Dr. To Bank A/c To Realisation A/c (Y's loan of ₹50,000 settled at ₹ 48,000)		50,000	48,000 2,000
(iv)	No Entry			

(1×4)

7. (d) : ₹ 30,000 (loss) (1)

8. Journal Entries in the Books of Charu, Dhvani, Iknoor and Paavni

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
(i)	Dhwani's Loan A/c Dr. To Bank A/c To Realisation A/c (Dhwani's Loan of ₹ 50,000 settled at ₹ 42,000)		50,000	42,000 8,000
(ii)	Paavni's Loan A/c Dr. To Realisation A/c (Paavni's Loan of ₹ 40,000 settled by giving an unrecorded asset)		40,000	40,000
(iii)	Realisation A/c Dr. To Loan to Charu A/c (Loan to Charu was settled by payment to Charu's brother Loan)		60,000	60,000
(iv)	Iknoor's Loan A/c Dr. To Realisation A/c To Bank A/c (Iknoor's Loan of ₹ 80,000 and Machinery was given as part payment and rest through bank)		80,000	60,000 20,000

(4)

9. Books of Jagannath Associates

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
31.03.2021	Bank A/c Dr. To Realisation A/c (Being old machinery realised)		42,000	42,000
	Realisation A/c Dr. To Bank A/c (Being payment made to bank for bill discounted)		6,000	6,000
31.03.2021	Madhusudan's Loan A/c Dr. To Realisation A/c To Bank A/c (Being payment made against Madhusudan's loan through an unrecorded asset and cheque)		1,00,000	75,000 25,000
31.03.2021	Madhav's Capital A/c Dr. Madhusudan's Capital A/c Dr. Mukund's Capital A/c Dr. To Realisation A/c (Being unrealised stock taken by partners in their profit sharing ratio)		10,000 10,000 10,000	30,000
31.03.2021	Mukund's Capital A/c Dr. To Realisation A/c (Being realisation expenses paid on behalf of Mukund)		5,000	5,000
31.03.2021	Realisation A/c Dr. To Bank A/c (Being payment of vehicle loan made)		60,000	60,000

(1×5)