



**INDIAN SCHOOL MUSCAT**  
**Senior Section**  
**Department of Commerce and Humanities**

**Class : XII**

**Practice Worksheet-No 5 :**  
**DISSOLUTION OF PARTNERSHIP FIRM**

**Date of Issue :**  
**December 2020**

**ACCOUNTANCY (055)**

**Date of submission**  
**-----2020**

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Question 1 to 9 carry 1 marks  
Question 10 to 20 carry 3,4 and 6 marks.  
Question 21 to 25 carry 6 to 8 marks.

1 When an asset is taken over by a partner, why is his capital account debited?

2 Differentiate between dissolution of partnership and partnership firm on the basis of court's intervention.

3. What shall be the journal entry for unrecorded assets in Realisation A/c.

4. On Dissolution of a firm, a partner paid Rs700 for firm's realization expenses. Which account will be debited?

- (a) Cash Account
- (b) Realisation Account
- (c) Capital Account of Partner
- (d) Profit & Loss A/C

5. On dissolution of a firm, out of the proceeds received from the sale of assets .....

Will be paid first of all:

- (a) Partner's Capital
- (b) Partner's Loan to firm
- (c) Partner's additional Capital
- (d) Outside Creditors

6. 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

7. At the time of the dissolution of the firm, how undistributed profits such as General Reserve, Credit Balance of P&L a/c are dealing with?

8. Write any three differences between realisation account and revaluation account.

- i. Partners' Capital Accounts
- ii. Partners' loan accounts
- iii. Loan by the spouse of a partner;

Which account(s) will not be transferred to Realisation Account?

9. The amount of sundry assets transferred to Realisation Account 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 Ramlal (a partner) at book value. Journalise.

10. State the provisions of Section 48 of the Partnership Act 1932 regarding settlement of Accounts during the Dissolution of Partnership firm.

11. State any six situations in which the court may order to dissolve a partnership firm.

12. Verma and Sharma are partners sharing profit in the ratio 3 : 1. Their balance sheet as on 31/3/2019.

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital:		Land and building	70000
Verma :120000		Machinery	60000
Sharma:80000	200000	Debtors	80000
Creditor	70000	bank	60000
	270000		270000

The firm was dissolved on 1/4/2019 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 depreciation of 30%.
- (iv) Debtors were collected at a cost of ₹ 500
- (v) Expenses of realisation were ₹ 1,700

Pass necessary journal entries for the dissolution of the firm.

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

- a) Bank Loan ₹45,000 was paid
- b) Stock worth ₹60,000 was taken over by a partner Singh
- c) King paid ₹27,000 to a creditor
- d) A liability not appearing in the books of accounts settled ₹11,100
- e) Expenses of realisation ₹2,700 were paid by partner Singh
- f) Profit on realisation ₹21,300 was distributed between King and Singh in 7:3 Ratio

14 Pass necessary journal entries for the following transactions at the time of dissolution of the firm.

- a) Loan of ₹ 10,000 advanced by a partner to the firm on dissolution of the firm.
- b) X, a partner takes over an unrecorded assets (typewriter) at ₹300.
- c) Undistributed balance (debit) of P/L account ₹30,000. The firm has three partners X, Y and Z.
- d) The assets of the firm realized ₹1,25,000.
- e) Y who undertakes to carry out the dissolution proceedings is paid ₹2,000 for the same.
- f) Creditors paid ₹ 28,000 in full settlement of their account of ₹30,000

15 Journalise the following transactions regarding Realisation expense

- a) Realisation expenses amounted to ₹ 2,500.
- b) Realisation expenses amounting to ₹ 3,000 were paid by Ashok, one of the partners.
- c) Realisation expenses ₹ 2,300 borne by Tarun, personally.
- d) Amit, a partner was appointed to realize the assets, at a cost of ₹ 4,000. The actual amount of Realisation amounted to ₹ 3,000

16 X and Y are partners in the firm who decided to dissolve the firm. Assets and Liabilities are transferred to Realisation account. Pass necessary journal entries—

- a. Creditors were ₹1,00,000. They accepted Building valued ₹1,40,000 and paid cash to the firm ₹40,000
- b. Aman, an old customer whose account of ₹1000 was written off as bad in the previous year paid 40% of the amount.
- c. There were 300 shares of ₹10 each in ABC Ltd which were acquired for ₹2000 were now valued at Rs6 each. These were taken over by the partners in the profit sharing ratio.
- d. Profit on Realisation ₹42000 was divided among the partners.
- e. Land and Building (Book value ₹ 1,60,000) was sold for Rs3,00,000 through a broker who charged 2% commission on the deal

17 E and F are partner in a firm sharing profits in the ratio of 3:2. Their balance sheet on 31.3.2020

Liabilities	Amount	Assets	Amount
Creditors	25000	Building	100000
outstanding		Plant	40000
expense	5000	Stock	30000
Capital Account		Debtors	45000
E:90000		Cash	25000
F:120000	210000		
	240000		240000

On the above date the firm was dissolved. Stock was taken over by E at a discount of 10% .F took over debtors for ₹ 40000. plant was sold for ₹ 30000 and buildings realised ₹ 80000. F arrange to pay the creditors. E paid

outstanding expense. Expense of realisation amounted to ₹ 7500. Prepare Realisation A/c.

18 Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2020, their Balance Sheet was as follows

Liabilities		₹	Assets		₹
Creditors		1,70,000	Bank		1,10,000
Workmen Compensation Reserve		2,10,000	Debtors		2,40,000
General Reserve		2,00,000	Stock		1,30,000
Ramesh's Current Account		80,000	Furniture		2,00,000
Capital A/cs:			Machinery		9,30,000
Ramesh	7,00,000		Umesh's Current Account		50,000
Umesh	3,00,000	10,00,000			
		16,60,000			16,60,000

On the above date the firm was dissolved.

- Ramesh took over 50% of stock at ₹10,000 less than book value. The remaining stock was sold at a loss of ₹15,000. Debtors were realized at a discount of 5%.
- Furniture was taken over by Umesh for ₹50,000 and machinery was sold for ₹450,000
- Creditors were paid in full.
- There was an unrecorded bill for repairs for ₹1,60,000 which was settled at ₹140,000.

Prepare Realisation Account,

20 A and B are in partnership sharing profits and losses in the ratio of 3:1. Their Balance Sheet on 31st March, 2013 was as follows:

Liabilities		₹	Assets		₹
Creditors		38,500	Debtors		30,000
A's Loan A/c		2,750	Stock		19,000
Capitals:			Furniture		7,200
A	15,200		Bank		11,450
			balance		
B	11,200	26,400			
		67,650			67,650

The firm was dissolved on the above date. The assets realised: Stock ₹13,840, Furniture ₹5,150 and Debtors ₹29,200. The creditors were paid less discount amounting ₹250. The dissolution expenses were ₹520. Prepare necessary ledger accounts.

21 The Balance sheet of P, Q & R as on 31st March 2020. Who are sharing profits in the ratio of 5:3:1 was as follows:

Liabilities		₹	Assets		₹
Bills Payable			Buildings		40,000
40,000			Plant and		
Loan from Bank		30,000	Machinery		40,000
Reserve Fund		9,000	Stock		19,000
Capital			Debtors		42,000

P – 44,000		Provisions	2,000
Q – 36,000			40,000
R – 20,000	1,00,000	Cash	40,000
	1,79,000		1,79,000

The partners dissolved the firm, the assets realized stock – ₹23,400, Debtors – 50% fixed assets – 10% has than their book value B/P were settled for ₹32,000. There was our outstanding bill of ₹800. Which was paid off. Realisation expense ₹1,250 were also paid. Prepare realization A/c, Bank A/c and partners capital A/c.

22 Monu and Shiksha were partners sharing profits and losses in the ratio of 3:2. They decided to dissolve their firm on 31-03-2015, when their balance sheet was as follows:

#### BALANCE SHEET

Liabilities	Amt	Assets	Amt
Creditors	40000	Cash	14000
Monu's Brother's Loan	10000	Stock	8000
Shiksha's loan	15000	Debtors 18000	
		Less PFBDD 1000	17000
General Reserve	5000	Furniture	4000
Capital		Plant	30000
Monu	10000	Investment	10000
Shiksha	8000	P/L A/c	5000
	88000		88000

The Firm was dissolved on 1-4-2020 on the following terms:

- Monu took over investments at ₹ 8000 and agreed to pay off her brother's loan
- The assets realized as follows: stock- ₹ 2000, Debtors-₹ 20500, Furniture- ₹ 1000 more than the book value and Plant ₹ 20000 less than its book value
- Realisation expenses ₹ 1200
- Creditors were paid off at a discount of 3%
- Firm had an unrecorded asset of ₹ 5000 which was accepted by an unrecorded liability of ₹ 7000 in full settlement

Prepare necessary accounts to close the books of the firm.

23 A,B and C were equal partners. On 31<sup>st</sup> March 2019 their balance sheet stood as:

Liabilities	₹	Assets	₹
Creditors	50,400	Cash	3,700
Reserve	12,000	Stock	20,100
Capital A/c:		Debtors	62,600
A	40,000	Loanto A	10,000

B	25,000	Investments	16,000
C	15,000	Furniture	6,500
		Building	23,500
Total	1,42,400	Total	1,42,400

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

- For the purpose of dissolution Investments were valued at ₹18,000 and A took over the investments at this value,
- Fixed Assets realized ₹29,700 whereas Stock and Debtors realized ₹80,000.
- Expenses of Realisation amounted to ₹1,300.
- Creditors allowed a discount of ₹800.

Prepare Realisation Account, Cash Account and Partners' Capital Accounts showing how the accounts would finally be settled among the partners.

24 Vishal and Pavitra were partners in a firm sharing profits in the ratio of 3 : 2. The Balance Sheet of the firm on 31st March, 2016 was as follows :

Particulars	Amount	Particulars	Amount
	(₹)		(₹)
Sundry Creditors	80,000	Bank	1,72,000
Pavitra's Sister's Loan	20,000	Debtors	27,000
Vishal	1,75,000	Stock	50,000
Pavitra	1,94,000	Furniture	2,20,000
	4,69,000		4,69,000

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

- 50% of the furniture was taken over by Vishal at 20% less than book value. The remaining furniture was sold for ₹1,05,000.
- Debtors realized ₹26,000
- Stock was taken over by Pavitra for ₹ 29,000.
- Pavitra's sister's loan was paid off along with an interest of ₹2,000.
- Expenses on realization amounted to ₹ 5,000.

Prepare Realisation Account, Partner's Capital Accounts.

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