Dissolution of firm

	What is Realisation account? Why do we prepare Realisation account? Distinguish between Realisation account and Revaluation account. Name the items which are usually not transferred to realisation account. State the application of assets as per section 48 of the Indian partnership act. In what ways Firm's debts is different from Private debts? List any two circumstances under which a firm is dissolved. List any two grounds under which a Court may dissolve a firm. What is meant by Dissolution by Notice?	1
1	All the partners want to dissolve the firm. Y a partner wants that his loan of Rs 16000 must be paid off before the payment of capitals of the partners. But X, another partner wants that capitals must be paid before the payment of Y's Loan. Who is correct?	3
2	All the partners want to dissolve the firm. Y a partner wants that his loan of Rs 16000 must be paid off before the payment of Mrs. X loan. But X, another partner wants that Mrs. X loan must be paid before the payment of Y's Loan. Who is correct?	
3	X and Y are partners in a firm sharing profits in the ratio of 3:2. Mrs. X has given a loan of RS 20000 to the firm and the firm also obtained a loan of Rs 10000 from Y. The firm was dissolved and its assets were realised Rs 25000. State the order of payment of Mrs. X loan and Y's loan with reason, if there were no other creditors of the firm.	
1	Journalise the following entries on dissolution of the firm of X and Y after various assets and outside liabilities have been transferred to Realisation Account: a) Stock worth Rs 160000 ' X' took over 50% of stock at 10 discount and remaining stock was sold at a profit of 30% on cost. b) Investment (book value Rs 4000) realised 150%. c) Y ready to pay off Mrs. Y's loan of Rs 4000. d) Ram one of the customer whose account for Rs 1000 was written off as bad debts in previous year promise to pay Rs 600. e) Bills payable of Rs 40000 falling due after 1 month were discharged at a discount of 18% p.a. f) X a partner agreed to take over the responsibility of completing dissolution at an agreed remuneration of Rs 1200 and to bear all realization expenses. Actual expenses paid by X Rs 700.	6
2	Journalise the following entries on dissolution of the firm of X and Y after various assets and outside liabilities have been transferred to Realisation Account: a) There was a contingent liability in respect of bill discounted Rs 3700. An acceptor of one of the bill of Rs 1200 become insolvent and only forty paise in a rupee was recovered. b) X a partner agreed to take over the responsibility of completing dissolution at an agreed remuneration of Rs 1200 and to bear all realization expenses. Actual expenses on realization Rs 700 paid by the firm. c) One of the creditors Rs 60000 accept stock worth Rs 40000 at 10% less. d) Another creditor Rs 75000 accept Machinery of book value Rs 72000 in full settlement of his claim. e) Ram a creditor of Rs 28000 took over equipment (book value Rs 45000) at an agreed value of Rs 40000	
3	P,Q & R are partners sharing profits in the ratio of 5:3:2. the firm was dissolved. on dissolution make journal entries regarding the following: a) On the date of dissolution the general reserve shows a balance of Rs 6000. b) Investment of book value Rs 8000 taken over by P at a value of Rs 6800. c) A bill discounted with bank, for which liability of Rs 20000 had to be paid. d) Asses realised Rs 48000. e) Realisation account shows a loss of Rs 3200. f) Realisation expenses Rs 4000 was paid by Q.	
4	Pass journal entries for the following transactions on the dissolution of the firm of P & Q after all assets	

other than cash and all external liabilities have been transferred to realization account:

a) Bank loan Rs 12000 was paid.
b) Stock worth Rs 16000 was taken by partner Q.
c) Partner P paid a creditors of Rs 4000.
d) An assets not appear in the books of accounts realized Rs 1500.
e) Expenses on dissolution Rs 2000 were paid by partner Q.
f) Profits on realization Rs 36000 was distributed between P & Q in the ratio of 5:4.

5 Rohit and Suresh are in partnership, sharing profits in the ratio of 2:3. On march 31st 2005, they agreed to dissolve the business. Pass journal entries at the time of dissolution to record the following:

a) Realization expenses amounted to Rs 2000.
b) Deferred revenue advertising expenses appeared at Rs 60000.
c) P/L Account on the assets side of the balance sheet was Rs 30000.
d) An unrecorded assets of Rs 3000 was taken over by Suresh.
e) Liabilities amounting to Rs 24000 already transfer to realization account was settled at Rs 22000.
f) Loan to Rohit was adjusted through his capital account Rs 15000.

1 P,Q & R were equal partners. their balance sheet as on 31-12-2009 stood as follows: 8

Liabilities	**Amount**	**Assets**	**Amount**
Creditors	57400	JLP	15000
JLP	15000	Cash	6500
P's capital	30000	Stock	16000
Q's capital	20000	Investment	47600
R's capital	10000	Furniture	3700
		Plant and machinery	43600
	132400		132400

The firm was dissolved on the above date.
P took over investment and stock at Rs 40600. JLP was realized at surrender value furniture was sold at book value. plant and machinery were realized Rs 82040. creditors were paid in full. pass necessary journal entries on dissolution of firm.

2

Following is the balance sheet of D,G & T on 28-2-2002:

Liabilities	Amount	Assets	Amount
Creditors	50000	Bank	20000
Bills payable	10000	Debtors	30000
G’s loan	8000	Stock	20000
loan	12000	Furniture	15000
Reserve	20000	Land and building	245000
D’s capital	100000	G’s capital	20000
T’s capital	150000		
	350000		350000

The firm was dissolved on the above date on the following terms:
Debtors realized 28000 and creditors and bills payable were paid at 10% discount.
Stock was taken over by D for 15000 and furniture was sold for 12000.
Land building was sold for 280000.
The firm had a joint life policy of Rs 50000 and the same was with surrender for Rs 10000.
Prepare realization account, bank account and capital accounts.

3

A & B were partners in a firm. Their Balance sheet on 31-12-2004 stood as follows:

Liabilities	Amount	Assets	Amount
Creditors	25000	Cash	500
Dills payable	8000	Bank	8000
Mrs. A loan	5000	Sock	5000

Mrs. B loan	10000	Investment	10000
General reserve	10000	Debtors 20000 Less prov 2000	18000
Employees provident fund	5000	Plant	20000
Capital A 10000 B 10000	20000	Building	15000
Investment fluctuation fund	1000	Goodwill	4000
		Profit and loss account	3000
	84000		**84000**

The firm was dissolved on 31st December 2004 on the following terms:
A promised to pay off his wife loan and took away stock at Rs 4000.
Assets realized as follows: debtors Rs 19000, plant Rs 25000; building Rs 40000; goodwill Rs 6000 and investment RTs 9000.
Creditors and bills payable were paid at a discount of Rs 180.
The old typewriter in the firm write off completely now realize Rs 300..
Expenses on realization were Rs 1000.
Prepare realization account, partners capital accounts and cash account.

1 Bisen & Ciser were partners in a firm. On 31-03-2008 their firm was dissolved. On that date Bisen's capital was Rs 150000 and Ciser's capital was Rs 100000. Creditors on that date were Rs 60000 and there was balance of Rs 40000 in general reserve. Cash balance was Rs 20000.
Sundry assets realized Rs 300000 and expenses on dissolution were Rs 5000 which was paid by Ciser.
Prepare Realization Account, Cash Account and Partner's capital Account. 6

2 The partnership between A & B was dissolved on march 31st, 2008.their capital on the date were Rs 170000 and Rs 30000 respectively. Rs 100000 was owe by the firm to A & B owed to firm Rs 20000. Creditors on the date were Rs 200000. The assets realised Rs 450000 exclusively of what was owned by B. find the profit and loss on realisation.

3 X & Y were partners in a firm. Their firm was dissolved which resulted into loss of Rs 50000. On the date the capital of X showed a credit balance of Rs 40000 and capital of Y showed a credit balance of RS 50000. There was a cash balance of Rs 40000 on the date of dissolution. You are required to pass the necessary journal entries for the transfer of loss and making final payment to the partner.

1 P, Q and R commenced business on 1st April 2012 with capitals of Rs 200000; Rs 200000 and Rs 100000. Profits are shared in the ratio of 4:3:3. Capital carried interest @ 5% p.a. During the year 2012-13 the firm suffered a loss of Rs 150000 before allowing interest on capital. Drawings of each partner during the year were Rs 20000. 6
On 31st March 2013, the partners agreed to dissolve the firm as it was no longer profitable. The creditors on that date were Rs 40000. The assets realised a net value of Rs 320000 and the expenses of realisation were Rs 7000.
Prepare the Realisation account, Partners Capital Account and Cash Account along with necessary working to close the books of the firm.

2 X and Y are partners from 01-01-2013 with capitals of Rs 60000 and Rs 40000 respectively. They shared profits in the ratio of 3:2. They carried on the business for two years. In the first year ending on 31-12-2013, they made a profit of Rs 50000 but in the second year ending 31-12-2014 a loss of Rs 20000 was incurred. As the business was no longer profitable, they dissolved the firm on 31-12-2014.
Creditors on the date were Rs 20000. Each partner withdrew for personal use, Rs 8000 per year. The expenses of realisation were Rs 3000. The assets realised Rs 100000. Prepare a Realisation Account, Capital Accounts and Cash Account.