Chapter 7 – Dissolution of a Partnership Firm
Worksheet

3 Marks / 4 Marks / 6 Marks

1. Pass necessary journal entries in the following cases on the dissolution of a partnership firm of partners X, Y, A and B:
   (i) Realization expenses of ₹ 5,000 were to borne by X, a partner. However, it was paid by Y.
   (ii) 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.
   (iii) Y's loan of ₹50,000 settled at ₹ 48,000.
   (iv) Machinery (book value ₹ 6,00,000) was given to creditor at a discount of 20%.

2. Rusting, a partner of a firm under dissolution was to get a remuneration 2% of the total assets realised other than cash and 10% of the amount distributed to the partners. Sundry assets (including Cash ₹ 8,000) realised at ₹ 1,16,000 and sundry liabilities to be paid ₹ 31,340. Calculate Rustings's remuneration and show your workings clearly. Also pass necessary journal entry for remuneration.

3. Sunny and Bobby were partners in a firm sharing profits and losses in the ratio of 3:2, their balance sheet as at 31st March, 2012:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	1,90,000	Bank	5,000
Bills Payable	1,10,000	Fixed Deposit	70,000
Employees Provident Fund	50,000	Stock	86,000
Mrs. Sunny's Loan	55,000	Investment	1,04,000
Bobby's Loan	85,000	Debtors 1,77,000	
Investment Fluctuation Fund	30,000	- Provision for D/D 12,000	1,65,000
Capital A/cs:		Other Fixed Assets	3,80,000
Sunny 2,20,000		Deferred Revenue Expenses	35,000
Bobby 1,20,000	3,40,000	Sunny's Loan	15,000
	8,60,000		8,60,000

The firm was dissolved on 31st March, 2012. The assets were realized and the liabilities were paid as under:
(a) Sunny promised to pay off Mrs. Sunny's Loan
(b) Bobby took away stock at 20% discount and 80% of the investments at 10% discount.
(c) Dharam, a debtor of ₹ 60,000 had to pay the amount due 2 months after the date of dissolution. He was allowed a discount of 9% p.a. for making immediate payment.
(d) Creditors were paid ₹ 1,75,000 in full settlement of their claim.
(e) 90% of Other fixed assets realised ₹ 1,98,000 and remaining were realised at discount of 15%.
(f) Balance of investments were sold at 75% value and Fixed Deposits were realised at 110%.
(g) There was an old furniture which has been written off completely from the books, Bobby took away the same for ₹ 41,000 against his loan and balance to him was given in cash.
(h) Realisation expenses ₹ 20,000 were paid by Sunny and Bobby equally on behalf of the firm.
You are required to prepare Realisation A/c.

4. Charu, Dhwani, Iknoor 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:

(i) Dhwani's Loan of ₹ 50,000 to the firm was settled by paying ₹ 42,000.

(ii) Paavni's Loan of ₹ 40,000 was settled by giving an unrecorded asset of ₹ 45,000.

(iii) Loan to Charu of ₹ 60,000 was settled by payment to Charu's brother loan of the same amount.

(iv) Iknoor'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.

5. Ramesh and Umesh were partners in a firm sharing profits in the ratio of their capitals. On 31st March, 2024, 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.

a) Ramesh took 50% of stock at ₹ 10,000 less than book value.

b) Furniture was taken by Umesh for ₹ 50,000 and machinery was sold for ₹ 4,50,000.

c) Creditors were paid in full.

d) There was an unrecorded bill for repairs for ₹ 1,60,000 which was settled and paid at ₹ 1,40,000

Prepare Realization Account.