

BCM SCHOOL, BASANT AVENUE

XII ACCOUNTANCY

ASSIGNMENT

TOPIC : DISSOLUTION OF PARTNERSHIP

ANS KEY

MM : 20

Q 1	Distinguish between ‘Dissolution of Partnership’ and ‘Dissolution of Partnership Firm’ on the basis of Economic Relationship. (REFER TEXT)	1																																
Q 2	Give the journal entry for the treatment of partner’s loan appearing on the asset side of the Balance Sheet, on dissolution of a partnership firm. BANK A/C DR TO Partner loan	1																																
	<p>Harish and Gopal were partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2018, their Balance Sheet was as follows :</p> <p style="text-align: center;"><b>Balance Sheet of Harish and Gopal as at March 31, 2018</b></p> <table><tr><th>Liabilities</th><th>Amount (₹)</th><th>Assets</th><th>Amount (₹)</th></tr><tr><td>Creditors</td><td>36,000</td><td>Cash</td><td>47,000</td></tr><tr><td>Outstanding expenses</td><td>10,000</td><td>Bank</td><td>93,000</td></tr><tr><td>Gopal’s wife’s loan</td><td>50,000</td><td>Debtors</td><td>76,000</td></tr><tr><td>Capitals :</td><td></td><td>Stock</td><td>2,00,000</td></tr><tr><td>Harish 2,80,000</td><td></td><td>Furniture</td><td>20,000</td></tr><tr><td>Gopal 1,60,000</td><td>4,40,000</td><td>Leasehold premises</td><td>1,00,000</td></tr><tr><td></td><td><b>5,36,000</b></td><td></td><td><b>5,36,000</b></td></tr></table> <p>On the above date the firm was dissolved. The various assets were realized and liabilities were settled as under :</p> <p>(i) Gopal agreed to pay his wife’s loan.</p> <p>(ii) Leasehold premises realised Rs.1,50,000 and Debtors Rs. 12,000 less.</p> <p>(iii) Half of the creditors agreed to accept furniture of the firm as full settlement of their claim and remaining half agreed to accept 10% less.</p> <p>(iv) 50% stock was taken over by Harish on payment by cheque of Rs. 90,000 and remaining stock was sold for Rs.94,000.</p> <p>(v) Realization expenses of Rs.10,000 were paid by Gopal on behalf of the firm.</p> <p>Prepare Realization Account, Partner Capital Account &amp; Bank Account</p>	Liabilities	Amount (₹)	Assets	Amount (₹)	Creditors	36,000	Cash	47,000	Outstanding expenses	10,000	Bank	93,000	Gopal’s wife’s loan	50,000	Debtors	76,000	Capitals :		Stock	2,00,000	Harish 2,80,000		Furniture	20,000	Gopal 1,60,000	4,40,000	Leasehold premises	1,00,000		<b>5,36,000</b>		<b>5,36,000</b>	6
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Dr.	Realisation A/c		Cr.	
	Particulars	Amount (₹)	Particulars	Amount (₹)
	To Debtors	76,000	By Creditors	36,000
	To Stock	2,00,000	By O/s expenses	10,000
	To Furniture	20,000	By Gopal's wife's loan	50,000
	To Leasehold premises	1,00,000		
	<u>To Gopal's capital A/c</u>		<u>By Bank A/c</u>	
	Gopal's wife's loan 50,000		Leasehold premises 1,50,000	
	Realisation expenses 10,000	60,000 [1]	Debtors 64,000	
			Stock 1,84,000	3,98,000 [1]
	<u>To Bank A/c</u>			
	Creditors 16,200			
	Outstanding expenses 10,000	26,200 [1]		
	<u>To profit transferred to:</u>			
	Harish's Capital A/c 7,080			
	Gopal's capital A/c 4,720	11,800 [1]		
		<u>4,94,000</u>		<u>4,94,000</u>

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Pass necessary journal entries on the dissolution of a partnership firm in the following cases :

(i) Dissolution expenses were Rs. 800.

(ii) Dissolution expenses Rs. 800 were paid by Prabhu, a partner.

(iii) Geeta, a partner, was appointed to look after the dissolution work, for which she was allowed a remuneration of Rs. 10,000. Geeta agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 9,500 were paid by Geeta.

(iv) Janki, a partner, agreed to look after the dissolution work for a commission of Rs. 5,000. Janki agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 5,500 were paid by Mohan, another partner, on behalf of Janki

(v) A partner, Kavita, agreed to look after the dissolution process for a commission of Rs. 9,000. She also agreed to bear the dissolution expenses. Kavita took over furniture of Rs. 9,000 for her commission. Furniture had already been transferred to realisation account.

(vi) A debtor, Ravinder, for Rs. 19,000 agreed to pay the dissolution expenses which were Rs. 18,000 in full settlement of his debt.

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Books of the firm  
Journal

Date	Particulars	LF	Dr (₹)	Cr (₹)
(i)	Realisation A/c Dr. To Cash/ Bank A/c (Being dissolution expenses paid)		800	800
(ii)	Realisation A/c Dr. To Prabhu's Capital A/c ( Being dissolution expenses paid by partner)		800	800
(iii)	Realisation A/c Dr. To Geeta's Capital A/c (Being dissolution expenses paid by Geeta and compensated by firm)		10,000	10,000
(iv) a.	Realisation A/c Dr. To Janki's Capital A/c (Being dissolution expenses paid by Janki and compensated by firm)		5,000	5,000
(iv) b.	Janki's Capital A/c Dr. To Mohan's Capital A/c		5,500	5,500

	(Being Mohan paid dissolution expenses on behalf of Janki) <b>Note:</b> If part a. Is correctly done, full credit is to be given.			
(v) a.	Realisation A/c Dr. To Kavita's Capital A/c (Being remuneration given to Kavita)		9,000	9,000
(v) b.	Kavita's Capital A/c Dr. To Realisation A/c (Being furniture taken over by Kavita as remuneration)		9,000	9,000

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Pass necessary journal entries on the dissolution of a firm in the following cases :

(i) Dissolution expenses were Rs. 700.

(ii) Dissolution expenses Rs. 1,100 were paid by partner 'A'.

(iii) Partner 'B' agreed to do the work of dissolution for a commission of Rs. 2,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 2,100 were paid by B.

(iv) Partner 'C' was appointed to look after the dissolution work for a remuneration of Rs. 10,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 9,800 were paid from the firm's bank account.

(v) Partner 'D' was appointed to look after the dissolution work for a remuneration of Rs. 15,000. He also agreed to bear the dissolution expenses. Actual dissolution expenses Rs. 13,000 were paid by partner 'E' on behalf of partner 'D'.

vi) Partner 'F' was appointed to look after the process of dissolution for a remuneration of Rs. 9,000. He also agreed to pay the dissolution expenses. 'F' took away furniture of Rs. 9,000 as his remuneration.

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Furniture had already been transferred to realisation account.

			(Rs)	(Rs)
(i)	Realisation A/c	Dr.	700	
	To Bank A/c			700
	(Expenses borne and paid by firm)			
(ii)	Realisation A/c	Dr.	1,100	
	To A's Capital A/c			1,100
	(Expenses paid by partner on behalf of firm)			
(iii)	Realisation A/c	Dr.	2,000	
	To B's Capital A/c			2,000
	(Remuneration paid)			
(iv)	Realisation A/c	Dr.	10,000	
	To C's Capital A/c			10,000
	(Remuneration paid)			
(iv)	C's Capital A/c	Dr.	9,800	
	To Bank A/c			9,800
	(Expenses borne by partner, paid by firm)			
(v)	Realisation A/c	Dr.	8,000	
	To D's Capital A/c			8,000
	(Remuneration paid)			
(v)	D's Capital A/c	Dr.	13,000	
	To E's Capital A/c			13,000
	(Expenses paid by one partner, borne by other)			
(vi)	No Entry			