INTERNATIONAL INDIAN SCHOOL RIYADH

ACCOUNTANCY WORK SHEET 5 – CLASS 12

CHAPTER: DISSOLUTION OF PARTNERSHIP FIRM

Q.1 Give any one difference between reconstitution of a firm and dissolution of a firm. **(March 2011 Marks 1)**

Q.2 When an asset taken over by a partner, why is his capital account debited? **(July 2011 Marks 1)**

Q.3 When a liability is to be discharged by a partner, why is his capital account credited? **(July 2011 Marks 1)**

Q.4 Pass the necessary journal entries for the following transactions of the dissolution of the firm of R and L after the various assets (other than cash) and outside liabilities have been transferred to Realisation Account:

(i) R paid creditors Rs. 17,000 in full settlement of their claim of Rs. 20,000.
(ii) L agreed to pay his wife's loan Rs. 17,000
(iii) Stock Rs. 40,000 was taken over by R for Rs. 39,000
(iv) Other assets realised Rs. 39,000
(v) Expenses of realisation Rs. 4,900 were paid by L.
(vi) Loss on dissolution Rs. 9,000 was divided between R and L in the ratio of 3:1. **(March 2011 Marks 6)**

Q.5 A,B and C were partners sharing profits in the ratio of 3:1:1. Their Balance Sheet as on March 31st 2009, the date on which they dissolve their firm, was a follows.

Liabilities		Amount Rs.	Assets		Amount Rs.
Capitals:			Sundry Assets		17,000
			Stock		7,800
A :	27,500		Debtors	24,200	
B :	10,000				
C :	7,000	44,500	Less: Provision for		
			doubtful debts	(−)1,200	23,000
Loan		1,500	Bills receivables		1,000
Creditors		6,000	Cash		3,200
		52,000			52,000

It was agreed that:

(a) A to take over Bills Receivables at Rs. 800, debtors amounting to Rs. 20,000 at Rs. 17,200 and the creditors of Rs. 6,000 were to be paid by him at this figure.

(b) B is to take over all stock for Rs. 7,000 and some sundry assets at Rs. 7,200 (being 10% less than the book value).

(c) C to take over remaining sundry assets at 90% of the book value and assume the responsibility of discharge of loan together with accrued interest of Rs. 300.

(d) The expenses of realisation were Rs. 270. The remaining debtors were sold to a debt collecting agency at 50% of the book value.

Prepare Realisation A/c Partners Capital A/c and Cash A/c.

(March 2010. Marks. 8)

Q.6 X,Y and Z were partners sharing profits in the ratio of 2:2:1. The Balance Sheet on 31st March 2010 when they dissolved the firm was as follows:

Liabilities	Rs	Assets		Rs
X's Capital	127,500	Other Sundry Assets		117,000
Y's Capital	110,000	Furniture		11,000
Z's Capital	17,000	Debtors	124200	
Loan	11,500	Less provision		
Creditors	16,000	for doubtful debts	1200	123,000
		Stock		17,800
		Cash		13,200
	282,000			282,000

(a) Z to take over furniture at Rs.8,000 and debtors amounting to Rs.120,000 at Rs.117,200 and the creditors of Rs.16,000 were to be paid to him at this figure.

(b) X is to take over all stock for Rs.17,000 and some sundry assets at Rs. 72,000 (being 10% less than the book value).

(c) Y to take over remaining sundry assets at 80% of the book value and assume the responsibility of discharge of loan together with accrued interest of Rs.2,300.

(d) The expenses of realisation were Rs.2,700. The remaining debtors were sold to a debt collecting agency at 50% of the value.
Prepare necessary accounts to close the books of the firm.

(July 2011 Marks 8)

Q.7 Pass the necessary journal entries for the following transactions on the dissolution of the firm of James and Haider who were sharing profits and losses in the ratio of 2:1. The various assets (other than cash) and outside liabilities have been transferred to Realisation Account:

(i) James agreed to pay off his brother's loan Rs. 10,000.
(ii) Haider took over all investments at Rs. 12,000.
(iii) Sundry creditors Rs. 20,000 were paid at 5% discount.
(iv) Loss on realisation was Rs. 10,200.
(v) A debtor whose debt of Rs. 9,300 was written off in the books paid Rs. 7,500 in full settlement.
(vi) Realisation expenses Rs. 3,400 were paid by Sudha for which she was allowed Rs. 3,000.

Q.8. Emil, Minhaj and Irfan decided to dissolve their partnership firm on 31.03.2011 when their position was as under.

Liabilities.		**Rs.**	**Assets.**		**Rs.**
Sundry creditors		96,000	Loan to Emil		20,000
Capital Accounts			Building		100,000
Emil	96,000		Investments		20,000
Minhaj	64,000		Machinery		40,000
Irfan	32,000	192,000	Stock		80,000
Current Accounts			Sundry Debtors	65,000	
Emil	40,000		Less: Reserve	(5,000)	60,000
Irfan	30,000	70,000	Bank		28,000
			Minhaj Current A/c		10,000
		358,000			358,000

Minhaj took over building for Rs. 120,000, Emil took over investments for Rs. 12,000, Machinery, Stock and Debtors realised Rs.35,000; Rs.70,000; and Rs. 50,000 respectively.

The Creditor were paid off at a discount of 3% . There was a contingent liability for a bill discounted for Rs. 5,000 was dishonoured and nothing will be recovered
from the drawee. Expenses of winding up were Rs.1,800.
Journalise the above and prepare necessary ledger accounts to close the books of the firm.

Q.9. A and B were partners from 01.04.2009 with capital of Rs. 100,000 and Rs. 50,000 respectively. They shares profits and loss in the ratio of 5:3. They carried on business for 2 years. The first year they made a profit of Rs. 50,000 and in the second year they incurred a loss of Rs.25,000. As the business was no longer profitable they divided to wind up. Creditors on that date were Rs. 15,000. The partners withdrew Rs. 5,000 each per year for their personal expenses. The assets realised Rs. 100,000. The expenses on realisation was Rs. 3,000.

Prepare Realisation A/c and show workings clearly.

Q.10. P,Q and R commenced business on 01.04.2008 with fixed capitals of Rs. 50,000; Rs. 50,000; Rs. 40,000 respectively. They agreed to share profits in the ratio of 3:3:4. During the year 2008-09, they made a profit of Rs. 18,000 before allowing interest 10% p.a. The profit for the year 2009-10 was Rs. 12,000 after allowing interest on capital. Each of partners had drawn Rs.10,000 during this period 2008-10.The partners with mutual consent agreed to windup the business. Creditors on that date were Rs. 60,000. Assets realised Rs. 200,000 and the expenses of realisation were Rs. 5,000.

Prepare B/s as on 31st March 2010 and find out the profit on loss on realisation.