DISSOLUATION

TIME 1:15 hour **TEST** **MARKS 20**

Q.1 Tick the Correct Answer

1. On dissolution of a firm, bank overdraft is transferred to: (a) Cash Account (b) Bank Account (c) Realisation Aaccount (d) Partner's capital Account.

2. On dissolution of a firm, partner's loan account is transferred to: (a) Realisation Account (b) Partner's Capital Account (c) Partner's Current Account (d) None of the above.

3. After transferring liabilities like creditors and bills payables in the Realisation Account, in the absence of any information regarding then payment, such liabilities are treated as: (a) Never paid (b) Fully paid (c) Partly paid (d) None of the above.

4. When realisation expenses are paid by the firm on behalf of a partner, such expenses are debited to: (a) Realisation Account (b) Partner's Capital Account (c) Partner's Loan Account (d) None of the above.

5. Unrecorded assets when taken over by a partner are shown in: (a) Debit of Realisation Account (b) Debit of Bank Account (c) Credit of Realisation Account (d) Credit of Bank Account.

6. Unrecorded liabilities when paid are shown in: (a) Debit of Realisation Account (b) Debit of Bank Account (c) Credit of Realisation Account (d) Credit of Bank Account.

7. The accumulated profits and reserves are transferred to: (a) Realisation Account (b) Partners' Capital Accounts (c) Bank Account (d) None of the above.

8. On dissolution of the firm, partner's capital accounts are closed through: (a) Realisation Account (b) Drawings Account (c) Bank Account (d) Loan Account. ***8***

Q 2. Record necessary journal entries in the following cases:

[a] Creditors worth Rs.85,000 accepted Rs.40,000 as cash and Investment worth Rs.43,000, in full settlement of their claim.

[b] Creditors were Rs.16,000. They accepted Machinery valued at Rs.18,000 in settlement of their claim.

[c] Creditors were Rs.90,000. They accepted Buildings valued Rs.1,20,000 and paid cash to the firm Rs.30,000. **3**

Q.4 The book value of assets (other than cash and bank) transferred to Realisation Account is Rs. 1,00,000. 50% of the assets are taken over by a partner Atul, at a discount of 20%; 40% of the remaining assets are sold at a profit of 30% on cost; 5% of the balance being obsolete, realised nothing and remaining assets are handed over to a Creditor, in full settlement of his claim. You are required to record the journal entries for realisation of assets. ***2***

Q.3 Sumit, Amit and Vinit are partners sharing profit in the ratio of 5:3:2. Their Balance Sheet as on March 31, 2007 was as follows:

Balance Sheet of Sunit, Amit and Vinit as on March 31, 2007

Liabilities	Amount	Assets	Amount
Capital		Machinery	80,000
Sumit	40,000	Investment	1,50,000
Amit	50,000	Stock	10,000
Vinit	60,000	Debtor	35,000
Profit and Loss A/c	10,000	Cash at Bank	15,000
Mrs. Amit's Loan	40,000		
Sundry Creditors	90,000		
	2,90,000		2,90,000

The firm was dissolved on that date. Amit took over his wife's loan. One of the Creditors for Rs.2,600 was not claim the amount. Other assets realised as follows:

1. Machinery was sold for Rs.70,000,

2. Investments with book value of Rs.1,00,000 were given to Creditors in full settlement of their account. The remaining Investments were took over by Vinit at an agreed value of Rs.45,000.

3. Stock was sold for Rs.11,000 and Debtors for Rs.3,000 proved to be bad,

4. Realisation expenses were Rs.1,500.

Prepare ledger accounts to close the books of the firm. ***7***