

- **Transfer of Assets:** On dissolution of partnership firm, all assets are transferred to Realisation account debit side except cash and bank balance and fictitious assets and accumulated losses.
- Sundry debtors are transferred at gross value and the provision for doubtful debts is transferred to the credit side of Realisation Account along with liabilities.
- **Intangible assets:** At the time of dissolution, goodwill given in balance sheet is also transferred to Realisation account debit side.
- **Provisions created against assets:** Provisions like provision for doubtful debts, provision for depreciation, etc are shown on credit side of Realisation account.
- **Transfer of liabilities:** All liabilities are transferred to Realisation account credit side except partners' capital account, accumulated reserves and profit
- If realised value of any asset including goodwill is not given, then its realised value of that asset will be nil.
- If payment information of any liability is not given, that liability is paid at book value.
- **For settlement with the creditor through transfer of assets:** When a creditor accepts an asset in full and final settlement of his account, journal entry needs to be recorded.
- But, if the creditor accepts an asset only as part payment of his/her dues, the entry will be made for cash payment only.
- However, when a creditor accepts an asset whose value is more than the due amount he/she pays cash to the firm for the difference.
- **Realisation Expenses:** If it is not mentioned who paid realisation expense, it is assumed realisation expenses are paid by the firm.
- If partner is paid remuneration for dissolution process and bear realisation expenses, no entry is passed for realisation expenses paid by the partner.
- **Distribution of reserves:** Free reserves like general reserve, reserve fund, etc. given in the balance sheet are distributed among the partners in their profit sharing ratio.
- If investment and investment fluctuation fund both are given, investment fluctuation fund is shown on credit side of Realisation account.
- But if only investment fluctuation fund/ reserve is given, it is distributed among partners in profit sharing ratio.
- **Fictitious assets** like profit and loss account debit balance, deferred revenue expenditure, advertisement suspense, preliminary expenses, etc are distributed among partners in profit sharing ratio.
- **Partner's loan:** If partner's loan is given, separate partner's loan account is opened.
- If a partner has given any loan to firm, his loan will be paid after payment of all the outside liabilities but before making any payment to partners on account of capital.
- If partner's wife has advanced loan to firm, it is transferred to realisation account credit side along with other liabilities.

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

1. According to Section _____ of the Partnership Act 1932, the dissolution of partnership between all the partners of a firm is called the 'dissolution of the firm'.
 (a) 49 (b) 39 (c) 29 (d) 19
2. After dissolution of partnership firm, the firm _____.
 (a) Continues (b) Comes to an end
 (c) Comes in a new form (d) All of these

3. If the firm is dissolved due to completion of particular venture for which it was created, it is the case of _____.
- Dissolution by notice
 - Dissolution by agreement
 - Compulsory dissolution
 - Dissolution on happening of certain contingencies.
4. If the firm is dissolved in accordance with a contract between the partners, it is the case of :
- Dissolution by notice
 - Dissolution by agreement
 - Compulsory dissolution
 - Dissolution on happening of certain contingencies
5. In which of the following cases, at the suit of a partner, the court may order a partnership firm to be dissolved?
- When partner commits breach of agreement
 - When partner is guilty of misconduct
 - When any partner becomes insane
 - All the above
6. In what cases a partnership firm can be dissolve?
- When business of the firm becomes illegal
 - When all the partners become insolvent
 - When business becomes unlawful due to some event
 - All of these
7. In case of Dissolution of partnership _____
- The business of firm is not terminated
 - Court does not intervene
 - Assets and liabilities are revalued
 - All of these
8. In case of Dissolution of Partnership firm _____
- The business of firm is terminated /closed.
 - Court may intervene
 - Assets are sold and liabilities are paid off
 - All of these
9. As per Section _____ of the Indian Partnership Act 1932, at the suit of a partner, the court can dissolve the firm.
- Section 42
 - Section 44
 - Section 48
 - Section 49
10. Which of the following account is prepared on dissolution of partnership firm?
- Realisation
 - Revaluation
 - Profit and loss
 - Profit and loss appropriation
11. On dissolution of firm, Profit or loss on Realisation is transferred to _____ account.
- Cash or bank account
 - Partners' capital account
 - Partner's loan account
 - None of the above
12. On dissolution of partnership firm, assets are transferred to realization account at their _____.
- Market price
 - Cost price or market price whichever is more
 - Book value
 - None of these
13. Which of the following account is prepared first on dissolution of partnership firm?
- Profit and loss account
 - Realization account
 - Cash or bank account
 - Partners' capital account
14. At the time of dissolution of partnership firm, debit balance of profit and loss account is debited to _____
- Partners' capital account
 - Realization account
 - Profit and loss appropriation account
 - None of the above
15. _____ Account is debited, when any asset is taken by the partner at the time of dissolution of the partnership firm.
- Realization
 - Partner's capital
 - Asset
 - None of these

16. What will be the journal entry if Samir takes over the loan payable to Mrs. Samir ₹10,000.
- Loan A/c debit, Samir's capital A/c credit
 - Bank A/c debit, Samir's capital A/c credit
 - Realisation A/c debit, bank A/c credit
 - Realisation A/c debit, Samir's capital A/c credit
17. Dissolution of the Partnership does not include _____
- Admission of a partner
 - Death of a partner
 - Change in Profit-Sharing Ratio
 - Dissolution of partnership firm
18. Which of the following reserve or fund is not transferred to Realisation account on dissolution of the partnership firm?
- Contingency reserve
 - Investment fluctuation fund
 - Reserve for bad and doubtful debts
 - Employee provident fund
19. Change in existing agreement between Partners is called _____
- Dissolution of Partnership
 - Dissolution of Partnership Firm
 - Admission of a Partner
 - Death of a Partner
20. Which of the following is not transferred to Realisation account?
- Machine account
 - Goodwill account
 - Bank account
 - Creditors account
21. At the time of Dissolution of Partnership Firm, accumulated Profits/losses are distributed amongst the partners in their _____ ratio.
- Profit sharing
 - New ratio
 - Old ratio
 - None of these
22. Where will you show provision for doubtful debt given in balance sheet, at the time of dissolution of firm?
- Debit side of partners' capital account
 - Credit side of partners' capital account
 - Realisation account debit side
 - Realisation account credit side
23. In case of dissolution of the partnership firm, Outstanding expenses are transferred to _____ side of _____ Account.
- Debit, Realisation
 - Debit, Partner's capital
 - Credit, Partner's Capital
 - Credit, Realisation
24. On dissolution, for paying off firm's debts, all partners are _____ liable to pay.
- Jointly and severally
 - Individually
 - Both (a) and (b)
 - None of the above
25. Accumulated losses are transferred to _____ in _____ on dissolution of firm.
- Partner's capital account, profit sharing ratio
 - Realisation account, profit sharing ratio
 - Realisation account, gaining ratio
 - Realisation account, sacrificing ratio
26. Realisation Account is _____ in nature.
- Real
 - Nominal
 - Personal
 - None of these
27. Loss on realization Account is _____ to _____ Account in the Profit-Sharing Ratio.
- Debited, Partner's Capital
 - Credited, Partner's Capital
 - Debited, Realization
 - None of these
28. Profit on realization is credited to Partner's Capital Account in their _____.
- Old ratio
 - New ratio
 - Profit sharing ratio
 - None of these
29. Partners, Loan Account is _____ account.
- Personal
 - Real
 - Nominal
 - None of these

30. Liability taken over by a partner at the time of dissolution is _____ to _____ Account.
 (a) Debited, Partner's Capital (b) Credited, Partner's Capital
 (c) Credited, Realization (d) None of these
31. A firm may be compulsory dissolved, when all the partners or all the partners except one become:
 (a) Insane (b) Insolvent
 (c) Permanently incapable (d) Guilty of misconduct
32. At the time of dissolution of firm, deficiencies if any, losses will be met first from _____
 (a) Personal property of partners (b) Bankers
 (c) Partner's capital (d) Debtors
33. At the time of dissolution of firm, if partner's capital is insufficient, losses will be met from _____
 (a) Personal property of partners (b) Borrowing from market
 (c) Partner's capital (d) Creditors
34. Firm's Property is applied first for settling _____.
 (a) Partner's loan (b) Partners' capital (c) Firm's debt (d) Private debt
35. In case of dissolution of firm _____ relationship between/among the partners comes to an end.
 (a) Social (b) Economic (c) Political (d) All of these
36. If Realisation expenses ₹12,000 were to be borne and paid by Mr. Ashish, a partner. What would be the journal entry for this transaction?
 (a) No entry
 (b) Realisation account debit, bank account credit
 (c) Bank account debit, Ashish's capital account credit
 (d) Ashish's capital account debit, bank account credit
37. Amit is a partner of a firm. He was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹25,000. He agreed to bear the dissolution expenses. Actual dissolution expenses amounted to ₹12,000 paid by him. Realization Account will be debited by _____.
 (a) ₹25,000 (b) ₹12,000 (c) ₹37,000 (d) ₹13,000
38. Book value of machine transferred to Realisation Account debit side is ₹ _____ if machine was sold for ₹30,000 (being 50 % more than the book value).
 (a) ₹15,000 (b) ₹60,000 (c) ₹20,000 (d) ₹45,000
39. At the time of dissolution of Partners' firm, closing balances of Partners' Capital Account is transferred to _____ Account.
 (a) Balance sheet (b) Realization (c) Cash / bank (d) None of these
40. At the time of Dissolution of firm, goodwill appearing in the balance sheet is transferred to _____ A/c.
 (a) Realization (b) Balance sheet
 (c) Cash / bank (d) Goodwill
41. At the time of dissolution of firm, after transferring all third party liabilities in the Realisation Account, in the absence of any information regarding their payment, such liabilities are treated as:
 (a) Never paid (b) Fully paid (c) Partly paid (d) None of the above
42. On dissolution of partnership firm, unrecorded assets are transferred to _____ Account.
 (a) Balance sheet (b) Realization
 (c) Partners' capital (d) None of these
43. On dissolution of partnership firm, if only Investment Fluctuation Reserve is given on the liabilities side of the balance sheet, it is transferred to _____ Account
 (a) Balance sheet (b) Realization
 (c) Cash / bank (d) Partner's capital

44. On dissolution of partnership firm, if Investments and Investment Fluctuation Reserve both are given in the balance sheet, Investment Fluctuation Reserve is transferred to _____ Account
 (a) Balance sheet (b) Realization (c) Cash / bank (d) Partner's capital
45. Court may pass order of the dissolution of the firm where _____.
 (a) Expiry of the term for which the firm was constituted
 (b) When the business of the firm can't be carried on except at a loss
 (c) On completion of the venture
 (d) With the consent of all partners
46. Section 48 of the Indian Partnership act 1932 deals with _____
 (a) Settlement of account when the firm is dissolved
 (b) Payment of firms debts and private debts
 (c) Dissolution of the firm
 (d) Dissolution of partnership
47. What effect will be given, when a liability is discharged by a partner?
 (a) Credited to his account (b) Debited to his account
 (c) No effect (d) None of the above
48. Section 41 of Partnership act 1932 deals with dissolution of a firm
 (a) By mutual agreement (b) Compulsory dissolution
 (c) By notice (d) By order of court
49. _____ is paid first in case of dissolution of partnership firm?
 (a) Realisation expenses (b) External liabilities
 (c) Secured loan (d) Partner's loan
50. In case of dissolution of partnership firm, third party Liabilities of the firm do not include _____
 (a) Reserves (b) Credit Balance of P&L Account
 (c) Partners loan (d) All of the Above.
51. When actual realization expenses are paid by the partner, who will be paid remuneration for the dissolution work.

 (a) Realization Account will be debited, Cash Account will be credited
 (b) No entry for realization expenses
 (c) No entry for remuneration
 (d) None of the above
52. On dissolution of partnership firm, Partner's loan Account is transferred to _____
 (a) Bank Account (b) Realisation Account
 (c) Partner's loan Account (d) Partner's capital account
53. Dissolution of the Partnership firm means _____
 (a) Change in existing ratio of partners
 (b) Dissolution of Partnership among all the partners
 (c) Death of a Partner
 (d) Admission of a partner
54. At the time of dissolution of partnership firm, Partners' wife's loan is transferred to :
 (a) Partner's capital account (b) Realisation account
 (c) Partner's loan account (d) None of the above
55. On dissolution of firm, third party liabilities are shown in Realisation Account _____
 (a) Debits side of Realisation Account (b) Credit side of Realisation Account
 (c) Debit side of Partner's Capital Account (d) Credit side of Partner's Capital Account

56. On dissolution of firm, Accumulated Profit /Loss are transferred to Partner's Capital Account in
 (a) New Ratio (b) Gaining Ratio
 (c) Profit Sharing Ratio (d) None of the above
57. On Dissolution of partnership firm, goodwill appearing in balance sheet is transferred to _____.
 (a) Credit side of Bank Account (b) Debit side of Partners Capital Account
 (c) Debit side of Realisation Account (d) Credit side of Realisation Account
58. If a partner undertakes to pay the liability of a firm on dissolution, it will be recorded as _____.
 (a) Realisation A/c Dr., To Bank/Cash A/c (b) Realisation A/c Dr., To Partner's Capital A/c
 (c) Bank/Cash Dr., To Partner's Capital A/c (d) None of the above
59. A, B and C are partners. The firm had given a loan of ₹90,000 to B. They decided to dissolve the firm. In the event of dissolution, the loan will be settled by:
 (a) Transferring it to debit side of Realization account
 (b) Transferring it to credit side of Realization account
 (c) Transferring it to debit side of B's capital account
 (d) B will pay A and C privately
60. On dissolution of partnership firm, advertisement suspense appearing in the balance sheet is shown in _____.
 (a) Realisation Account (b) Partner's Capital Account
 (c) Bank Account (d) Revaluation Account
61. What journal entry will you pass, if asset is handed over to creditors as full payment?
 (a) Creditors account debit, asset account credit (b) No entry
 (c) Realisation account debit, asset account credit (d) None of the above.
62. On dissolution of partnership firm, the personal debt of a partner will be paid out of _____.
 (a) Partner's personal asset (b) Firm profit
 (c) Both (a) and (b) (d) All of the above
63. If Workmen Compensation Reserve was not given in balance sheet & liability towards workmen compensation arises of ₹2,50,000, the Journal Entry will be _____.
 (a) WCR A/c Dr., To Partner Capital A/c (b) Realisation A/c Dr., To Bank A/c
 (c) Bank A/c Dr., To Realisation A/c (d) No Entry
64. At the time of dissolution of firm, Debtors of ₹50,000 are realized at a loss of 2%. What amount is realized from debtors?
 (a) ₹52,000 (b) ₹51,000 (c) ₹49,000 (d) ₹39,000
65. Total assets are worth ₹3,00,000 and external liabilities worth ₹1,20,000. At the time of dissolution of firm, if assets realised at 120% and Realisation expenses paid by firm were ₹14,000, then profit/loss on Realisation will be:
 (a) Profit ₹56,000 (b) Loss ₹60,000 (c) Loss ₹46,000 (d) Profit ₹46,000
66. When partner is paid remuneration for dissolution work and Realisation expenses are to be borne by partner, agreed remuneration to partner is debited to _____ and credited to _____.
 (a) Realisation A/c, Partners capital a/c (b) Realisation A/c, Cash a/c
 (c) Partner's capital A/c, Realisation a/c (d) None of the above
67. If a partner has agreed to undertake the dissolution work for an agreed remuneration and to bear the Realisation expenses, Realisation expenses paid by the firm is debited to _____ and credited to _____.
 (a) Realisation A/c, Partners capital a/c (b) Realisation A/c, bank a/c
 (c) Partner's capital A/c, bank a/c (d) None of the above
68. On dissolution of the firm, partner's capital accounts are closed through:
 (a) Realisation Account (b) Drawings Account
 (c) Bank Account (d) Loan Account

69. On dissolution of partnership firm, an unrecorded asset of ₹20,000 taken by a partner Raj is debited to _____
 (a) Raj's capital account (b) Realisation account
 (c) Bank account (d) None of the above
70. On dissolution of partnership firm, an unrecorded liability of ₹4,000 paid by a partner Vishnu is credited to _____
 (a) Realisation account (b) Vishnu's capital account
 (c) Cash account (d) None of these
71. Machinery (book value) ₹1,60,000 sold for ₹3,00,000 through a broker who charged 2% commission on the deal. What will be the entry for this transaction, at the time of dissolution of the firm?
 (a) Cash A/c Dr 2,94,000; To Realisation A/c 2,94,000
 (b) Cash A/c Dr 3,00,000; To Realisation A/c 3,00,000
 (c) Cash A/c Dr 1,66,800; To Realisation A/c 1,66,800
 (d) No entry
72. At the time of dissolution of a partnership firm, the book value of sundry assets transferred to Realisation Account was ₹4,00,000. 50% of these sundry assets were taken by partner M at 20% discount and remaining 50% assets were sold at a profit of 30% on cost. What amount will be debited to M's capital account and Bank account?
 (a) M's capital A/c Dr ₹2,00,000; Bank A/c Dr ₹2,60,000
 (b) M's capital A/c Dr ₹1,60,000; Bank A/c Dr ₹2,60,000
 (c) M's capital A/c Dr ₹1,60,000; Bank A/c Dr ₹1,40,000
 (d) M's capital A/c Dr ₹2,00,000; Bank A/c Dr ₹60,000
73. On dissolution of a firm, partner's loan account ₹50,000 is transferred to _____
 (a) Realisation Account (b) Partner's Capital Account
 (c) Partner's Current Account (d) Partner's loan account
74. On dissolution of partnership firm, Goodwill shown in the balance sheet of the firm is ₹1,00,000. It is already transferred to debit side of Realisation account along with other assets. But, no information is given for amount realised for goodwill. How will you deal with this situation on dissolution of the partnership firm?
 (a) Credit Realisation account with ₹1,00,000
 (b) Assume realised value of goodwill as nil
 (c) Write off goodwill among all partners in profit sharing ratio
 (d) Assume 50% of goodwill realised and credit Realisation A/c
75. The Balance sheet of X and Y sharing profit equally showed ₹12,000 for profit and loss Account credit balance, at the time of dissolution of partnership firm. What Journal entry will be passed for the balance of profit and loss account?
 (a) Profit and loss account Dr ₹12,000; To X's capital A/c 6,000; To Y's capital A/c 6,000
 (b) X's capital A/c Dr 6,000; Y's capital A/c Dr 6,000; To Profit and loss account ₹12,000
 (c) Realisation A/c Dr ₹12,000; To Profit and loss Account ₹12,000
 (d) Profit and loss A/c Dr 12,000; To Realisation A/c 12,000
76. N a partner, agreed to look after the dissolution work for which he was allowed a remuneration of ₹3,000. N also agreed to bear the dissolution expenses. Actual expenses on dissolution ₹3,100 were paid by N. What journal entry will be passed?
 (a) Realisation A/c – Dr. 3,000 To N's Capital 3,000
 (b) Realisation A/c – Dr. 3,100 To N's Capital 3,100
 (c) Realisation A/c – Dr. 100 To N's Capital 100
 (d) N's Capital A/c – Dr 3,000 To Realisation A/c 3,000
77. An unrecorded asset was valued at ₹2,00,000. On the firm's dissolution, it was sold for 50%. Realisation account will be credited with ₹ _____
 (a) 2,00,000 (b) 1,00,000 (c) 50,000 (d) 3,00,000

78. On dissolution of a firm, sundry creditors amounted to ₹1,00,000. These were paid at a discount of 20%. What entry will be passed?
- Realisation a/c debit, cash/bank a/c credit ₹1,00,000
 - Realisation a/c debit, cash/bank a/c credit ₹80,000
 - Cash / bank a/c debit, Realisation a/c credit ₹1,00,000
 - Cash / bank a/c debit, Realisation a/c credit ₹80,000
79. Creditor of the firm ₹40,000 accepts computer worth ₹40,000 of the firm in full and final payment of his dues on dissolution of partnership firm. What journal entry will be passed for this transaction on dissolution of the firm?
- No entry will be passed for this transaction.
 - Creditors A/c Dr 40,000; To computer A/c 40,000
 - Creditors A/c Dr 40,000; To Realisation A/c 40,000
 - Realisation A/c Dr 40,000; To computer A/c 40,000
80. The balance sheet of the firm shows Machinery ₹20,00,000; provision for depreciation ₹20,000; Sundry debtors ₹3,00,000 and provision for doubtful debts at ₹10,000 before dissolution. What amount will be realised for provision for depreciation and provision for doubtful debts transferred to Realisation account credit side?
- ₹22,70,000
 - ₹30,000
 - ₹19,80,000
 - Nil
81. At the time of dissolution of the partnership firm, the balance sheet of the firm showed Investment Fluctuation Reserve ₹60,000 and Investment ₹1,50,000 which are already transferred to Realisation account. No information is given for realizable value of investment and IFR. On dissolution of the firm, realisable value of investment and IFR would be shown ₹_____ and ₹_____ respectively in Realisation Account.
- Nil and nil
 - 60,000 and 1,50,000
 - Nil and 1,50,000
 - 1,50,000 and 60,000
82. Expenses of dissolution ₹13,400 were paid by a partner Vijay on dissolution of the firm. What will be the journal entry for this transaction?
- Realisation A/c Dr. ₹13,400 To Vijay's Capital A/c ₹13,400
 - No entry
 - Vijay's Capital A/c Dr ₹13,400 To Realisation A/c ₹13,400
 - Realisation A/c Dr. ₹13,400 To cash A/c ₹13,400
83. Ajay, Vijay and Sanjay are partners. Their firm was dissolved due to order of court. Realisation expenses of ₹15,000 were paid by firm on behalf of Vijay, a partner. Which of the following journal entry will be passed?
- Realisation A/c Dr. ₹15,000 To Cash ₹15,000
 - Realisation A/c Dr. ₹15,000 To Vijay's Capital A/c ₹15,000
 - Vijay's Capital A/c Dr. ₹15,000 To Cash/Bank A/c ₹15,000
 - Cash / bank A/c Dr ₹15,000 To Vijay's capital A/c ₹15,000
84. At the time of dissolution of the firm, one of the creditors took over investments of ₹2,00,000 not recorded in the books in full settlement of his debt of ₹2,20,000. What amount will be payable to the creditors?
- Nil
 - ₹4,20,000
 - ₹20,000
 - ₹2,20,000
85. Expenses of dissolution ₹13,400 were paid by a partner Smith on dissolution of the firm who was appointed for dissolution work at an agreed remuneration of ₹10,000. What will be the journal entry for expenses of dissolution/realisation expenses?
- Realisation A/c Dr. ₹13,400 To Smith's Capital A/c ₹13,400
 - No entry
 - Smith's Capital A/c Dr ₹13,400 To Realisation A/c ₹13,400
 - Realisation A/c Dr. ₹13,400 To cash A/c ₹13,400

86. Provision for doubtful debts appearing in the books at the time of dissolution of firm is transferred to
 (a) Debtors Account (b) Bad Debts Accounts
 (c) Realisation Account (d) Partner's Capital Accounts
87. A, a creditor (already transferred to Realisation Account) for ₹25,000 accepted Machine (already transferred to Realisation Account) at ₹36,000, in full settlement of his claim. What journal entry will be passed?
 (a) No entry
 (b) Creditors A/c Dr ₹25,000 To Machine A/c ₹25,000
 (c) Realisation A/c Dr ₹36,000 To cash A/c ₹36,000
 (d) Realisation A/c Dr ₹25,000 To cash A/c ₹25,000
88. X and Y are equal partners of the firm, decided to dissolve the firm on 31st march 2021. Their assets and liabilities on the date were: sundry creditors ₹32,000; Y's loan ₹10,000 (₹); sundry assets ₹1,24,000. What will be the capital balance of partners on 31st March 2021?
 (a) ₹1,66,000 (b) ₹1,14,000 (c) ₹82,000 (d) ₹92,000
89. B, a creditor (already transferred to Realisation Account) for ₹25,000 accepted furniture (already transferred to Realisation Account) at ₹20,000 in settlement of his claim. What journal entry will be passed?
 (a) Realisation A/c – Dr. ₹25,000 To Cash A/c ₹25,000
 (b) Realisation A/c – Dr. ₹20,000 To Cash A/c ₹20,000
 (c) Cash A/c Dr ₹5,000 To Realisation A/c ₹5,000
 (d) No entry
90. Sundry debtors are appearing at ₹3,16, 000 and provision for doubtful debts at ₹16,000 in the balance sheet of A and B before dissolution. The sundry debtors will be transferred at which figure in the Realisation account?
 (a) ₹3,00, 000 (b) ₹3,16, 000
 (c) ₹3,32, 000 (d) ₹2,16, 000
91. C, a creditor (already transferred to Realisation Account) for ₹30,000 agreed to take Machinery (already transferred to Realisation Account) at ₹48,000 (book value ₹50,000) in settlement of his claim. What journal entry will be passed?
 (a) No entry
 (b) Cash A/c – Dr. ₹18,000 To Realisation A/c ₹18,000
 (c) Realisation A/c Dr ₹30,000 To cash ₹30,000
 (d) Cash A/c – Dr. ₹48,000 To Realisation A/c ₹48,000

INPUT-TEXT BASED MCQs

Read the following text and answer the following questions (92 to 96) on the basis of the same:

A, B and C are partners in a firm. Their profit-sharing ratio is equal. On 31st March, 2019 their statement of affair as follows :

Liabilities		Amount	Assets		Amount
		₹			₹
B/P		1,000	Cash		4,000
Creditors		32,000	Machinery		20,000
Reserve Funds		9,000	Furniture		8,000
Capital:			Debtors		20,000
	₹		B's Capital		3,000
A	8,000		B/R		1,000
C	6,000	14,000			
		56,000			56,000

The partnership firm was dissolved by B's becoming insolvent. The assets realised as follow : On Machinery ₹15,000, on Furniture ₹3,200 and Debtors ₹12,000. Creditors were paid a discount of 5%. Payment of B/R is received and payment of B/P is made out of the amount received.

You have to calculate—

92. Reduction in the value of furniture :

- (a) ₹4,800 (b) ₹3,200 (c) ₹8,000 (d) ₹3,000

93. Total amount paid to creditors:

- (a) ₹5,000 (b) ₹1,600 (c) ₹32,000 (d) ₹30,400

94. Value of debtors reduced by:

- (a) ₹12,000 (b) ₹8,000 (c) ₹20,000 (d) None of these

95. Reduction amount in the value of machinery:

- (a) ₹5,000 (b) ₹25,000 (c) ₹20,000 (d) ₹15,000

96. Part of each partner in reserve fund:

- (a) ₹9,000 (b) ₹10,000 (c) ₹3,000 (d) ₹50,000

Read the following text and answer the following questions (97 to 100) on the basis of the same:

D, E and F are partners in a firm sharing profits in 5 : 3 : 2 ratio. On 1 April, 2013, the firm was dissolved. After transferring assets (other than cash) and third party liabilities to be the 'Realisation Account the following information is provided.

1. There was a debit balance of ₹20,000 in the firm's profit & loss account
2. A piece of machinery not recorded in the books was sold for ₹5,000
3. Debtors of ₹40,000 paid ₹38,000 in full settlement of accounts.

97. What is amount of E's capital for profit & loss A/c balance?

- (a) ₹6,000 (b) ₹4,000 (c) ₹10,000 (d) None of these.

98. What is the ratio which is use to distribute profit among the partners?

- (a) 5 : 3 : 2 (b) 5 : 2 : 3 (c) 1 : 1 : 1 (d) None of these.

99. What is the realisation amount from debtors?

- (a) ₹40,000 (b) ₹2,000 (c) ₹38,000 (d) ₹78,000

100. Sale of machinery is the transaction of which account, according to this chapter?

- (a) Realisation A/c (b) Partner's capital A/c (c) Bank A/c (d) Balance Sheet

ANSWERS

Multiple Choice Questions

- | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (b) | 2. (b) | 3. (d) | 4. (b) | 5. (d) | 6. (d) | 7. (d) | 8. (d) | 9. (b) | 10. (a) |
| 11. (b) | 12. (c) | 13. (b) | 14. (a) | 15. (b) | 16. (d) | 17. (d) | 18. (a) | 19. (a) | 20. (c) |
| 21. (a) | 22. (d) | 23. (d) | 24. (a) | 25. (a) | 26. (b) | 27. (a) | 28. (c) | 29. (a) | 30. (b) |
| 31. (b) | 32. (c) | 33. (a) | 34. (c) | 35. (b) | 36. (a) | 37. (a) | 38. (c) | 39. (c) | 40. (a) |
| 41. (b) | 42. (d) | 43. (d) | 44. (b) | 45. (b) | 46. (a) | 47. (a) | 48. (b) | 49. (a) | 50. (d) |
| 51. (b) | 52. (c) | 53. (b) | 54. (b) | 55. (b) | 56. (c) | 57. (c) | 58. (b) | 59. (c) | 60. (b) |
| 61. (b) | 62. (a) | 63. (c) | 64. (c) | 65. (d) | 66. (a) | 67. (c) | 68. (c) | 69. (a) | 70. (b) |
| 71. (a) | 72. (b) | 73. (d) | 74. (b) | 75. (a) | 76. (a) | 77. (b) | 78. (b) | 79. (a) | 80. (d) |
| 81. (a) | 82. (a) | 83. (c) | 84. (a) | 85. (b) | 86. (c) | 87. (a) | 88. (c) | 89. (c) | 90. (b) |
| 91. (b) | | | | | | | | | |

Input-Text Based MCQs

92. (a) 93. (d) 94. (b) 95. (a) 96. (c) 97. (a) 98. (a) 99. (a) 100. (c)

HINTS TO SOME SELECTED QUESTIONS

6. Case of compulsory dissolution.
9. Section 44 states that at the suit of a partner, the court may dissolve the firm.
18. It is free reserve distributed among partners in profit sharing ratio.
32. In case of deficiencies of losses including deficiencies of capital are to be paid first from the capital are to be paid first from the capital of the partners.
33. In case of deficiencies or losses including deficiencies of capital are to be paid first from the capital of the partners. When it is difficult to recover losses from capital of partners, their personal property can be used to cover losses).
36. As partner has to bear the expenses, it becomes his personal expense; hence no entry will be recorded.
71. 3,00,000 – 2% of 3,00,000.
72. 50 % of 4,00,000 = 2,00,000. M took over 2,00,000 – 20 % discount ₹40,000 = 1,60,000. Sold in market 2,00,000 + (30% of 2,00,000) ₹60,000 = 2,60,000.
74. If realised value of any asset including goodwill is not given, then its realised value of that asset will be considered as nil.
75. At the time of dissolution of partnership firm, accumulated profit appearing in the balance sheet is distributed among the partners in their profit sharing ratio
76. When partner is assigned dissolution work at an agreed remuneration, no entry will be passed for actual realisation expenses paid by a partner.
77. 50% of ₹2,00,000
78. 20% of ₹1,00,000 = ₹20,000 less will be paid to creditors.
79. When a creditor accepts an asset in full and final settlement of his account, journal entry needs to be recorded
80. Provisions created on assets are just transferred to Realisation account but nothing is realised of it on dissolution
81. If realisable value of any asset is not given it is assumed nothing is realised from that asset. IFR is only transferred to Realisation account credit side but not realised as it is reserve created to cover loss on fall in the value of investments.
82. When any partner pays realisation expenses on behalf of firm, firm reimburse him by crediting his capital account.
83. Firm will recover amount by debiting partner's capital account.
84. Creditor has accepted 2,00,000 as full settlement his due amount, so now nothing left to pay to him.
85. When any partner is appointed for dissolution work at an agreed remuneration, no entry is passed for realisation expenses paid by him.
86. Provisions created against assets like provision for doubtful debt, depreciation provision, etc are transferred to realisation account credit side.
87. No entry will be passed if creditors are settled by assets of the firm
88. Capital = assets – liabilities. (1,24,000 – 42,000 = 82,000).
89. Furniture accepted by B for ₹20,000 for which no entry and Balance ₹5,000 paid in cash.
90. On dissolution debtors are transferred at gross value on debit side of Realisation account and provisions are transferred to credit of Realisation account.
91. Creditors of ₹30,000 accepted Machinery for ₹48,000 for which no entry and Balance ₹18,000 received in cash from him.

