Max Time 1.5 Hrs. | **Dissolution of Partnership firm** | **Max Marks 40**

Q.1 X & Y are partners sharing profits in the ratio of 3 : 2. On 1st April, 2017 their balance sheet was as under:-

Liabilities		***Amount***	***Assets***		***Amount***
Bills payable		15,000	Cash		12,000
Creditors		1,05,000	Plant and machinery		58,000
Mrs. X's Loan		25,000	Debtors	58,000	
Emp. Provident Fund		10,000	prov. for d/d	5,000	53,000
Prov. for Dep. on			Investments		10,000
Plant & Machinery		15,000	Building		90,000
Reserve Fund		30,000	Stock		72,000
Capitals:			Furniture		15,000
X	50,000		Profit & Loss A/c		15,000
Y	75,000	1,35,000			
		3,25,000			3,25,000

On this date partners decided to dissolve the firm on the following terms:-

(a) Creditors agreed to take over building at `95,000 and balance of the creditors were paid 10% less in cash.

(b) Part of the stock taken by X at `22,000 being book value less 10% and a special allowance of `500 and he also agreed to discharge the loan of his wife.

(c) Assets realized as follows:
Plant for `45,000; Furniture for `14,000; Remaining stock at 10% more than book value.

(d) Debtors of `10,000 were proved bad.

(e) Liability on account of provident fund discharged in full.

(f) Dissolution expenses are to be paid by Y, for which he is allowed a commission of `5,000. Actual expenses were `7,500 paid by the firm.

Close the books of the firm by preparing necessary ledger accounts.

[10]

Q.2 A, B and C sharing profits in the proportion of 3:2:1 agreed to dissolve their partnership on 31st December 2017 on which date their Balance sheet was as under:

Capital Accounts:		Investments		20,830
A	40,000	Machinery		40,500
B	20,000	Stock in trade		7,550
Mrs. A's Loan	10,000	Joint Life Policy		14,000
Life Policy Fund	14,000	Debtors	9,300	
Investment Fluctuation	6,000	Less Reserve	600	8,700
Fund		Cash at Bank		5,420
Creditors	18,500	Current Account – C		11,500
	1,08,500			1,08,500

The Life Policy is surrendered for `12,000. The investments are taken over by A for `17,500. A agreed to discharge his wife's loan. B takes over all the stock at `7,000 and debtors amounting to `5,000 at `4,000. Machinery is sold for `55,000. The remaining debtors realized 50% of book value. The expenses of realization amount to `600. It is found that an investment not recorded in the books is worth `3,000, the same is taken over by one of the creditors at this value. ***Prepare*** necessary accounts.

[8]

Q.3 Apollo, Binaca and Colgate, the three partners, give you the following Balance Sheet as on Dec. 31, 2017

		`		`
Apollo's Loan		15,000	Plant & Machinery	30,000
Reserve Fund		27,000	Furniture	12,000
Capital Accounts:			Stock	12,000
Apollo	26,000		Debtors	18,000
Binaca	10,000	36,000	Joint Life Policy	15,000
Sundry Creditors		17,000	Patents & trade Marks	12,000
Loan on Hypothecation of stock		7,000	Cash at Bank	13,000
Joint Life Policy Reserve		12,000	Capital Account – Colgate	2,000
		1,14,000		1,14,000

The partners shared profits and losses in the ratio 5: 3: 2. The firm was dissolved and you are given the following information:

(i) Colgate had taken a loan from insurance company for `6,000 on the security of the Joint Life Policy. The policy was surrendered and the company paid a sum of `10,000 after deducting `6,000 for Colgate's loan and `500 interest thereon.

(ii) One of the creditors took some patents whose book value was `10,000 at `8,000. The balance to that creditor was paid in cash.

(iii) The firm had a typewriter which was depreciated to its full cost. One of the creditors agreed to take it at an agreed value of `5,000.

(iv) The remaining assets were realized as under:

Plant and Machinery	15,000
Furniture	5,000
Stock	10,000
Debtors	17,500
Patents	40% of book value

(v) The liabilities were paid and a total discount of `450 was allowed by the creditors.

(vi) Apollo was entitled to 2% commission on all assets realized in cash except joint life policy.

(vii) The expenses of realization amounted to `2,284.

Prepare the necessary accounts to close the books of the firm.

[12]

Q.4 Asha, Rekha and Saroj sharing Profit in the proportion of 1/6: 1/3: 1/2, agreed upon dissolution of their partnership on 31st December, 2017 on which date their Balance Sheet was as follows:

Liabilities	Details	Amount	Assets	Details	Amount
Capital accounts:			Sundry assets		37,500
Asha	30,000		Joint Life Policy		7,500
Rekha	22,500	52,500	Debtors	7,500	
			Less: Provisions	375	7,125
Mrs. Asha's husband loan		5,000	Stock (at Invoice price)		7,500
Creditors:	14,250		Investments		6,000
Provision for discount	375	13,875	Capital account: Saroj		1,500
Joint Life Policy Fund		7,500	Cash in hand		7,625
Salary outstanding		1,500	Cash at Bank		17,625
Investment fluctuation fund		3,000			
Reserve fund		7,500			
Stock Reserve		1,500			
		92,375			**92,375**

Additional information:

(i) Investments were taken over by Asha at `4,500.

(ii) Creditors of `7,500 were taken over by Rekha, who has agreed to settle the account with them at `7,425. Remaining creditors were paid `5,625.

(iii) Joint Life Policy was surrendered and Sundry assets realised `52,500.

(iv) Stock and Debtors realized `5,250 and `6,750 respectively.

(v) A customer, whose account was written off as bad, now paid `600, which is not included in `7,500 above.

(vi) It was found that an investment not recorded in the books was worth `2,250 half of which was handed over to an unrecorded liability of `3,750 in settlement of his claim of `1,875 and remaining half was sold in the market, which realized `975.

(vii) The expenses of realization amounted to `825.

Prepare Realization Account, Cash Account and Partners Capital Account to close the books of firm.

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