

**National Institute of Open Schooling (NIOS)
Senior Secondary
Worksheet-25**

L-25 DISSOLUTION OF PARTNERSHIP FIRM

1. Ram and Aman, two business partners of a firm, decided to discontinue the business of the firm. Now it becomes necessary to them to settle its accounts. In order to record the disposal of assets and discharge of liabilities, which journal entries are to be recorded? Make a detailed report for journal entries to them.
2. After all the adjustments related to partners' capital accounts and transfer of profit or loss on realisation to the partners' capital accounts, the capital accounts are to be closed. Write the proper method in which manner capital accounts should be closed.
3. Write the meaning of 'Dissolution of partnership' and 'dissolution of partnership firm'. Prepare a list of steps in chronological manner for both 'Dissolution of partnership' and 'dissolution of partnership firm'.
4. What are the distinctions Between Dissolution of Partnership and Dissolution of Partnership Firm? Prepare a chart/table.
5. The balance in the realisation account would show either profit or loss on dissolution. If the total of the credit side is more than the debit side, then there is a profit. Prepare a format of realization account for journal entries.
6. Tanu, Manu and Chetan are in partnership sharing profit in the proportion of 1/2, 1/3, 1/6 respectively. They dissolve the partnership firm on the December 31, 2014, when the balance sheet of the firm stood as under:

Balance Sheet as on December 31, 2014

<i>Liabilities</i>		<i>Amount</i> (₹)	<i>Assets</i>		<i>Amount</i> (₹)
Sundry Creditors		30,000	Bank		37,500
Bills payable		25,000	Sundry debtors		58,000
Manu's loan		40,000	Stock		39,500
Capital			Investment		42,000
Tanu	90,000		Machinery		48,000
Manu	75,000		Freehold property		90,000
Chetan	<u>55,000</u>	2,20,000			
		<u>3,15,000</u>			<u>3,15,000</u>

The machinery was taken over by Manu for ₹ 45,000, Tanu took over the investment for ₹ 40,000 and freehold property was taken over by Chetan at ₹ 95,000. The remaining assets realised as follows: Sundry Debtors ₹ 56,500 and Stock ₹ 36,500. Sundry creditors were settled at discount of 5%. Bills payable is taken over by Chetan for ₹ 23,000. Their liabilities amounting to ₹ 3,000 not shown in books are also to be paid. An office computer, not shown in the books of accounts, realised ₹ 9,000. Realisation expenses amounted to ₹ 3,000.

Prepare Realisation Account, Partners Capital account and Bank Account in the books of Tanu, Manu and Chetna as data given above.

7. The dissolution of partnership among all partners of a firm is called dissolution of the firm. Under what circumstances can the court dissolve the partnership firm?
 8. What is compulsory dissolution of a firm? In which cases a firm is dissolved compulsorily?
 9. What is the 'Treatment of Unrecorded Assets and Liabilities'? Prepare a format for journal entries for such cases.
10. Write the meaning of following terms:
- Dissolution of a firm
 - partnership agreement
 - reconstitution of firm
 - books of accounts
 - Realisation Account
 - unrecorded asset
 - Partners capital accounts