

1	a)	Realization A/c      Dr.. To Land and Buildings A/c	160000	160000
	b)	Bank A/c      Dr.. To Realization A/c	294000	294000

**Working Note :**

i) Calculation of net proceeds from sale after Brokers Commission

Sale Value of land and building	300000
Commission @ 2%	6000
Net Proceeds	294000

ii) Brokers commission is always calculated in sale value and not on book value

2	a)	Realization A/c      Dr.. To X's Capital A/c	10000	10000
	b)	Realization A/c      Dr.. To Machinery A/c	15000	15000

Rakesh A/c	Dr..	22000	
	To Realization A/c		22000
Realization A/c	Dr..	10000	
	To Bank A/c		10000
(Being balance payment made to Rakesh)			

**Working Note :**

- i) No entry passed for transferring the machinery to Rakesh for settlement of part dues
- ii) When the balance payment made to Rakesh then the entry no 3 as above can be passed

3	a)	Realisation A/c Dr	5000	
		To Cash/Bank A/c		5000
	b)	Realisation A/c Dr	600	
		To Mohan Capital A/c		600
	c)	Realisation A/c Dr	2000	
		To Mohan Capital A/c		2000
	d)	Realization A/c Dr..	50000	
		To Motor Car A/c		50000

Creditor A/c	Dr..	40000	
	To Realization A/c		40000
No entry for settlement of asset against liability			

Working Note :

Point No d)

First we transfer motor car to realization A/c at book value

Then we transfer creditor to realization A/c at book value

Then no entry will be passed for settlement of creditor against motor car

4	a)	Mohan's Capital A/c	Dr..	10000	
			To Cash/Bank A/c		10000
		(Realization expenses borne by Mohan and paid by firm)			
	b)	Realization A/c	Dr..	25000	
			To Mahesh Capital A/c		25000
	c)	Realization A/c	Dr..	20000	
			To Suresh Capital A/c		20000
		Suresh's Capital A/c	Dr..	5000	

	To Cash/Bank A/c		5000
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5	a)	Realization A/c Dr..	2500	
		Alok Capital A/c Dr	7500	
		To Cash/Bank A/c		10000
		(Being payment made on behalf of Alok, but he agreed for less expenses so balance amount borne by firm)		
	b)	Realization A/c Dr..	2000	
		Ravinder Capital , Dr	3000	
		To Cash/Bank A/c		5000
		(Being realization expenses partly borne by firm)		
	c)	Realisation A/c Dr	10000	
		To Amit Capital A/c		10000

**Working Note :**

In the absence of information

In point no b) it is assumed that expenses are first paid by the firm and later on will be partly recovered from Mr Ravinder

Alternately, one can assume that firm has paid its share and Mr Ravinder will pay his share directly.

The journal entry will change with that assumption

6 (a)

i)	Creditors A/c                      Dr.. To Realization A/c (Being creditors transferred to realization A/c)	85000	85000
ii)	Realization A/c                      Dr.. To Investment A/c (Being investment transferred to realization A/c at BV)	43000	43000
iii)	Realisation A/c    Dr To Cash A/c	40000	40000

Working Note :

No entry to be passed when assets transferred to settle a liability.

So no entry required for settling creditors against investment

6 (b)

a)	Creditors A/c                      Dr.. To Realization A/c (Being creditors transferred to realization A/c)	16000	16000
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b)	Realization A/c	Dr..	18000	
	To Machinery A/c			18000
	(Being machinery transferred to realization A/c at BV)			

Working Note :

No entry to be passed when assets transferred to settle a liability.  
So no entry required for settling creditors against machinery

6 (c)

i)	Creditors A/c	Dr..	90000	
	To Realization A/c			90000
	(Being creditors transferred to realization A/c)			
ii)	Realization A/c	Dr..	120000	
	To Building A/c			120000
	(Being building transferred to realization A/c at BV)			
iii)	Cash A/c	Dr	30000	
	To Realization A/c			30000

Working Note :

No entry to be passed when assets transferred to settle a liability.  
So no entry required for settling creditors against building

- 7 Here question specifically ask to pass the entry after all assets and liabilities are already transferred  
So we will pass entries only for settlement

a)	Cash/Bank A/c           Dr.. To Realization A/c (Being cash realized on sale of assets)	50000	50000
b)	Realization A/c                 Dr.. To Cash/Bank A/c (Being cash paid for settlement of liabilities)	10000	10000
c)	Realisation A/c To X's Capital A/c (Being commission paid to partner)	2500	2500
d)	<b>If we assume expenses initially paid by firm :</b> Amrit Capital A/c                 Dr.. To Cash A/c (Being realization expenses paid by firm)	15000	15000
	Realisation A/c                 Dr.. To Amrit Capital A/c (Being Realization expenses reimbursed to Amrit)	10000	10000

**Or Single Entry**

Realisation A/c	Dr..	10000	
Amrit Capital A/c	Dr..	5000	
	To Cash/Bank A/c		15000
(Being realization expenses reimbursed to Amrit)			

**If we assume expenses initially paid by Amrit :**

Realization A/c	Dr..	10000	
	To Amrit Capital A/c		10000
(Being Realization expenses reimbursed to Amrit)			

e)	Realization A/c	Dr..	10000	
		To Cash/Bank A/c		10000
(Being payment of EPF)				

f)	Bank A/c		3600	
		To Realisation A/c		3600
(Being realization of Bad Debts - unrecorded assets)				

g)	Cash/Bank A/c	Dr..	15000	
		To Realization A/c		15000
(Being cash realized on sale of investment)				



h)	<b>If we assume expenses initially paid by firm :</b>		
	Krishan Capital A/c                      Dr..	10000	
	To Cash A/c		10000
	(Being realization expenses paid by firm)		
	Realisation A/c                      Dr..	7500	
	To Krishan Capital A/c		7500
	(Being Realization expenses reimbursed to Krishan)		
	<b>Or Single Entry</b>		
	Realisation A/c                      Dr..	7500	
	Amrit Capital A/c                      Dr..	2500	
	To Cash/Bank A/c		10000
	(Being realization expenses reimbursed to Krishan)		
	<b>If we assume expenses initially paid by Krishan :</b>		
h)	Realisation A/c	7500	
	To Krishan A/c		7500
	(Being realization expenses reimbursed to Krishan)		

**Working Note:**

- Note the language on point no (d). It says reimbursement to partner  
This means that the expenses were initially paid by the partner  
Though the partner incurred higher expenses but firm agreed to reimburse only lesser amount

2 Please note that Employee Provident Fund is a third party liability

- 8 Here question specifically ask to pass the entry after all assets and liabilities are already transferred  
So we will pass entries only for settlement

a)	Realization A/c Dr.. To Cash/Bank A/c (Being cash paid for settlement of Bank Loan)	12000	12000
b)	Q's Capital A/c A/c Dr.. To Realization A/c (Being stock taken over by partner)	16000	16000
c)	Realization A/c Dr.. To P's Capital A/c (Being creditors paid by P)	4000	4000
d)	Cash/Bank A/c Dr.. To Realization A/c (Being unrecorded asset realized Rs 1200)	1200	1200
e)	Realization A/c Dr.. To Q's Capital A/c	2000	2000

	(Being realization expenses paid by partner)		
f)	Realization A/c                      Dr..	36000	
	To P's Capital A/c		20000
	To Q's Capital A/c		16000
	(Being profit on realization distributed among partners)		

9	a)	Bank A/c                      Dr..	100750	
		To Realization A/c		100750
		(Being amount realized on sale of assets)		
	b)	Sujeet's Capital A/c A/c                      Dr..	90000	
		To Cash A/c		90000
		(Being realization expenses paid by firm but borne by Sujeet)		
	c)	Realization A/c                      Dr..	450000	
		To Bank A/c		450000
		(Being amount paid to creditors)		
	d)	Realization A/c                      Dr..	100075	
		To Sujeet Capital A/c		100075
		(Being remuneration paid to Sujeet)		

- 10 Here question specifically ask to pass the entry after all assets and liabilities are already transferred  
So we will pass entries only for settlement

a)	Bank A/c                      Dr.. To Realization A/c (Being amount realized from debtor earlier w/o as bad)	88000	88000
b)	Realization A/c                      Dr.. To Cash A/c (Being amount paid to creditor)	50000	50000
c)	Raja Loan A/c                      Dr.. To Cash A/c To Realization A/c (Being amount paid for Raja Loan A/c)	18000	17000 1000
d)	Simar Capital A/c                      Dr.. To Realization A/c (Being investments taken over by Simar)	52000	52000
	Bank A/c                      Dr.. To Realization A/c (Being investments sold)	12000	12000
e)	Realization A/c                      Dr..	19000	

	To Cash A/c (Being realization expenses paid by firm)		19000
f)	Realization A/c                      Dr..	30000	
	To Simar Capital A/c		12000
	To Raja Capital A/c		12000
	To Rita Capital A/c		6000
	(Being profit on dissolution distributed)		

