| 1 | a) | Realization A/c Dr                                       | 160000 |        |
|---|----|--|--------|--------|
|   |    | To Land and Buildings A/c                                |        | 160000 |
|   |    | (Being Land and Building transferred to realization A/c) |        |        |
|   | b) | Bank A/c Dr  To Realization A/c                          | 294000 | 294000 |
|   |    | (Being amount realized on sale of buildings)             |        |        |

i) Calculation of net proceeds from sale after Brokers Commission

| Sale Value of land and building | 300000 |
|---------------------------------|--------|
| Less - 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 To X's Capital A/c | Dr | 10000 | 10000 |
|---|----|------------------------------------|----|-------|-------|
|   | b) | Realization A/c Dr                 |    | 15000 |       |

| To Machinery A/c (Being Machinery transferred to Realization A/c)                    |       | 15000 |
|--|-------|-------|
| Creditor A/c Dr  To Realization A/c  (Being Creditor transferred to Realization A/c) | 22000 | 22000 |
| Realization A/c Dr  To Bank A/c  (Being balance payment made to Rakesh)              | 10000 | 10000 |

- 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   | 600   |       |
|---|----|--|-------|-------|
|   |    | To Mohan Capital A/c   |       | 600   |
|   | b) | Realisation A/c Dr<br>To Mohan Capital A/c   | 2000  | 2000  |
|   | c) | Realization A/c Dr  To Motor Car A/c  (Being Motor Car transferred to realization A/c) | 50000 | 50000 |

| Creditor A/c Dr  To Realization A/c  (Being creditor transferred to realization A/c) | 40000 | 40000 |
|--|-------|-------|
| No entry for settlement of asset against liability                                   |       |       |

Point No c)

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  To Cash/Bank A/c (Realization expenses borne by Mohan and paid by firm) | 10000 | 10000 |
|---|----|---|-------|-------|
|   | b) | Realization A/c Dr  To Mahesh Capital A/c   | 25000 | 25000 |
|   | c) | Realization A/c Dr  To Suresh Capital A/c (Being remunration paid to Suresh)                    | 20000 | 20000 |

| Suresh's Capital A/c Dr                                       | 5000 |      |
|---|------|------|
| To Cash/Bank A/c  |      | 5000 |
| (Being realization expenses borne by Suresh but paid by firm) |      |      |

| 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)          |          |
| Understand: Firm has paid realization expenses on be    | ehalf of |
| Alok. Since firm has paid so Cash A/c gets credited.    |          |
| Since Alok has to bear so his capital a/c gets debited. |          |
| But with Alok it was agreed that realization expenses   |          |
| will be only Rs 7500. But actual expenses were more     |          |
| So any excess will be 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    |

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

Realisation A/c Dr.. 2000

To Bank A/c 2000

6 (a)

| ~1  |       |       |
|---|-------|-------|
| i) Creditors A/c Dr   | 85000 |       |
| To Realization A/c  |       | 85000 |
| (Being creditors transferred to realization A/c)                          |       |       |
| ii) Realization A/c Dr  | 43000 | 43000 |
| To Investment A/c (Being investment transferred to realization A/c at BV) |       | 43000 |
|   |       |       |
| iii) Realisation A/c Dr   | 40000 |       |

|  | To Cash A/c |  | 40000 |
|--|-------------|--|-------|
|--|-------------|--|-------|

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

### 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  To Building A/c  (Being building transferred to realization A/c at BV) | 120000 | 120000 |
|--|--------|--------|
| iii) Cash A/c Dr<br>To Realization A/c   | 30000  | 30000  |

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   | 50000 |       |
|----|--|-------|-------|
|    | To Realization A/c   |       | 50000 |
|    | (Being cash realized on sale of assets)  |       |       |
| 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                                | 2500  | 2500  |  |
|----|---|-------|-------|--|
|    | (Being commission paid to partner)                                |       |       |  |
| d) | If we assume expenses initially paid by firm :                    |       |       |  |
|    | Amrit Capital A/c Dr  To Cash A/c                                 | 15000 | 15000 |  |
|    | (Being realization expenses paid by firm)                         |       |       |  |
|    | Realisation A/c Dr  | 10000 |       |  |
|    | To Amrit Capital A/c  |       | 10000 |  |
|    | (Being Realization expenses reimbursed to Amrit)                  |       |       |  |
|    | 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)                  |       |       |  |
|    | Understand: Expenses paid initially by firm. So cash A/c credited |       |       |  |
|    | Firm agreed with Amrit that upto Rs 10000 firm can bear.          |       |       |  |
|    | If there is excess then Amrit has to bear                         |       |       |  |
|    | So firm recovers Rs 10000 from Amrit and excess borne by firm     |       |       |  |
|    | If we assume expenses initially paid by Amrit:                    |       |       |  |
|    |   |       |       |  |

|    | Realization A/c Dr  To Amrit Capital A/c (Being Realization expenses reimbursed to Amrit)                                     | 10000 | 10000 |  |
|----|---|-------|-------|--|
|    | Second option is preferable   |       |       |  |
| e) | Realization A/c Dr  To Cash/Bank A/c (Being payment of EPF)   | 10000 | 10000 |  |
| f) | Bank A/c To Realisation A/c (Being realization of Bad Debts - unrecorded assets)  | 3600  | 3600  |  |
| g) | Cash/Bank A/c Dr  To Realization A/c (Being cash realized on sale of investment)  | 15000 | 15000 |  |
| h) | If we assume expenses initially paid by firm:  Krishan Capital A/c Dr  To Cash A/c  (Being realization expenses paid by firm) | 10000 | 10000 |  |
|    | Realisation A/c Dr To Krishan Capital A/c   | 7500  | 7500  |  |

|    | (Being Realization expenses reimbursed to Krishan)   |              |       |
|----|--|--------------|-------|
|    | Or Single Entry  |              |       |
|    | Realisation A/c Dr  Amrit Capital A/c Dr  To Cash/Bank A/c  (Being realization expenses reimbursed to Krishan) | 7500<br>2500 | 10000 |
|    | If we assume expenses initially paid by Krishan :  |              |       |
| h) | Realisation A/c To Krishan Capital A/c (Being realization expenses reimbursed to Krishan)                      | 7500         | 7500  |
|    | Second option is preferable  |              |       |

- 1 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

| a) | Bank A/c Dr                                | 1000750               |         |
|----|--|-----------------------|---------|
|    | To Realization A/c                         |                       | 1000750 |
|    | (Being amount realizaed on sale of assets) |                       |         |
| b) | Sujeet's Capital A/c A/c Dr  To Cash A/c   | 90000                 | 90000   |
|    | (Being realization expenses paid by firm b | ut borne by Sujeet)   |         |
| c) | Realization A/c Dr  To Bank A/c            | 450000                | 450000  |
|    | (Being amount paid to creditors)           |                       |         |
| d) | Realization A/c Dr (1000                   | 0750 X 10/100) 100075 |         |
|    | To Sujeet Capital A/c                      |                       | 100075  |
|    | (Being remuneration paid to Sujeet)        |                       |         |

9 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  | 88000 |       |
|----|--|-------|-------|
|    | To Realization A/c                                     |       | 88000 |
|    | (Being amount realized from debtor earlier w/o as bad) |       |       |
| b) | No entry for settlement of creditor against stock      |       |       |

|    | For Balance payment following entry will be passed: Realization A/c Dr To Bank A/c (Being amount paid to creditor)   | 50000 | 50000         | (121000 - 71000) |
|----|--|-------|---------------|------------------|
| с) | Raja Loan A/c To Cash A/c To Realization A/c (Being amount paid for Raja Loan A/c)   | 18000 | 17000<br>1000 |                  |
|    | <b>Note:</b> Any outside liability is closed thorugh realization A/c So any profit/loss gets automatically adjusted in realization A/c But partner's loan is not paid through realization A/c So any profit/loss to be separately transferred to realization as firm has earned profit dueto less payment of liability |       |               |                  |
| d) | Simar Capital A/c Dr  To Realization A/c (Bein investments taken over by Simar)  | 52000 | 52000         |                  |
|    | Bank A/c Dr  To Realization A/c (Bein investments sold)  | 12000 | 12000         |                  |
| e) | Realization A/c Dr  To Cash A/c  | 19000 | 19000         | (loss/expense)   |

|    | (Being realization expenses paid by firm) |       |       |             |
|----|---|-------|-------|-------------|
| f) | Realization A/c Dr                        | 30000 |       |             |
|    | To Simar Capital A/c                      |       | 12000 | (old ratio) |
|    | To Raja Capital A/c                       |       | 12000 |             |
|    | To Rita Capital A/c                       |       | 6000  |             |
|    | (Being profit on dissolution distributed) |       |       |             |

| 10 | a) | Cash/Bank A/c Dr                             | 3000  |       |  |
|----|----|--|-------|-------|--|
|    |    | To Realization A/c                           |       | 3000  |  |
|    |    | (Being unrecorded funiture sold)             |       |       |  |
|    | b) | Cash/Bank A/c Dr                             | 600   |       |  |
|    |    | To Realization A/c                           |       | 600   |  |
|    |    | (Being amount realized from an old customer) |       |       |  |
|    | c) | Paras Capital A/c Dr                         | 30000 |       |  |
|    |    | To Realization A/c                           |       | 30000 |  |
|    |    | (Being goodwill taken over by Paras)         |       |       |  |
|    | d) | Priya Capital A/c Dr                         | 300   |       |  |
|    |    | To Realization A/c                           |       | 300   |  |
|    |    | (Being typewriter taken over by Priya)       |       |       |  |
|    |    |  |       |       |  |

| e) | Paras Capital A/c    | Dr                        | 3 | 00 |     |
|----|----------------------|---------------------------|---|----|-----|
|    | Priya Capital A/c    | Dr                        | 3 | 00 |     |
|    | To Realizat          | tion A/c                  |   |    | 600 |
|    | (Being shares distri | buted among the partners) |   |    |     |