

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

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)			
	Understand : Firm has paid realization expenses on behalf 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	

	To Amit Capital A/c		10000
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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

Realisation A/c	Dr..		2000
	To Bank A/c		2000

6 (a)

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

	To Cash A/c		40000
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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..	16000	
		To Realization A/c		16000
	(Being creditors transferred to realization A/c)			
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..	50000	
	To Realization A/c			50000
	(Being cash realized on sale of assets)			
b)	Realization A/c	Dr..	10000	
	To Cash/Bank A/c			10000
	(Being cash paid for settlement of liabilities)			

c)	Realisation A/c		2500	
	To X's Capital A/c			2500
	(Being commission paid to partner)			
d)	If we assume expenses initially paid by firm :			
	Amrit Capital A/c	Dr..	15000	
	To Cash A/c			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 :			

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

Working Note:

- 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

8	a)	Bank A/c Dr.. To Realization A/c (Being amount realized on sale of assets)	1000750	1000750
	b)	Sujeet's Capital A/c A/c Dr.. To Cash A/c (Being realization expenses paid by firm but borne by Sujeet)	90000	90000
	c)	Realization A/c Dr.. To Bank A/c (Being amount paid to creditors)	450000	450000
	d)	Realization A/c Dr.. (1000750 X 10/100) To Sujeet Capital A/c (Being remuneration paid to Sujeet)	100075	100075

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

	For Balance payment following entry will be passed :			
	Realization A/c Dr..	50000		(121000 - 71000)
	To Bank A/c		50000	
	(Being amount paid to creditor)			
c)	Raja Loan A/c Dr..	18000		
	To Cash A/c		17000	
	To Realization A/c		1000	
	(Being amount paid for Raja Loan A/c)			
	Note : Any outside liability is closed through 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 due to less payment of liability			
d)	Simar Capital A/c Dr..	52000		
	To Realization A/c		52000	
	(Being investments taken over by Simar)			
	Bank A/c Dr..	12000		
	To Realization A/c		12000	
	(Being investments sold)			
e)	Realization A/c Dr..	19000		(loss/expense)
	To Cash A/c		19000	

e)	Paras Capital A/c	Dr..	300	
	Priya Capital A/c	Dr..	300	
		To Realization A/c		600
	(Being shares distributed among the partners)			