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DISSOLUTION

Q.1 A, B and C sharing profits equally, dissolved their firm on 30th June 2014, on which date their Balance Sheet was as follows :

Liabilities	(₹)	Assets	(₹)
Sundry Creditors	31,000	Bank	6,300
Reserve for contingency	18,000	Debtors	55,000
Profit & Loss A/c	12,000	Stock	81,000
A's Wife Loan	12,000	Furniture	20,000
Bank Loan at 12%	20,000	Plant	53,700
Capital Accounts : A	60,000	Current Account : C	22,000
B	50,000		
C	20,000		
Current Accounts :			
A	10,000		
B	5,000		
	2,38,000		2,38,000

(1) There is a bill for ₹ 5,000 under discount. This bill was received from 'R', R proved insolvent and 60% were received from his estate.

(2) It was found that an investment not recorded in the books is worth ₹ 8,000. This is taken over by one of the creditors at this value.

(3) A agreed to accept furniture in full settlement of his wife's loan.

(4) Bank Loan was repaid along with interest for nine months.

(5) Assets realized as follows : Debtors ₹ 24,500; Stock ₹ 60,000; Plant ₹ 28,000.

Prepare necessary account.

Q.2(a) Give the necessary journal entries in each of the following alternative cases:

(i) Realization expenses amounted to ₹ 500.

(ii) Realization expenses paid by the firm amounted to ₹ 500 and the partner has to bear the realization expenses.

(iii) 'A' one of the partners was to bear all the realization expenses for which he was given a commission of 2% of net cash realized from dissolution. Cash realized from assets was ₹ 25,000 and cash paid for liabilities amounted to ₹ 5,000.

(b) 'Z' and 'Y' are two partners sharing profits in the ratio of 2:1. Give the journal entry at the time of dissolution in the following cases.

(i) Deferred revenue advertising expenditure appeared at ₹ 30,000.

(ii) Profit and Loss A/c was appearing on the asset side of balance sheet at ₹ 60,000.

(iii) An unrecorded investment realized at ₹ 6,000.

(iv) Partner Z paid to a creditor ₹ 20,000.

(V) On surrender of JLP Insurance Company paid ₹ 11,500 after deducting an amount of ₹ 6,500 towards loan and interest thereon by Y against the policy.

Q.3(A) On 1st April, 2012, a company made an issue of ₹ 2,00,000, 6% Debentures of ₹ 100 each, repayable at a premium of 10%. The term of issue provide for the redemption of 400 debentures every starting from the end of 31-3-2014 either by purchase from the open market or by draw of lots at the company's option.

On 31-03-2014, the company purchased for cancellation 300 Debentures at ₹ 95 and 100 Debentures at 90%.

Pass the necessary Journal entries for the issue and redemption of debentures assuming that the company had already created the Debenture Redemption Reserve A/c by the required amount.

(b) On 1st April, 2011, A Company made An issue of 1,000, 10% Debentures of ₹ 100 each. The terms of issue provided for the redemption of ₹ 10,000 Debentures annually commencing from 31st March, 2012 either by drawing at par or by purchase in the market at the Company's option.

On 31st March, 2012, the Company purchased for cancellation ₹ 4,000 of its debentures at 96; ₹ 3000 at 98 and ₹ 1,000 at 98½. The expenses of purchase amounted to ₹ 35.

Record the above transaction in the Company's Ledger.

Q. 4 A and B are partners with capital of ₹ 5,00,000 and ₹ 3,00,000 respectively. The profit for the year ended 31st March, 2014 was ₹ 3,46,000 before allowing interest on partner's loan. Show the distribution of profit after taking the following into consideration :

(i) Interest on A's Loan of ₹ 1,50,000 to the firm provided on 1st April, 2013.

(ii) Interest on capital to be allowed @ 5% p.a.

(iii) Interest on damages @ 6% p.a. Drawings were A ₹ 60,000 and B ₹ 40,000.

(iv) B is to be allowed a Commission of 2% on sales. Sales for the year were Rs. 30,00,000.

(v) 10% of the divisible profits is to be kept in Reserve Account.

Prepare Necessary accounts & show partner's capital balance on 31st march 2014.