SmartKalike

CBSE Class 12 · Accountancy

Dissolution of Partnership Firm

10 most probable questions for Boards 2027

Q1. 0.5 marks · Very short answer

Can the existing partnership be dissolved while the firm continues under the same name? Answer briefly.

Answer

Yes. The existing partnership may be dissolved on admission, retirement or death of a partner, while the firm continues under the same name.

Q2. 1 mark · Multiple choice

Dissolution of partnership refers to: (a) the firm necessarily ending its existence; (b) a change in the relationship between partners, while the firm may continue its business; (c) the sale of all firm assets; (d) the payment of all liabilities.

Answer

(b) a change in the relationship between partners, while the firm may continue its business — the firm may continue under the same name if the partners so decide.

Q3. 2 marks · Short answer

How may reconstitution dissolve the existing partnership while allowing the firm to continue under the same name?

Answer

Reconstitution through admission, retirement or death of a partner changes the existing relationship and dissolves the partnership. If the partners decide, the firm may continue its business under the same name.

Q4. 3 marks · Medium answer

Explain the final stage of the prescribed loss-settlement order when the losses cannot be met from profits or partners' capital. State the basis on which the partners individually bear the remaining loss.

Answer

1. When losses, including deficiencies of capital, exceed profits and partners' capital, the unpaid balance is borne individually by the partners, if necessary.
2. Each partner contributes according to the firm's profit-sharing ratio; the remaining loss is not divided equally unless that ratio provides for equal shares. These rules apply subject to any agreement among the partners.

Q5. 4 marks · Long answer

After the assets and outside liabilities have been transferred to Realisation Account, pass journal entries for: (i) an unrecorded asset sold for cash, (ii) an unrecorded liability paid by the firm, (iii) realisation expenses paid by the firm, and (iv) accumulated profits transferred to the partners.

Answer

The entries below record the realisation of unrecorded items, expenses and accumulated profits upon dissolution.

1. When an unrecorded asset is sold for cash, the Bank Account is debited and the Realisation Account is credited with the sale proceeds. Entry: Bank A/c Dr. ₹X; To Realisation A/c ₹X.

2. When an unrecorded liability is paid by the firm, the Realisation Account is debited and the Bank Account is credited. Entry: Realisation A/c Dr. ₹X; To Bank A/c ₹X.

3. Realisation expenses paid by the firm are debited to the Realisation Account and credited to the Bank Account. Entry: Realisation A/c Dr. ₹X; To Bank A/c ₹X.

4. Accumulated profits are transferred to partners' capital accounts in their profit-sharing ratio. Entry: Accumulated Profits A/c Dr. ₹X; To Partners' Capital A/cs ₹X.

The Realisation Account records the net effect of realising assets and paying liabilities.

Q6. 5 marks · Long answer

Explain the journal treatment on dissolution for transferring sundry debtors and the provision for doubtful debts to Realisation Account. State the value used for each transfer and the side on which the provision is recorded.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/dissolution-of-partnership-firm

Q7. 6 marks · Very long answer

On dissolution, a firm pays a loan due to a partner. After the relevant entries, one partner's Capital Account has a debit balance and the other partners' Capital Accounts have credit balances. Pass the journal entries for payment of the partner's loan, cash brought in by the partner with the debit balance, and payment of the amounts due to the other partners. State how the final payment is reconciled with the available cash and bank balance.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/dissolution-of-partnership-firm

Q8. 0.5 marks · Very short answer

Name the first source used to meet losses on dissolution.

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Q9. 1 mark · Multiple choice

After losses have been set off against profits, the next source for paying them is:

(a) Partners' capital

(b) Creditors' balances

(c) Partners' private assets in equal shares

(d) The firm's cash balance only

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/dissolution-of-partnership-firm

Q10. 2 marks · Short answer

Distinguish the effect of dissolution of partnership from the effect on the firm's business.

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