

**QUICK DRILL · CBSE CLASS 12**

# Dissolution of Partnership Firm

Accountancy Part I · Chapter 5 · 15 MCQs · 20 minutes · PYQ-tagged with time budgets

DATE	TOTAL MARKS 15	DURATION 20 min	MARKING +1 / 0	TARGET ≥ 12/15
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**OBJECTIVES**

Reinforce the four core topics of Dissolution of Partnership Firm via 15 PYQ-derived MCQs. Identify weak sub-topics via concept-node IDs (see answer key). Build per-question time budget habit.

**INSTRUCTIONS**

Attempt all 15. Time budget shown per Q (use it as pacing guide). Mark answers (A/B/C/D) in the margin. Answer key + explanations on the last page. **Don't peek — score yourself honestly.**

**SECTION · QUICK DRILL**
**Q 1-15 · 20 MIN**

**Q1.** As per Sec 39 of Indian Partnership Act 1932, dissolution of firm means:

- |                                    |   |
|------------------------------------|---|
| (A) Change in profit-sharing ratio | (B) Dissolution of partnership between ALL partners |
| (C) Admission of a new partner     | (D) Retirement of one partner                       |
- PYQ 2023 · Delhi · 1m · 30s

**Q2.** On dissolution, the Cash/Bank balance is:

- |  |  |
|--|--|
| (A) Transferred to Realisation A/c Dr side | (B) Transferred to Realisation A/c Cr side |
| (C) NOT transferred to Realisation A/c     | (D) Distributed in PSR immediately         |
- PYQ 2022 · Outside Delhi · 1m · 30s

**Q3.** Garner v Murray (1904) requires that the deficiency of an insolvent partner is borne by solvent partners in:

- |   |   |
|---|---|
| (A) Profit-sharing ratio                    | (B) Equal ratio                           |
| (C) Capital ratio as on date of dissolution | (D) Capital ratio as on date of admission |
- PYQ 2024 · Delhi · 1m · 30s

**Q4.** Partner's Loan A/c on dissolution is paid:

- |                               |  |
|-------------------------------|--|
| (A) Before outside creditors  | (B) After outside creditors but before capital |
| (C) Along with capital in PSR | (D) After capital is fully paid                |
- PYQ 2020 · Delhi · 1m · 30s

**Q5.** Realisation loss is debited to ALL partners (including insolvent) in:

- |                   |                          |
|-------------------|--------------------------|
| (A) Capital ratio | (B) Profit-sharing ratio |
| (C) Equal ratio   | (D) Sacrificing ratio    |
- PYQ 2022 · Delhi · 1m · 30s

**Q6.** An unrecorded asset realised ₹8,000 in cash. The entry is:

- |  |  |
|--|--|
| (A) Cash A/c Dr ₹8,000 / Realisation A/c Cr ₹8,000 | (B) Realisation A/c Dr ₹8,000 / Cash A/c Cr ₹8,000 |
| (C) Cash A/c Dr ₹8,000 / Asset A/c Cr ₹8,000       | (D) No entry                                       |
- PYQ 2019 · Outside Delhi · 1m · 30s

**Q7.** Partner A agrees to handle dissolution for a fixed remuneration of ₹6,000; actual expenses paid by him ₹7,500. The entry in firm's books is:

- |   |   |
|---|---|
| (A) Realisation A/c Dr ₹7,500 / A's Capital A/c Cr ₹7,500 | (B) Realisation A/c Dr ₹6,000 / A's Capital A/c Cr ₹6,000 |
| (C) Realisation A/c Dr ₹6,000 / Cash A/c Cr ₹6,000        | (D) No entry  |
- PYQ 2023 · Delhi · 1m · 45s

**Q8.** General Reserve appearing in B/S at dissolution is:

- (A) Transferred to Realisation A/c Cr side  
(B) Transferred to Realisation A/c Dr side  
(C) Transferred to Partners' Capital A/cs in PSR  
(D) Ignored

PYQ 2020 · Outside Delhi · 1m · 30s

**Q9.** Which of the following is NOT a mode of dissolution under Sec 39-44?

- (A) Dissolution by agreement  
(B) Dissolution by notice in partnership at will  
(C) Dissolution by sale of one partner's share to third party  
(D) Dissolution by court order

PYQ 2024 · Outside Delhi · 1m · 45s

**Q10.** Goodwill of ₹50,000 appearing in B/S at dissolution is:

- (A) Written off in PSR via Capital A/cs  
(B) Transferred to Realisation A/c Dr side at ₹50,000  
(C) Revalued to current market price first  
(D) Ignored — already amortised

PYQ 2019 · Delhi · 1m · 30s

**Q11.** Partner B's wife had given a loan of ₹40,000 to the firm. On dissolution it is:

- (A) Treated as B's capital  
(B) Paid along with partners' capital in PSR  
(C) Treated as external liability and paid before partner's loan  
(D) Ignored as personal liability

PYQ 2022 · Delhi · 1m · 45s

**Q12.** A, B, C share profits 3:2:1. Realisation profit ₹18,000. C's share is:

- (A) ₹6,000  
(B) ₹3,000  
(C) ₹9,000  
(D) ₹18,000

PYQ 2023 · Outside Delhi · 1m · 30s

**Q13.** On dissolution, P&L A/c (Dr balance) ₹15,000 in B/S is:

- (A) Transferred to Realisation A/c Dr side  
(B) Transferred to Realisation A/c Cr side  
(C) Debited to Partners' Capital A/cs in PSR  
(D) Credited to Partners' Capital A/cs in PSR

PYQ 2020 · Compartment · 1m · 30s

**Q14.** Court order for dissolution can be passed under Sec 44 on the ground of:

- (A) Persistent breach of partnership deed  
(B) Death of a partner  
(C) Insolvency of a partner  
(D) Completion of fixed term

PYQ 2024 · Delhi · 1m · 45s

**Q15.** Provision for Doubtful Debts of ₹3,000 appearing on the liability side of B/S is:

- (A) Transferred to Realisation A/c Cr side  
(B) Transferred to Realisation A/c Dr side  
(C) Distributed in PSR to Capital A/cs  
(D) Ignored

PYQ 2019 · Outside Delhi · 1m · 30s

## ANSWER KEY & EXPLANATIONS

Q 1-15 · MARK YOUR SCORE

**Q1. Answer: B**

Sec 39 explicitly defines dissolution of FIRM as dissolution of partnership between ALL partners — not some.

**Q2. Answer: C**

Cash/Bank is the settlement medium and is NEVER transferred to Realisation A/c — it is used to pay liabilities and finally settle capital.

**Q3. Answer: C**

Garner v Murray locks the deficiency-sharing ratio to PRE-DISSOLUTION capitals — not PSR, not equal, not opening capitals.

**Q4. Answer: B**

Sec 48 order: outside creditors → partner's loan → capital → surplus in PSR.

**Q5. Answer: B**

Realisation LOSS is always in PSR. Only the insolvent partner's DEFICIENCY is later redistributed in capital ratio.

**Q6. Answer: A**

Unrecorded asset has zero book value, so no transfer entry. Only the realisation entry — Cash Dr, Realisation Cr — is passed.

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**Q7. Answer: B**

Only the agreed remuneration enters books. The ₹1,500 extra is A's personal loss.

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**Q8. Answer: C**

Reserves and accumulated profits go DIRECTLY to Partners' Capital A/cs in PSR — never to Realisation.

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**Q9. Answer: C**

Mere transfer of share is a GROUND for the court to order dissolution under Sec 44 — but not a self-executing mode. The court must rule.

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**Q10. Answer: B**

Goodwill is just another asset on dissolution — transferred at book value to Realisation A/c Dr.

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**Q11. Answer: C**

Partner's wife is a THIRD PARTY. Her loan is an EXTERNAL liability, ranking with outside creditors — paid BEFORE partner's loan.

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**Q12. Answer: B**

Realisation profit goes in PSR. C's share =  $18,000 \times 1/6 = ₹3,000$ .

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**Q13. Answer: C**

Accumulated LOSS (Dr balance) is debited to Partners' Capital A/cs in PSR — never enters Realisation.

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**Q14. Answer: A**

Death, insolvency and term-completion auto-dissolve under Sec 42 (contingency) — no court needed. Persistent breach needs Sec 44 court intervention.

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**Q15. Answer: A**

Provisions netted against assets (PDD) are transferred to Realisation Cr side along with the gross debtors on Dr side — proper double-entry.