

### **1. What is the meaning of the dissolution of a partnership firm?**

- a) The termination of the firm's existence
  - b) The withdrawal of a partner from the partnership
  - c) The division of profits among the partners
  - d) The redistribution of assets among partners
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### **2. What is the primary objective of preparing the Realization Account during the dissolution of a partnership?**

- a) To record the profits and losses from the sale of assets
  - b) To distribute the firm's profits among the partners
  - c) To calculate the final dividend payable to the creditors
  - d) To determine the goodwill of the firm
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### **3. When a partnership firm is dissolved, how are the firm's liabilities treated?**

- a) Liabilities are cancelled immediately
  - b) Liabilities are paid off before distributing the assets
  - c) Liabilities are ignored during dissolution
  - d) Liabilities are transferred to the partners
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### **4. What is the purpose of the Capital Accounts in the dissolution process?**

- a) To allocate profits to the partners
- b) To record the liabilities of the firm

- c) To reflect the final share of the partners after the realization of assets and settlement of liabilities
  - d) To calculate the goodwill of the firm
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**5. In the dissolution of a partnership, what is recorded in the Realization Account?**

- a) Only the sale of tangible assets
  - b) All assets and liabilities, including the settlement of outstanding debts
  - c) Only the goodwill value of the firm
  - d) Only the capital contributions of the partners
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**6. When does the distribution of profits or losses occur in a dissolution process?**

- a) After the realization of assets
  - b) Before the settlement of liabilities
  - c) Only after the settlement of partner's capital accounts
  - d) After all legal formalities have been completed
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**7. What is the role of the Partner's Loan Account in dissolution?**

- a) It records the amount owed by the firm to its partners
- b) It shows the partners' equity in the business
- c) It reflects the partner's share of the firm's profits
- d) It helps distribute the goodwill amount

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**8. What happens to the remaining partners if the partnership is dissolved due to the death of one partner?**

- a) The remaining partners will be compensated from the firm's goodwill
- b) The remaining partners continue business without any changes
- c) The remaining partners may decide to form a new partnership
- d) The remaining partners must immediately liquidate the firm's assets

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**9. Which of the following is not a part of the dissolution procedure?**

- a) Realization of assets
- b) Payment of liabilities
- c) Preparation of the capital account
- d) Issuance of new partnership deed

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**10. How are reserves and accumulated profits treated during dissolution?**

- a) They are written off immediately
- b) They are transferred to the partners' capital accounts
- c) They are kept in a separate account
- d) They are used to settle the firm's liabilities

**11. Which of the following accounts is used to record the final settlement of the partnership firm?**

- a) Profit and Loss Appropriation Account
- b) Realization Account
- c) Partner's Loan Account

- d) Balance Sheet
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**12. What happens when there is a profit during the dissolution of a partnership?**

- a) The profit is equally divided among the partners, regardless of their capital accounts
  - b) The profit is distributed among the partners based on their profit-sharing ratio
  - c) The profit is added to the liabilities
  - d) The profit is transferred to the Realization Account
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**13. What is the treatment of the partner's capital account during dissolution?**

- a) The capital account is credited with any profits or gains
  - b) The capital account is debited with any losses or liabilities
  - c) The capital account remains unchanged
  - d) The capital account is closed immediately after dissolution
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**14. What is the correct sequence of events during the dissolution of a partnership firm?**

- a) Distribution of profits, Realization of assets, Payment of liabilities
  - b) Realization of assets, Payment of liabilities, Distribution of profits
  - c) Payment of liabilities, Distribution of profits, Realization of assets
  - d) Realization of assets, Distribution of profits, Payment of liabilities
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**15. Which of the following statements is true regarding the dissolution of a partnership?**

- a) All assets of the firm are transferred to the personal accounts of the partners
  - b) Partners must continue the firm's operations until all liabilities are settled
  - c) The firm continues to exist after the dissolution process is completed
  - d) Dissolution ends the existence of the partnership firm
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**16. How is the goodwill of a partnership firm treated during dissolution?**

- a) Goodwill is ignored in the dissolution process
  - b) Goodwill is transferred to the Realization Account
  - c) Goodwill is distributed among the partners according to their capital accounts
  - d) Goodwill is sold to an external party
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**17. What happens if there is insufficient cash to pay off the liabilities during the dissolution?**

- a) The firm can borrow money to settle liabilities
  - b) The partners may have to contribute additional funds from their personal accounts
  - c) The liabilities are written off as expenses
  - d) The dissolution process is stopped
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**18. What is the purpose of the Partner's Capital Account during dissolution?**

- a) To record the firm's profits and losses
- b) To adjust the capital balances of partners after the realization of assets and settlement of liabilities

- c) To determine the final value of the firm's assets
  - d) To account for the sale of business goodwill
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**19. How is the realization of assets handled during the dissolution of a partnership?**

- a) Assets are sold at book value
  - b) Assets are sold for cash, and the proceeds are recorded in the Realization Account
  - c) Assets are transferred directly to the partner's capital accounts
  - d) Assets are kept with the firm until the creditors agree to a settlement
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**20. What is the role of the Realization Account in the settlement of accumulated profits?**

- a) It transfers accumulated profits to the partners' capital accounts
- b) It records the sale of goodwill during dissolution
- c) It adjusts the reserves based on their fair value
- d) It determines the final profit or loss for the partners

**21. What is the first step in the dissolution process of a partnership firm?**

- a) The realization of all liabilities
  - b) The sale of firm's assets
  - c) The distribution of profits among partners
  - d) The preparation of the dissolution agreement
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**22. How are the losses incurred during the dissolution process shared among the partners?**

- a) Based on the profit-sharing ratio
  - b) Equally among the partners
  - c) In proportion to the capital invested
  - d) The partner with the highest share bears all losses
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**23. If a partner's capital account is in deficit after dissolution, what action should be taken?**

- a) The deficit is ignored
  - b) The deficit is written off by other partners
  - c) The partner with the deficit must contribute additional funds
  - d) The deficit is carried forward to the next financial year
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**24. How is the goodwill of a partnership firm valued during dissolution?**

- a) By the net worth of the firm
  - b) By the sale price of the firm's assets
  - c) By applying one of the recognized valuation methods such as Average Profit or Super Profit
  - d) By the current market value of the firm's inventory
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**25. What happens if one of the partners refuses to contribute to the deficiency in capital?**

- a) The partner is removed from the partnership
- b) The partnership is dissolved immediately

- c) The remaining partners share the deficiency equally
  - d) The partner is asked to pay interest on the deficiency
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**26. When the assets of the firm are sold during dissolution, how are the proceeds treated?**

- a) They are distributed equally among the partners
  - b) They are transferred to the Realization Account
  - c) They are treated as income
  - d) They are directly deposited into the partner's capital accounts
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**27. How are the firm's liabilities settled in the dissolution process?**

- a) By transferring them to the Realization Account
  - b) By paying off the liabilities with the proceeds from asset sales
  - c) By recording them in the Capital Account
  - d) By leaving them for the partners to settle personally
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**28. Which account is used to record the disposal of liabilities during the dissolution process?**

- a) Realization Account
- b) Profit and Loss Appropriation Account
- c) Partner's Loan Account
- d) Payment Account

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**29. What happens if a partner's personal assets are used to cover the firm's liabilities?**

- a) The partner will receive a higher share of the firm's assets
- b) The partner's contribution is considered a loan to the firm
- c) The partner's capital account is credited with the amount paid
- d) The partner is given a bonus for covering the liabilities

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**30. How is the final distribution of assets made among the partners during dissolution?**

- a) Based on their profit-sharing ratio
- b) Based on their capital contribution
- c) Based on the firm's cash balance
- d) Based on the value of the firm's goodwill

**31. What is the treatment of reserves during the dissolution of a partnership?**

- a) Reserves are immediately written off
- b) Reserves are transferred to the Realization Account and shared by the partners
- c) Reserves are distributed among creditors
- d) Reserves are transferred to the Profit and Loss Appropriation Account

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**32. When is the dissolution of a partnership firm said to be complete?**

- a) When all assets have been realized
- b) When liabilities have been paid

- c) When the remaining funds have been distributed to the partners
  - d) When the final settlement is made between the partners
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**33. What is the accounting treatment for the profit from the sale of assets during the dissolution?**

- a) The profit is transferred to the partner's capital accounts
  - b) The profit is treated as an income
  - c) The profit is distributed equally among the partners
  - d) The profit is added to the Realization Account
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**34. What is the role of the Liquidator's Account during dissolution?**

- a) To account for all debts owed to the firm
  - b) To record the distribution of the firm's assets
  - c) To facilitate the payment of the firm's liabilities
  - d) To report the final profit or loss from the dissolution
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**35. If a partner dies during the dissolution process, how is their share of the firm treated?**

- a) Their share is transferred to the deceased partner's legal heirs
  - b) Their share is taken over by the remaining partners
  - c) Their share is distributed equally among all partners
  - d) The partner's share is written off as a loss
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**36. What should be done if a partner's capital account shows a balance payable during dissolution?**

- a) The capital balance is written off as a loss
  - b) The partner's loan account is debited with the balance payable
  - c) The partner must pay the balance to the firm
  - d) The amount is transferred to the Realization Account
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**37. During the dissolution process, which of the following is NOT transferred to the Realization Account?**

- a) The firm's assets
  - b) The firm's liabilities
  - c) The firm's accumulated profits
  - d) The partner's loan accounts
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**38. How is the final settlement of a partner's capital account made during the dissolution of a partnership?**

- a) The partner's capital is transferred to the Realization Account
  - b) The partner's capital account is debited with any outstanding liabilities
  - c) The partner's capital account is credited with any remaining profits
  - d) The capital account is paid in full after all liabilities are settled
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**39. What is the significance of the Realization Account in the dissolution process?**

- a) It records the final cash distribution to the partners

- b) It tracks the sale of assets and payment of liabilities
  - c) It allocates any remaining profits equally among the partners
  - d) It keeps a record of the partner's capital balances
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**40. How is the loss from the dissolution of a partnership shared among the partners?**

- a) It is divided equally among the partners
- b) It is shared based on the partner's capital contribution
- c) It is shared according to the profit-sharing ratio
- d) It is written off as an expense of the business

**41. What happens if a partner's capital account has a credit balance during the dissolution process?**

- a) The partner's capital account is written off as a loss
  - b) The partner's credit balance is paid off after all liabilities have been settled
  - c) The partner's credit balance is transferred to the Realization Account
  - d) The partner's credit balance is ignored
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**42. What is the accounting treatment for the expenses incurred during the dissolution of a partnership firm?**

- a) The expenses are treated as losses and recorded in the Profit and Loss Account
  - b) The expenses are recorded in the Realization Account
  - c) The expenses are shared equally among the partners
  - d) The expenses are written off immediately
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**43. What is the treatment of partner's personal liabilities during the dissolution process?**

- a) They are paid by the firm
  - b) They are ignored
  - c) They are transferred to the Realization Account
  - d) The partner is solely responsible for paying them
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**44. In the event of a loss on the sale of an asset during dissolution, how is the loss treated?**

- a) The loss is absorbed by the firm's creditors
  - b) The loss is transferred to the Realization Account and shared among the partners
  - c) The loss is deducted from the partner's capital account
  - d) The loss is written off against reserves
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**45. When does the dissolution of a partnership firm result in the termination of the business?**

- a) Once all liabilities are paid
  - b) When all assets are sold and profits are shared
  - c) After the partners settle their final capital accounts
  - d) The dissolution does not necessarily terminate the business
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**46. What happens if the firm's liabilities exceed its assets during dissolution?**

- a) The partners are not liable for the excess liabilities
- b) The partners may be required to contribute additional funds to cover the shortfall

- c) The excess liabilities are written off as a loss
  - d) The firm's creditors are paid out of the partners' personal assets
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**47. What is the treatment for any surplus funds remaining after the dissolution process?**

- a) The surplus is divided equally among the partners
  - b) The surplus is credited to the Realization Account
  - c) The surplus is distributed based on the partners' capital accounts or profit-sharing ratio
  - d) The surplus is distributed to creditors
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**48. What role does the partnership deed play during the dissolution of the partnership?**

- a) It dictates the distribution of assets and liabilities
  - b) It is not relevant during dissolution
  - c) It determines the firm's final tax obligations
  - d) It sets the terms for the sale of firm assets
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**49. In the case of a partnership dissolution, when is the realization account closed?**

- a) When all liabilities have been paid
- b) After the final distribution of assets among partners
- c) After the sale of all assets and payment of liabilities
- d) After the last partner's capital account is settled

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**50. What should be done if a partner is unable to pay their share of the liabilities during dissolution?**

- a) The other partners must cover the share
- b) The partnership is terminated
- c) The partner's capital account is adjusted to reflect the unpaid share
- d) The partner is sued for non-payment