

# **Rizvi College of Arts Science and Commerce**

## **Piecemeal Distribution Of Cash** **Accountancy and fin mgmt III**

**Sybcom Sem III**

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# **Piecemeal Distribution Of Cash**

- **In practice dissolution process of a firm is a lengthy process.**
- **The assets are realized only in stages.**
- **For eg Partner's decided to dissolve a firm on 31<sup>st</sup> March ,the stock may be sold off in April ,the debtor is collected in May, fixed assets sold in july.**
- **As and when money received money received from sale of Assets,it is used to pay liabilities.**
- **Liabilities are also paid in stages.**
- **This is known as Piecemeal Distribution**

# Settlement of liabilities

- **Following order to be followed.**
  - 1. Realisation Expenses**
  - 2. Reserve for unrecorded/contingent liabilities.**
  - 3. Outside liabilities**
  - 4. Partners loan.**
  - 5. Partners capital**
  - 6. Surplus arising at last stage is distributed to all partners in their profit sharing Ratio.**

# Outside liabilities

- Outside liabilities classified into

## 1. Secured Creditors

- Fully secured
- Partly secured

## 1. Unsecured creditors

- Preferential (income tax, municipal taxes etc)
- Others

# **Order of payment**

- 1. Realisation Expenses**
- 2. Secured creditor**
- 3. Other creditors.**
- 4. Partners loan Account**
- 5. Partners capital account**

# Methods

## 1. Proportionate Capital Method

- Also known as
- Surplus capital method
- Highest Relative Capital method
- Excess Capital method
- Quotient method

## 2. Maximum loss method (excluded from syllabus)

## Steps in Proportionate Capital method

| • Step. | Particular's.             | Formula.                | A.   | B.   | C   |
|---------|---------------------------|-------------------------|------|------|-----|
| • 1.    | Profit sharing Ratio.     | Given.                  | ✓.   | ✓.   | ✓   |
| • 2.    | Capital+ Current balance. | Given.                  | ✓    | ✓    | ✓   |
| •       | Add Reserves & Surplus.   | Given.                  | ✓    | ✓    | ✓   |
| • .     | Less:P/L A/c (Dr. Side).  | Given.                  | (✓). | (✓). | (✓) |
| • 3     | Unit capital.(UC).        | 2/1.                    | ✓    | ✓    | ✓   |
| • 4.    | Base Capital.(BC)         | Lowest of unit ccapital |      |      |     |
| • 5     | Proportionate capital.    | $BC \times PSR$         |      |      |     |
| • 6.    | Excess capital.           | 2-5.                    |      |      |     |

- **7. Profit sharing Ratio**
- **8. New Unit Capital.  $6/7$**
- **9. New base Capital**
- **10. New proportionate Capital.  $\text{New BC} \times \text{PSR}$**
- **11. Final Excess capital.  $6-10$**



Let us take an example to understand how this is done.

### Illustration 1 :

A, B, C share profits and losses in the proportion of 3 : 2 : 1. Their balance sheet is as follows :

| Liabilities        | ₹             | Assets        |
|--------------------|---------------|---------------|
| Capital Accounts : |               | Sundry Assets |
| - A                | 30,000        |               |
| - B                | 30,000        |               |
| - C                | 20,000        |               |
|                    | <u>80,000</u> |               |

The partnership is dissolved and the assets are realised as follows :

First Realisation ₹ 17,000

Second Realisation ₹ 21,000

Third and Final Realisation ₹ 36,000

Show distribution of cash at each stage : (a) in profit sharing ratio (b) in ratio of capital balance

### Solution :

#### A. Statement of Distribution (In Profit Sharing Ratio)

Particulars

# Statement of Excess capital

| Steps | Particulars.           | Formula.  | A.      | B.      | C      |
|-------|------------------------|-----------|---------|---------|--------|
| • 1.  | Profit sharing Ratio.  | Given.    | 3.      | 2.      | 1      |
| • 2.  | Capital balance.       | Given.    | 30,000. | 30,000  | 20,000 |
| • 3.  | Unit Capital (UC).     | 2/1.      | 10,000. | 15,000. | 20,000 |
| • 4.  | Base capital (BC).     | 10,000    |         |         |        |
| • 5.  | Proportionate capital. | BC × PSR. | 30,000. | 20,000. | 10,000 |
| • 6.  | Excess Capital.        | 2-5.      | Nil.    | 10,000. | 10,000 |
| • 7.  | Profitsharing Ratio.   | Given.    |         | 2.      | 1      |
| • 8.  | New unit capital.      | 6/7.      |         | 5,000.  | 10,000 |

- **9 New base Capital. 5,000**
- **10. New proportionate Capital.  $5,000 \times \text{PSR}$ . 10,000. 5,000**
- **11. New Excess capital. 6-10. Nil. 5,000**
-

# Order of payment

1. Realisation Exp = Nil
2. Liabilities = Nil
3. Partners loan = Nil
4. Partners Capital
  - First paid to Mr C ₹ 5,000.
  - Second paid to Mr B & C ₹ 15,000 in PSR 2:1
  - Final Paid to all Partners in PSR 3:2:1

# Statement of distribution of Cash

| Particulars.            | Amount.         | A.      | B.             | C             |
|-------------------------|-----------------|---------|----------------|---------------|
| 1. Capital balance      | Given.          | 30,000. | 30,000.        | 20,000        |
| • First Realisation.    | 17,000          |         |                |               |
| • Less paid to Mr C.    | <u>-5,000</u>   |         |                | <u>-5000</u>  |
| • Balance.              | 12,000.         |         |                | 15,000        |
| • Less paid to Mr B & C | <u>-12,000.</u> |         | <u>-8,000.</u> | <u>-4000</u>  |
| • Balance.              | Nil.            |         | 22,000.        | 11,000        |
| 2. Second Realisation.  | 21,000          |         |                |               |
| Less paid to MrB & C.   | <u>-3,000</u>   |         | <u>-2,000</u>  | <u>-1,000</u> |
| • Balance.              | 18,000.         |         | 20,000.        | 10,000        |

|                     |                 |                  |                 |               |
|---------------------|-----------------|------------------|-----------------|---------------|
| • Balance.          | 18,000          |                  |                 |               |
| • Less paid to all. | <u>-18,000</u>  | <u>-9,000.</u>   | <u>- 6,000.</u> | <u>-3,000</u> |
| • Balance.          | Nil.            | 21,000.          | 14,000.         | 7,000         |
| • Third Realisation | 36,000          |                  |                 |               |
| • Less paid to all. | <u>-36,000.</u> | <u>- 18,000.</u> | <u>-12,000.</u> | <u>-6,000</u> |
| • Unpaid balance.   | Nil.            | 3,000.           | 2,000.          | 1,000         |



ratio 3:2:1].

### Illustration 3 :

From the following Balance Sheet of M/s Ideal Store with Sunil, Anil and Neel as partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet on the date of dissolution was as follows :

| Liabilities                | ₹               | Assets         | ₹               |
|----------------------------|-----------------|----------------|-----------------|
| <b>Partners' Capital :</b> |                 | Fixed Assets   | 80,000          |
| - Sunil                    | 38,800          | Current Assets | 60,000          |
| - Anil                     | 20,400          | Cash in hand   | 9,600           |
| - Neel                     | 26,000          |                |                 |
| General Reserve            | 19,200          |                |                 |
| Sunil's Loan               | 21,200          |                |                 |
| Sundry Creditors           | 24,000          |                |                 |
|                            | <u>1,49,600</u> |                | <u>1,49,600</u> |

(1) Realisation expenses were estimated at ₹ 4,000.

(2) The assets were realised as under :

|                   |          |
|-------------------|----------|
| First instalment  | ₹ 61,280 |
| Second instalment | ₹ 28,720 |
| Third instalment  | ₹ 20,000 |

(3) Actual realisation expenses were ₹ 3,000 only.

Prepare a statement showing piecemeal distribution of cash by adopting Excess Capital Method.

**Solution :**

(IDOL, Oct. 04, adapted)

Ist

IInd

IIIrd

&  
Final

Realisation  
Less : Paid

Balances

Realisation

Less : Paid

Less : Paid

Less : Paid

Less : Paid

Neel

Less : Paid

Balances

Realisation

Less : Paid

Balances

Realisation

Add : Ex

for

Less : Paid

Unpaid

**Illustration 4**

L, U and M w

# Statement of Excess capital

| • <u>Steps.</u> | <u>Particular's.</u>   | <u>Formula.</u>    | <u>Sunil.</u> | <u>Anil.</u>  | <u>Neel</u>  |
|-----------------|------------------------|--------------------|---------------|---------------|--------------|
| • 1.            | Profit sharing Ratio.  | Given.             | 5.            | 3.            | 2            |
| • 2.            | Capital balance.       | Given.             | 38,800.       | 20,400.       | 26,000       |
| • Add.          | <u>General Reserve</u> | <u>19,200xPSR.</u> | <u>9,600.</u> | <u>5,760.</u> | <u>3,840</u> |
| •               | FINAL CAPITAL BAL      |                    | 48,400.       | 26,160.       | 29,840       |
| • 3.            | Unit Capital.          | 2/1.               | 9,680.        | 8,720.        | 14,920       |
| • 4.            | Base Capital.          | 8,720              |               |               |              |
| • 5.            | Proportionate Capital. | 8,720× PSR.        | 43,600.       | 26,160.       | 17,440       |
| • 6.            | EXCESS CAPITAL         | 2-5                | 4,800.        | NIL.          | 12,400       |



|  |                 |               |              |
|--|-----------------|---------------|--------------|
| • 7.Profit sharing Ratio.              |                 | 5.            | 2            |
| • 8.New unit Capital.                  | 6/7.            | 960.          | 6,200        |
| • 9.New base Capital.                  | 960.            |               |              |
| • 10. <u>New proportionate Capital</u> | <u>960×PSR.</u> | <u>4,800.</u> | <u>1,920</u> |
| • 11. New Excess capital.              | 6-10.           | Nil.          | 10,480       |

# Order of payment

1. Realisation Expenses. ₹ 4,000
2. Creditors ₹ 24,000
3. Sunil loan. ₹ 21,200
4. Partners capital
  - Pay to Neel ₹10,480
  - Paid to Sunil and Neel ₹6,720 in the ratio of 5:2
  - Balance paid to all in the ratio of 5:3:2.

# Statement of distribution of Cash

| • Particular's.    | Cash avail      | Creditors      | Sunil loan     | Sunil. | Anil.   | Neel   |
|--------------------|-----------------|----------------|----------------|--------|---------|--------|
| • Balance.         | 9,600           | 24,000.        | 21,200.        | 48,400 | 26,160. | 29,840 |
| • Less real exp.   | <u>-4,000</u>   |                |                |        |         |        |
| • Balance.         | 5,600           |                |                |        |         |        |
| • Less creditors.  | <u>-5,600.</u>  | <u>-5,600</u>  |                |        |         |        |
| • Balance.         | Nil.            | 18,400         |                |        |         |        |
| • First Realisn.   | 61,280          |                |                |        |         |        |
| • Less. Bal.       | <u>-18,400.</u> | <u>-18,400</u> |                |        |         |        |
| • Balance.         | 42,880          | Nil            |                |        |         |        |
| • Less Sunil loan. | <u>-21,200.</u> |                | <u>-21,200</u> |        |         |        |
| • <u>Balance.</u>  | 21,680.         |                | Nil            |        |         |        |

|                                |                |                 |                |                |               |
|--------------------------------|----------------|-----------------|----------------|----------------|---------------|
| • Less paid to Neel. -         | <u>10,480.</u> |                 |                |                | <u>-10480</u> |
| • Balance                      | 11,200.        |                 |                |                | 19,360        |
| • -paid to Sunil& neel         | <u>-6,720.</u> | 4,800.          |                |                | <u>-1,920</u> |
| • Balanc.                      | 4,480.         | 43,600.         | 26,160         | 17,440         |               |
| • -paid to all 5:3:2.          | <u>-4480.</u>  | <u>-2240.</u>   | <u>-1344.</u>  | <u>-896</u>    |               |
| • Balance                      | Nil.           | 41,360.         | 24,816.        | 16,544         |               |
| • 2 <sup>nd</sup> Realisation. | 28,720         |                 |                |                |               |
| • - Paid to all 5:3:2.         | <u>28,720.</u> | <u>-14,360.</u> | <u>-8,616.</u> | <u>- 5,744</u> |               |
| • Balance.                     | Nil.           | 27,000.         | 16,2000.       | 10,800         |               |

|                                |                  |                 |                |                |
|--------------------------------|------------------|-----------------|----------------|----------------|
| • 3 <sup>rd</sup> Realisation. | 20,000           |                 |                |                |
| • Add excess prov.             | + <u>1,000</u>   |                 |                |                |
| • Total.                       | 21,000.          |                 |                |                |
| • <u>Paid to all 5:3:2.</u>    | <u>- 21,000.</u> | <u>-10,500.</u> | <u>-6,300.</u> | <u>- 4,200</u> |
| • Unpaid Balance.              | Nil.             | 16,500.         | 9,900.         | 6,600          |

# Accountancy Balance Sheet As At 31st December, 2013

| Liabilities     | ₹             | Assets  | ₹             |
|-----------------|---------------|---------|---------------|
| Capitals        |               | Cash    | 4,000         |
| - L             | 17,000        | Debtors | 42,000        |
| - U             | 8,000         | Stock   | 16,000        |
| - M             | 1,000         |         |               |
| General Reserve | 6,000         |         |               |
| Loans           |               |         |               |
| - L             | 6,000         |         |               |
| - U             | 4,000         |         |               |
| Creditors       | 20,000        |         |               |
|                 | <u>62,000</u> |         | <u>62,000</u> |

It was agreed that the realisation should be distributed in their due order at the end of each fortnight.  
The realisation and expenses were as under :

| Particulars        | Debtors<br>₹ | Stocks<br>₹ | Expense<br>₹ |
|--------------------|--------------|-------------|--------------|
| 15th January 2014  | 7,500        | 4,500       | 1,000        |
| 31st January 2014  | 10,500       | 500         | 500          |
| 15th February 2014 | 8,500        | 8,500       | 1,000        |
| 28th February 2014 | 10,500       | 500         | 400          |
| 15th March 2014    | 2,050        | 3,050       | 600          |

Stocks were completely disposed off and the remaining debtors were to be taken over by M at an agreed amount of ₹ 600.

## STATEMENT OF DISTRIBUTION A. Payment of Liabilities

| Date        | Particulars   |
|-------------|---|
| 2014<br>1-1 | <b>Balance</b><br>Less : Paid to<br>Balances Due                      |
| 15-1        | <b>Realisation (C)</b><br>Less : Paid to<br>Balances Due              |
| 31-1        | <b>Realisation (M)</b><br>Less : Paid to<br>Balances Due              |
|             | Balance for   |
| 15-2        | <b>Realisation (L)</b><br>Less : Paid<br>Balance c/f<br>Partners' (C) |
|             | <b>B. Payment of P</b>  |
| Date        | Particulars   |

# Statement of Excess capital

| • Steps. | Particular's.          | Formula.          | L.             | U.             | M              |
|----------|------------------------|-------------------|----------------|----------------|----------------|
| • 1.     | Profit sharing Ratio.  | Given.            | 3              | 2              | 1              |
| • 2.     | Capital balance.       | Given.            | 17,000.        | 8,000.         | 1,000          |
| • Add.   | <u>General Reserve</u> | <u>6,000xPSR.</u> | <u>+3,000.</u> | <u>+2,000.</u> | <u>+ 1,000</u> |
| •        | FINAL CAPITAL BAL      |                   | 20,000.        | 10,000.        | 2,000          |
| • 3.     | Unit Capital.          | 2/1.              | 6,667.         | 5,000.         | 2,000          |
| • 4.     | Base Capital.          | 2,000             |                |                |                |
| • 5.     | Proportionate Capital. | 2,000× PSR.       | <u>6,000.</u>  | <u>4,000.</u>  | <u>2,000</u>   |
| • 6.     | EXCESS CAPITAL         | 2-5               | 14,000         | 6,000          | Nil            |

|  |                   |               |              |
|--|-------------------|---------------|--------------|
| • 7.Profit sharing Ratio.              |                   | 3.            | 2            |
| • 8.New unit Capital.                  | 6/7.              | 4,667.        | 3,000        |
| • 9.New base Capital.                  | 3,000             |               |              |
| • 10. <u>New proportionate Capital</u> | <u>3,000×PSR.</u> | <u>9,000.</u> | <u>6,000</u> |
| • 11. New Excess capital.              | 6-10.             | 5,000.        | Nil          |



# Order of payment

1. Realisation Expenses =Nil
2. Creditors ₹ 20,000
3. Loan L& U is ₹ 6,000:4,000=6:4=3:2
4. Partners capital
  - L ₹ 5,000
  - L& U ₹ 15,000 in the ratio of 3:2
  - Balance to all in the ratio of 3:2:1

# Statement of distribution of Cash

| <u>Particular's.</u>          | <u>Cash.</u>    | <u>Creditors.</u> | <u>Loan L.</u> | <u>Loan U.</u> | <u>L.</u> | <u>U.</u> | <u>M</u> |
|-------------------------------|-----------------|-------------------|----------------|----------------|-----------|-----------|----------|
| • <u>Balance.</u>             | 4,000.          | 20,000.           | 6,000.         | 4,000.         | 20,000.   | 10,000    | 2,000    |
| • Paid to creditors           | <u>-4,000.</u>  | <u>-4000</u>      |                |                |           |           |          |
| • Balance.                    | Nil.            | 16,000            |                |                |           |           |          |
| • 1 <sup>st</sup> Realisation | 11,000          |                   |                |                |           |           |          |
| • Paid to Credit.             | <u>-11,000.</u> | <u>-11000</u>     |                |                |           |           |          |
| • Balance.                    | Nil.            | 5,000             |                |                |           |           |          |
| • 2 <sup>nd</sup> Realisation | 10,500          |                   |                |                |           |           |          |
| • Paid to credit.             | <u>-5,000.</u>  | <u>-5,000</u>     |                |                |           |           |          |

|                                |                |                |               |        |                |               |       |
|--------------------------------|----------------|----------------|---------------|--------|----------------|---------------|-------|
| • Balance.                     | 5,500.         | Nil            | 6,000.        | 4,000. | 20,000.        | 10,000.       | 2,000 |
| • Paid loan                    | <u>-5,500.</u> | <u>-3,300.</u> | <u>-2,200</u> |        |                |               |       |
| • Balance.                     | Nil.           | 2,700.         | 1,800         |        |                |               |       |
| • 3 <sup>rd</sup> Realisation. | 16,000         |                |               |        |                |               |       |
| • Paid loan                    | <u>-4,500.</u> | <u>-2700.</u>  | <u>-1800</u>  |        |                |               |       |
| • Balance.                     | 11,500.        | Nil.           | Nil           |        |                |               |       |
| • Paid to L.                   | <u>-5,000.</u> |                |               |        | <u>-5,000</u>  |               |       |
| • Balance.                     | 6,500.         |                |               |        | 15,000         |               |       |
| • Paid to L& U.                | <u>-6,500.</u> |                |               |        | <u>-3,900.</u> | <u>-2,600</u> |       |

|                                |                |                |                |             |
|--------------------------------|----------------|----------------|----------------|-------------|
| • Balance.                     | Nil.           | 11,100.        | 7,400.         | 2,000       |
| • 4 <sup>th</sup> Realisation  | 10,600         |                |                |             |
| • Paid to L& U                 | <u>-8,500.</u> | <u>-5,100.</u> | <u>-3,400</u>  |             |
| • Balance                      | 2,100.         | 6,000.         | 4,000.         | 2,000       |
| • Paid to all in 3:2:1         | <u>-2,100</u>  | <u>-1,050.</u> | <u>-700.</u>   | <u>-350</u> |
| • Balance.                     | Nil.           | 4,950.         | 3,300.         | 1,650       |
| • 5 <sup>th</sup> Realisation. | 5,100          |                |                |             |
| • Paid to all in 3:2:1         | <u>-5,100</u>  | <u>-2,550.</u> | <u>-1,700.</u> | <u>-850</u> |
| • <u>Unpaid Balance.</u>       | <u>Nil.</u>    | <u>2,400.</u>  | <u>1,600.</u>  | <u>800</u>  |

(3) Distributed to M on 15-3 is made up of Debtors ₹ 600 and balance ₹ 250 in cash.

**Illustration 5 : (Provision for Expenses; Liabilities paid Pro-rata)**

A, B, C are partners sharing profits and losses in the ratio of 4 : 2 : 1. They decided to dissolve the partnership as on March 31, 2014 when their Balance sheet was as follows:

**Balance Sheet**

| <b>Liabilities</b> | <b>₹</b> | <b>Assets</b> | <b>₹</b> |
|--------------------|----------|---------------|----------|
| Creditors          | 11,400   | Cash in Hand  | 140      |
| General Reserve    | 18,900   | Investment    | 30,000   |
| Bank Overdraft     | 32,500   | Stock         | 1,28,300 |
| Capital : A        | 80,000   | Debtors       | 45,400   |



# Accountancy and Financial Management (S. Y. B. Com.: SEM-III)

|   |                 |           |                 |
|---|-----------------|-----------|-----------------|
| B | 1,60,000        | Machinery | 32,600          |
| C | 1,30,000        | Furniture | 4,900           |
|   |                 | Building  | 1,91,460        |
|   | <u>4,32,800</u> |           | <u>4,32,800</u> |

All creditors have to be paid off. ₹ 2,400 have to be provided for realisation expenses. Thereafter all cash received should be distributed among the partners.

The amounts were realised as follows :

|                  |            |
|------------------|------------|
| 1st Instalment : | ₹ 30,720   |
| 2nd Instalment : | ₹ 36,800   |
| 3rd Instalment : | ₹ 2,12,840 |
| 4th Instalment : | ₹ 92,600   |

The actual realisation expenses were ₹ 1,200. Prepare a statement showing distribution of cash as per Excess Capital Method.

**Solution :**

## STATEMENT OF EXCESS CAPITAL

Pieces

Second

Less :

Balance

B. P.

Balance

Cash

Less :

Balance

Third

Less :

Less :

Less :

Less :

Less :

(IDOL, Mar. 07, adapted)

# Statement of Excess capital

| Steps | Particulars.              | Formula.           | A.             | B.             | C             |
|-------|---------------------------|--------------------|----------------|----------------|---------------|
| 1.    | Profit sharing Ratio.     | Given.             | 4.             | 2.             | 1             |
| 2.    | Capital balance.          | Given.             | 80,000.        | 1,60,000.      | 1,30,000      |
| •     | Add General Reserve       | <u>18,900×PSR.</u> | <u>10,800.</u> | <u>5,400.</u>  | <u>2,700</u>  |
| •     | ADJUSTED BALANCE.         |                    | 90,800.        | 1,65,400.      | 1,32,700      |
| •     | 3. Unit Capital.          | 2/1.               | 22,700.        | 82,700.        | 1,32,700      |
| •     | 4. Base Capital.          | 22,700             |                |                |               |
| •     | 5. Proportionate capital. | 22,700× PSR.       | <u>90,800.</u> | <u>45,400.</u> | <u>22,700</u> |
| •     | 6. Excess Capital.        | 2-5.               | Nil.           | 1,20,000       | 1,10,000      |

# Statement of Excess capital

| Steps        | Particulars.                  | Formula.                    | A.              | B.            | C |
|--------------|-------------------------------|-----------------------------|-----------------|---------------|---|
| • 7.         | Profit sharing Ratio of B& C. | Given.                      |                 | 2.            | 1 |
| • 8.         | New Unit Capital.             | 6/7.                        | 60,000.         | 1,10,000      |   |
| • 9.         | New Base Capital              | 60,000                      |                 |               |   |
| • 10.        | New proportionate Capital     | $60,000 \times \text{PSR.}$ | <u>1,20,000</u> | <u>60,000</u> |   |
| • <u>11.</u> | <u>Final Excess capital.</u>  | <u>6-10.</u>                | <u>Nil.</u>     | <u>50,000</u> |   |



# Order of payment

1. Realisation Expenses ₹ 2,400
2. Creditors : bank overdraft = 32,500:11,400 = 325: 114
3. Partners capital
  - First. ₹ 50,000 to C
  - Second. ₹ 1,80,000 to B & C
  - Third Balance paid to all

# Statement of distribution of Cash

| • <u>Particular's.</u>         | <u>Cash.</u>    | <u>Creditors.</u> | <u>Overdraft.</u> | <u>A.</u> | <u>B.</u> | <u>C</u> |
|--------------------------------|-----------------|-------------------|-------------------|-----------|-----------|----------|
| • Balance.                     | 140.            | 32,500.           | 11,400.           | 90,800    | 1,65,400  | 1,32,700 |
| • 1 <sup>st</sup> Realisation. | 30,720          |                   |                   |           |           |          |
| • Less realn exp               | <u>-2400</u>    |                   |                   |           |           |          |
| • Balance.                     | 28,460          |                   |                   |           |           |          |
| • Paid to Cr/Over              | <u>28,460.</u>  | <u>-21,070.</u>   | <u>-7,390</u>     |           |           |          |
| • Balance.                     | Nil             | 11,430.           | 4,010             |           |           |          |
| • 2 <sup>nd</sup> Realisation  | 36,800          |                   |                   |           |           |          |
| • Paid to Cr/over.             | <u>-15,440.</u> | <u>-11430.</u>    | <u>-4,010</u>     |           |           |          |

|                               |                  |                 |                  |                |
|-------------------------------|------------------|-----------------|------------------|----------------|
| • Balance.                    | 21,360.          | Nil.            | Nil.             |                |
| • Paid to C.                  | <u>-21,360.</u>  |                 |                  | <u>-21,360</u> |
| • Balance.                    | Nil.             |                 |                  | 1,11,340       |
| • 3 <sup>rd</sup> Realisation | 2,12,840         |                 |                  |                |
| • Paid to C.                  | <u>- 28,640.</u> |                 |                  | <u>-28,640</u> |
| • Balance.                    | 1,84,200.        |                 | 1,65,400         | 82,700         |
| • Paid to B& C                | <u>-180,000.</u> |                 | <u>-1,20,000</u> | <u>-60,000</u> |
| • Balance.                    | 4,200.           |                 | 45,400.          | 22,700         |
| • Paid to all 4:2:1.          | <u>- 4,200</u>   | <u>- 2,400.</u> | <u>-1,200.</u>   | <u>-600</u>    |

|                                |                   |                 |                 |                |
|--------------------------------|-------------------|-----------------|-----------------|----------------|
| • Balance.                     | Nil.              | 88,400.         | 44,200.         | 22,100         |
| • 4 <sup>th</sup> Realisation. | 92,600            |                 |                 |                |
| • Add excess Exp.              | <u>+1,200</u>     |                 |                 |                |
| • Balance.                     | <u>          </u> |                 |                 |                |
|                                | 93,800            |                 |                 |                |
| • <u>Paid to all 4:2:1.</u>    | <u>-93,800.</u>   | <u>-53,600.</u> | <u>-26,800.</u> | <u>-13,400</u> |
| • Unpaid balance.              |                   | 34,800.         | 17,400.         | 8,700          |

### Illustration 6 : (Withdrawal of agreed amounts)

Madhuri, Tabu and Juhi carrying on business in partnership decided to dissolve it on and from 30th September, 2013. The following was their Balance Sheet on the date :

#### Balance Sheet

| Liabilities        | ₹      | ₹             | Assets         | ₹             |
|--------------------|--------|---------------|----------------|---------------|
| Capital Accounts : |        |               | Fixed Assets   | 40,000        |
| - Madhuri          | 20,000 |               | Current Assets | 22,000        |
| - Tabu             | 5,000  |               | Bank           | 13,000        |
| - Juhi             | 10,000 | 35,000        |                |               |
| General Reserve    |        | 30,000        |                |               |
| Creditors          |        | 10,000        |                |               |
|                    |        | <u>75,000</u> |                | <u>75,000</u> |

As per the arrangements with the bank, the partners were entitled to withdraw ₹ 4,000 immediately and ₹ 9,000 after 1st December, 2013. It was decided that after keeping aside an amount of ₹ 1,000 for estimated realisation expenses, the available funds should be distributed amongst the partners as and when realised.

The following were the realisations :

|                              | Fixed Assets | Current Assets |
|------------------------------|--------------|----------------|
|                              | ₹            | ₹              |
| 31st October, 2013 (First)   | 10,000       | 5,000          |
| 15th November, 2013 (Second) | 26,000       | 12,000         |
| 30th December, 2013 (Final)  | 10,000       | 12,000         |

Actual realisation expenses amounted to ₹ 700. You are requested to submit a statement showing distribution of cash amongst the partners by Proportionate Capital Method.

**Solution :**

#### STATEMENT OF EXCESS CAPITAL

# Statement of Excess capital

| Steps. | Particular's.                      | Formula.           | M.             | T.             | J             |
|--------|------------------------------------|--------------------|----------------|----------------|---------------|
| 1.     | Profit sharing Ratio.              | Not given.         | 1.             | 1.             | 1             |
| 2.     | Capital account.                   | Given.             | 20,000.        | 5,000.         | 10,000        |
|        | • Add general Reserve.             | <u>30,000.</u>     | <u>10,000.</u> | <u>10,000.</u> | <u>10,000</u> |
|        | • <u>Adjusted capital account.</u> |                    | <u>30,000.</u> | <u>15,000.</u> | <u>20,000</u> |
| 3.     | Unit Capital.                      | 2/1.               | 30,000.        | 15,000         | 20,000        |
| 4.     | Base Capital.                      | 15,000             |                |                |               |
| 5.     | Proportionate Capital.             | <u>15,000×PSR.</u> | <u>15,000.</u> | <u>15,000.</u> | <u>15,000</u> |
| 6.     | Excess Capital.                    | 2-5                | 15,000         | Nil.           | 5,000         |

# Statement of Excess capital

| Steps. | Particular's.             | Formula.                    | M.            | T. | J            |
|--------|---------------------------|-----------------------------|---------------|----|--------------|
| 7.     | Profit sharing Ratio.     | Given.                      | 1.            |    | 1            |
| 8.     | New Unit Capital.         | 6/7                         | 15,000.       |    | 5,000        |
| 9.     | New base Capital.         | 5,000                       |               |    |              |
| 10.    | New proportionate Capital | $5,000 \times \text{PSR}$ . | <u>5,000.</u> |    | <u>5,000</u> |
| 11.    | Final Excess capital.     | 6-10.                       | 10,000.       |    | Nil          |

# Order of payment

1. Realisation Expenses ₹ 1,000
2. Creditors ₹ 10,000
3. Partners capital Account
  - First paid to Madhuri ₹ 10,000
  - Second paid to madhuri & Juhi ₹10,000 in the ratio of 1:1
  - Third paid to all



# Statement of distribution of Cash

| <u>• Particular's.</u>              | <u>Cash.</u>   | <u>Creditors.</u> | <u>Madhuri.</u> | <u>Tabu.</u> | <u>Juhi</u> |
|-------------------------------------|----------------|-------------------|-----------------|--------------|-------------|
| • Balance.                          | 4,000.         | 10,000            | 30,000.         | 15,000       | 20,000      |
| • <u>Paid realisation exp-1,000</u> |                |                   |                 |              |             |
| • Balance.                          | 3,000          |                   |                 |              |             |
| • Paid to Creditors.                | <u>-3,000.</u> | <u>-3,000</u>     |                 |              |             |
| • Balance.                          | Nil.           | -                 | 7,000           |              |             |
| • 1 <sup>st</sup> Realisation.      | 15,000         |                   |                 |              |             |
| • Paid to Creditors.                | <u>-7,000.</u> | <u>-7,000</u>     |                 |              |             |
| • Balance.                          | 8,000.         | Nil               |                 |              |             |

| <u>Particular's.</u>           | <u>Cash.</u>     | <u>Creditors.</u> | <u>Madhuri.</u> | <u>Tabu.</u>   | <u>Juhi</u>   |
|--------------------------------|------------------|-------------------|-----------------|----------------|---------------|
| • Paid to madhuri              | <u>-8,000.</u>   |                   | <u>-8,000</u>   |                |               |
| • Balance.                     | Nil.             |                   | 22,000          |                |               |
| • 2 <sup>nd</sup> Realisation. | 38,000           |                   |                 |                |               |
| • Paid to madhuri.             | <u>-2,000.</u>   |                   | <u>-2,000</u>   |                |               |
| • Balance.                     | 36,000.          |                   | 20,000          |                |               |
| • Paid to M & J.               | - <u>10,000.</u> |                   | <u>-5,000.</u>  |                | <u>-5,000</u> |
| • Balance.                     | 26,000.          |                   | 15,000.         |                | 15,000        |
| • Paid to all.                 | <u>-26,000.</u>  |                   | <u>-8,666.</u>  | <u>-8,667.</u> | <u>-8,667</u> |
| • <u>Balance.</u>              | Nil.             |                   | <u>6,334.</u>   | <u>6,334.</u>  | <u>6,334</u>  |

|                                |                 |                 |                 |                |
|--------------------------------|-----------------|-----------------|-----------------|----------------|
| • 3 <sup>rd</sup> Realisation. | 22,000          |                 |                 |                |
| • Bank bal.                    | 9,000           |                 |                 |                |
| • Excess Realisation.          | <u>+300</u>     |                 |                 |                |
| • <u>Balance available.</u>    | 31,300          |                 |                 |                |
| • Paid to all.                 | <u>-31,300.</u> | <u>10,434.</u>  | <u>10,433</u>   | <u>10,433</u>  |
| • <u>Unpaid /Surplus.</u>      |                 | <u>(4,100).</u> | <u>(4,100).</u> | <u>(4,100)</u> |

L S and B were in partnership sharing profits and losses in the ratio of  $\frac{1}{2}, \frac{1}{4}, \frac{1}{4}$ . Their balance sheet as on 31<sup>st</sup> December 2013. they decide to dissolve

III) *Piecemeal Distribution of Cash* 133

**Balance Sheet As On 31st December**

| <b>Liabilities</b>                    | <b>₹</b> | <b>Assets</b>  | <b>₹</b> |
|---------------------------------------|----------|----------------|----------|
| Creditors                             | 15,000   | Cash           | 9,000    |
| Income Tax Payable                    | 4,000    | Stock-in-trade | 40,000   |
| Loan from Bank                        | 30,000   | Debtors        | 60,000   |
| (Secured by pledge of stock-in-trade) |          | Furniture      | 36,000   |
| Loan from S                           | 11,000   | Motor Car      | 25,000   |
| Capital                               |          |                |          |
| - L                                   | 40,000   |                |          |
| - S                                   | 40,000   |                |          |
| - B                                   | 30,000   |                |          |
|                                       | 1,10,000 |                |          |
|                                       | 1,70,000 |                | 1,70,000 |

(1) Bank could realise only ₹ 25,000 on disposal of stock-in-trade.  
 (2) A sum of ₹ 3,000 was spent on furniture for getting better price.  
 (3) Other assets were realised as follows : In January 2014 ₹ 12,000, in February 2014 ₹ 15,000, in March 2014 ₹ 10,000, in April 2014 ₹ 30,000, in May 2014 ₹ 35,000.

The partners distributed the cash as and when available. Using Highest relative capital method, (Oct. 2013, adapted)

**Solution :**

**STATEMENT OF EXCESS CAPITAL**

# Statement of Excess capital

| <u>Steps.</u> | <u>Particular's.</u>       | <u>Formula.</u> | <u>L.</u> | <u>S.</u> | <u>B</u> |
|---------------|----------------------------|-----------------|-----------|-----------|----------|
| 1.            | Profit sharing Ratio.      | Given           | 2.        | 1.        | 1        |
| 2.            | Capital balance.<br>30,000 | Given.          | 40,000.   | 40,000.   |          |
| 3.            | Unit Capital.              | 2/1.            | 20,000.   | 40,000.   | 30,000   |
| 4.            | Base Capital.              | 20,000          |           |           |          |
| 5.            | Proportionate Capital.     | BC × PSR.       | 40,000.   | 20,000.   | 20,000   |
| 6.            | Excess capital.            | 2-5.            | Nil.      | 20,000.   | 10,000   |
| 7.            | Profit sharing Ratio.      | Given.          |           | 1.        | 1        |
| 8.            | New Unit Capital.          | 6/7.            |           | 20,000.   | 10,000   |

| <u>Steps.</u> | <u>Particular's.</u> | <u>Formula.</u> | <u>L.</u> | <u>S.</u> |
|---------------|----------------------|-----------------|-----------|-----------|
|---------------|----------------------|-----------------|-----------|-----------|

B

|                                |                             |  |               |               |
|--------------------------------|-----------------------------|--|---------------|---------------|
| 9. New base Capital.           | 10,000                      |  |               |               |
| 10. New proportionate Capital. | $10,000 \times \text{PSR.}$ |  | <u>10,000</u> | <u>10,000</u> |
| 11. Final Excess capital.      | 6-10.                       |  | 10,000        | nil           |

# Order of payment

1. Realisation Exp. (Furniture exp) ₹ 3,000
2. Income tax ₹ 4,000
3. Creditors and loan from bank ₹ 15,000:5,000= 15:5=3:1
4. Loan from Partners ₹ 11,000
5. Partners capital
  - First paid to S ₹ 10,000
  - Second paid to S & B ₹ 20,000 equally
  - Balance paid to all in the ratio of 2:1:1.

# Statement of distribution of Cash

| particulars | cash | Inc tax | creditors | loan | loan S |
|-------------|------|---------|-----------|------|--------|
|-------------|------|---------|-----------|------|--------|

|                                |                 |               |                |               |        |
|--------------------------------|-----------------|---------------|----------------|---------------|--------|
| • Balance.                     | 9,000.          | 4,000.        | 15,000.        | 5,000.        | 11,000 |
| • Paid Realisation             | <u>-3,000</u>   |               |                |               |        |
| • <u>Balance.</u>              | 6,000           |               |                |               |        |
| • Paid to incom tax            | <u>-4,000.</u>  | <u>-4,000</u> |                |               |        |
| • balance.                     | 2,000.          | Nil           |                |               |        |
| • Paid to Cr & loan            | <u>-2,000.</u>  |               | <u>-1,500.</u> | <u>-500</u>   |        |
| • Balance.                     | Nil.            |               | 13,500.        | 4,500         |        |
| • 1 <sup>st</sup> Realisation. | 12,000          |               |                |               |        |
| • Paid to Cr & loan.           | <u>-12,000.</u> |               | <u>-9,000.</u> | <u>-3,000</u> |        |



|                                |                |                |               |               |
|--------------------------------|----------------|----------------|---------------|---------------|
| • Balance.                     | Nil.           | 4,500.         | 1,500         |               |
| • 2 <sup>nd</sup> Realisation. | 15,000         |                |               |               |
| • Paid to Cr & loan.           | <u>-6,000.</u> | <u>-4,500.</u> | <u>-1,500</u> |               |
| • Balance.                     | 9,000.         | Nil.           | Nil           |               |
| • Paid to S loan.              | <u>-9,000.</u> |                |               | <u>-9,000</u> |
| • Balance.                     | Nil            |                |               | 2,000         |
| • 3 <sup>rd</sup> Realisation. | 10,000         |                |               |               |
| • Paid to S loan.              | <u>-2,000.</u> |                |               | <u>-2,000</u> |
| • Balance.                     | 8,000          |                |               |               |

| Particular's.                  | Cash.           | L.      | S.              | B              |
|--------------------------------|-----------------|---------|-----------------|----------------|
| • Balance.                     | 8,000.          | 40,000. | 40,000.         | 30,000         |
| • Paid to S.                   | <u>-8,000.</u>  |         | <u>-8,000.</u>  |                |
| • Balance.                     | Nil.            |         | 32,000          |                |
| • 4 <sup>th</sup> Realisation. | 30,000          |         |                 |                |
| • Paid to S.                   | <u>-2,000.</u>  |         | <u>-2,000</u>   |                |
| • Balance.                     | 28,000.         |         | 30,000          |                |
| • Paid to S & B.               | <u>-20,000.</u> |         | <u>-10,000.</u> | <u>-10,000</u> |
| • Balance.                     | 8,000.          |         | 20,000.         | 20,000         |

| <b><u>Particular's.</u></b>    | <b>Cash.</b>    | <b>L.</b>       | <b>S.</b>      | <b><u>B</u></b> |
|--------------------------------|-----------------|-----------------|----------------|-----------------|
| • Paid to all.                 | <u>-8,000.</u>  | <u>4,000.</u>   | <u>2,000.</u>  | <u>2,000</u>    |
| • Balance.                     | Nil.            | 36,000.         | 18,000.        | 18,000          |
| • 5 <sup>th</sup> Realisation. | 35,000          |                 |                |                 |
| • Paid to all.                 | <u>-35,000.</u> | <u>-17,500.</u> | <u>-8,750.</u> | <u>-8,750</u>   |
| • unpaid balance               | Nil.            | 18,500.         | 9,250.         | 9,250           |

# Unpaid Balances

## Illustration 8 : (Cash Retained; Current A/c - Dr.; Asset Taken Over)

The firm of Rich Person presented you with the following Balance Sheet drawn as at 31st May 2013 :

| Liabilities                    | ₹        | Assets              | ₹        |
|--------------------------------|----------|---------------------|----------|
| Sundry Creditors               | 37,000   | Cash on Hand        | 3,000    |
| Capital Accounts of partners : |          | Sundry Debtors      | 34,000   |
| - A                            | 40,000   | Stock-in-Trade      | 39,000   |
| - B                            | 30,000   | Plant and Machinery | 51,000   |
| - C                            | 27,000   | Current Account :   |          |
|                                | 97,000   | - B                 | 4,000    |
|                                |          | - C                 | 3,000    |
|                                |          |                     | 7,000    |
|                                | 1,34,000 |                     | 1,34,000 |

Partners shared profits and losses in the ratio of 4:3:3. Due to differences among the partners it was decided to wind up the firm, realise the assets and distribute cash among the partners at the end of each month.

The following realisations were made :-

- May 2013** ₹ 15,000 from debtors and ₹ 20,000 by sale of stock. Expenses on realisation were ₹ 500.
- June 2013** Balance of debtors realised ₹ 10,000. Balance of stock fetched ₹ 24,000.

|      |                          |
|------|--------------------------|
| 31-3 | Balance Due              |
|      | Cash available (WN 1)    |
|      | Less : Paid to Creditors |
| May  | Cash Available (WN 2)    |
|      | Less : Paid to Creditors |
| June | Balances Due             |
|      | Cash Available (WN 3)    |
|      | Less : Paid to Creditors |
|      | Less : Paid to Partners  |
|      | Less : Paid to Partners  |
|      | Less : Paid to Partners  |
| Aug. | Balances Due             |
|      | Cash Available (WN 4)    |
|      | Less : Paid to Creditors |
| Sep. | Balances Due             |
|      | Cash Available (WN 5)    |
|      | Less : Paid to Creditors |
|      | (WN 2)                   |
|      | Surplus                  |



# *Piecemeal Distribution of Cash*

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- (iii) **August 2013** Part of machinery was sold for ₹ 18,000. Expenses incidental to sale were ₹ 600.
- (v) **September 2013** Part of machinery valued in the books at ₹ 5,000 was taken by A in part discharge at an agreed value of ₹ 10,000. Balance of machinery was sold for ₹ 30,000 (net). Partners decided to keep a minimum cash balance of ₹ 2,000 in the first 3 months and ₹ 1,000 thereafter.
- Now how the amounts due to partners will be settled. All workings should form part of your answer.
- Question :**

## **STATEMENT OF EXCESS CAPITAL**

| Particulars                              | Formula               | A      | B      | C      |
|--|-----------------------|--------|--------|--------|
| Profit Sharing Ratio (PSR)               |                       | 4      | 3      | 3      |
| Capital Balances                         |                       | 40,000 | 30,000 | 27,000 |
| Less : Debit Balance of Current Accounts |                       | -      | 4,000  | 3,000  |
| Adjusted Capitals                        |                       | 40,000 | 26,000 | 24,000 |
| Unit Capital (UC)                        | [2/1]                 | 10,000 | 8,667  | 8,000  |
| Base Capital                             | = ₹ 8,000 [Lowest UC] | 32,000 | 24,000 | 24,000 |

# Statement of Excess capital

| <u>Steps</u> | <u>Particular's.</u>   | <u>Formula</u>             | <u>A.</u>   | <u>B.</u>      | <u>C</u>      |
|--------------|------------------------|----------------------------|-------------|----------------|---------------|
| 1.           | Profit sharing Ratio.  | Given.                     | 4.          | 3.             | 3             |
| 2.           | Capital account.       | Given.                     | 40,000.     | 30,000.        | 27,000        |
| •            | Less current account.  | Given.                     | <u>Nil.</u> | <u>-4,000.</u> | <u>-3,000</u> |
| •            | Adjusted capital.      |                            | 40,000.     | 26,000.        | 24,000        |
| 3.           | Unit Capital.          | 2/1.                       | 10,000.     | 8,667.         | 8,000         |
| 4.           | Base Capital.          | 8,000                      |             |                |               |
| 5.           | Proportionate Capital. | $8,000 \times \text{PSR.}$ | 32,000.     | 24,000.        | 24,000        |
| 6.           | Excess Capital.        | 2-5.                       | 8,000.      | 2,000.         | Nil           |

|                                      |                |               |              |
|--------------------------------------|----------------|---------------|--------------|
| <b>7. Profit sharing Ratio.</b>      | <b>Given.</b>  | <b>4.</b>     | <b>3</b>     |
| <b>8. New Unit Capital.</b>          | <b>6/7.</b>    | <b>2,000.</b> | <b>667</b>   |
| <b>9. New base Capital.</b>          | <b>667</b>     |               |              |
| <b>10. New proportionate Capital</b> | <b>667×PSR</b> | <b>2,667.</b> | <b>2,000</b> |
| <b>11. New Excess capital.</b>       | <b>6-10.</b>   | <b>5,333.</b> | <b>Nil</b>   |

# Order of payment

1. Realisation Expenses. Nil
2. Creditors ₹ 37,000
3. Partners capital
  - First A ₹ 5,333
  - Second B ₹ 4667 in the Ratio of 4:3.
  - Third balance paid to all



# Statement of distribution of Cash

| Particular's.                  | Cash.           | Creditors.    | A.      | B.      | C      |
|--------------------------------|-----------------|---------------|---------|---------|--------|
| • Balance.                     | 1,000.          | 37,000.       | 40,000. | 26,000. | 24,000 |
| • Paid to Creditors.           | <u>-1,000.</u>  | <u>-1,000</u> |         |         |        |
| • Balance.                     | Nil.            | 36,000        |         |         |        |
| • 1 <sup>st</sup> Realisation. | 34,500.         |               |         |         |        |
| • Paid to Creditors.           | <u>-34,500.</u> | <u>34,500</u> |         |         |        |
| • Balance.                     | Nil.            | 1,500         |         |         |        |
| • 2 <sup>nd</sup> Realisation. | 34,000          |               |         |         |        |
| • Paid to Creditors.           | <u>-1,500.</u>  | <u>-1,500</u> |         |         |        |

| Particular's.                  | Cash.           | Creditors. A.   | B.             | C              |
|--------------------------------|-----------------|-----------------|----------------|----------------|
| • Balance.                     | 32,500.         | Nil             |                |                |
| • Paid to A.                   | <u>-5,333.</u>  | <u>-5,333</u>   |                |                |
| • Balance.                     | 27,167.         | 34,667          |                |                |
| • <u>Paid to A&amp;B.</u>      | <u>-4,667.</u>  | <u>2,667.</u>   | <u>2000</u>    |                |
| • Balance.                     | 22,500.         | 32,000.         | 24,000         |                |
| • Paid to all 4:3:3.           | <u>-22,500.</u> | <u>-9,000.</u>  | <u>-6,750.</u> | <u>-6,750</u>  |
| • Balance.                     | Nil.            | 23,000.         | 17,250.        | 17,250         |
| • 3 <sup>rd</sup> Realisation. | 18,400          |                 |                |                |
| • Paid to all 4:3:3.           | <u>-18,400.</u> | <u>-,7,360.</u> | <u>-5,520.</u> | <u>- 5,520</u> |

|                                |                 |                 |                 |                |
|--------------------------------|-----------------|-----------------|-----------------|----------------|
| • Balance.                     |                 | 15,640.         | 11,730.         | 11,730         |
| • 4 <sup>th</sup> Realisation. | 41,000          |                 |                 |                |
| • Paid to all. 4:3:3.          | <u>-41,000.</u> | <u>-16,400.</u> | <u>-12,300.</u> | <u>-12,300</u> |
| • <u>Surplus.</u>              | <u>Nil.</u>     | <u>760.</u>     | <u>570.</u>     | <u>570</u>     |

**Illustration 9 : (Reserve for expenses; creditors settlement)**

Jatin, Lalit and Vishal, are in partnership sharing profits and losses in the ratio 3 : 2 : 1 respectively. They decide to dissolve the business on 31st December, 2013 on which date their Balance Sheet was as follows :

| Liabilities        | ₹             | Assets            | ₹             |
|--------------------|---------------|-------------------|---------------|
| Capital Accounts : |               | Land and Building | 31,810        |
| - Jatin            | 39,700        | Motor Car         | 5,160         |
| - Lalit            | 10,680        | Investment        | 1,080         |
| - Vishal           | <u>11,100</u> | Stock             | 19,530        |
| Loan Account :     |               | Debtors           | 11,280        |
| - Vishal           | 3,000         | Cash              | 5,940         |
| Creditors          | 10,320        |                   |               |
|                    | <u>74,800</u> |                   | <u>74,800</u> |

The assets were realised piecemeal as follows and it was agreed that cash should be distributed as and when realised :

|  | ₹      |
|--|--------|
| 15th January, 2014                               | 10,380 |
| 20th February, 2014                              | 27,900 |
| 23rd March, 2014                                 | 3,600  |
| 27th April, 2014 Vishal takes over investment at | 1,360  |
| 27th April, 2014                                 | 19,200 |

Dissolution expenses were originally provided for an estimated amount of ₹ 2,700, but actual amount spent on 20th March, 2014 was ₹ 1,920. The creditors were settled for ₹ 10,080. You are required to prepare a statement showing distribution of cash among the partners by Proportionate Capital Method.

**Solution :**

**Balance Due**  
Cash Balance b/d (5,940)  
Less : Paid to Creditors

**Balance Due**  
**15-1 Realisation**  
Less : Paid to Creditors  
Balance

Less : Paid Vishal's Loan  
Balance c/d for payment  
Partner's Capital

**B. Partners' Capital**

Capital Balance b/d  
Cash Balance b/d  
Less: Paid to Jatin (1)

**Balance Due**  
**20-02 Realisation**  
Less: Paid to Jatin (1)  
Balance Due

Less: Paid to Jatin &  
Balance Due

**23-03 Realisation**  
Add: Excess Reserve  
Cash Balance  
Less: Paid to Jatin

# Statement of Excess capital

## Steps Particular's. Formula Jatin Lalit. Vishal

|    |                        |             |          |         |        |
|----|------------------------|-------------|----------|---------|--------|
| 1. | Profit sharing Ratio.  | Given.      | 3.       | 2.      | 1      |
| 2. | Capital Balance.       | Given.      | 39,700.  | 10,680. | 11,100 |
| 3. | . Unit Capital.        | 2/1.        | 13,233.  | 5,340.  | 11,100 |
| 4. | . Base Capital.        | 5,340       |          |         |        |
| 5. | Proportionate capital. | 5,340× PSR. | 16,020.  | 10,680. | 5,340  |
| 6. | Excess capital.        | 2-5.        | 23,680 . | Nil.    | 5,760  |
| 7. | Profit sharing Ratio.  | Given.      | 3.       |         | 1      |
| 8. | Unit Capital.          | 6/7.        | 7,893.   |         | 5,760  |

|  |       |                |              |
|--|-------|----------------|--------------|
| 9. New Base Capital.                                       | 5,760 |                |              |
| 10. New Proportionate capital. $5,760 \times \text{PSR}$ . |       | <b>17,280.</b> | <b>5,760</b> |
| 11. Final Excess capital.                                  | 6-10. | <b>6,400.</b>  | <b>Nil</b>   |

# Order of payment

1. Realisation Exp ₹ 2,700
  2. Creditors. ₹ 10,080
  3. Vishal Loan. ₹ 3,000
- Partners capital
1. Pay to Jatin ₹ 6,400
  2. Pay to Jatin and Vishal ₹ 23,040 in the ratio of 3:1.
  3. Balance pay to all in the ratio of 3: 2 : 1

# Statement of distribution of Cash

Particular's cash Creditors. Loan J. L. V

|                                |                |               |        |        |         |        |
|--------------------------------|----------------|---------------|--------|--------|---------|--------|
| • Balance.                     | 5,940.         | 10,080.       | 3,000. | 39,700 | 10,680. | 11,100 |
| • Less paid to realn.          | <u>-2,700</u>  |               |        |        |         |        |
| • Balance.                     | 3,240          |               |        |        |         |        |
| • Paid to Creditors.           | <u>-3,240</u>  | <u>-3,240</u> |        |        |         |        |
| • Balance.                     | Nil.           | 6,840         |        |        |         |        |
| • 1 <sup>st</sup> Realisation. | 10,380         |               |        |        |         |        |
| • Paid to Creditors.           | <u>-6,840.</u> | <u>-6,840</u> |        |        |         |        |
| • Balance.                     | 3,540.         | Nil           |        |        |         |        |



# Particular's cash Creditors. Loan J. L. V

|                                      |                 |                 |               |
|--------------------------------------|-----------------|-----------------|---------------|
| • <i>Paid to loan.</i>               | <u>-3,000</u>   | <u>-3,000</u>   |               |
| • <i>Balance.</i>                    | 5,40.           | Nil             |               |
| • <i>Paid to Jatin.</i>              | <u>-540.</u>    | <u>-540</u>     |               |
| • <i>Balance.</i>                    | Nil.            | 39,160          |               |
| • <i>2<sup>nd</sup> Realisation.</i> | 27,900          |                 |               |
| • <i>Paid to Jatin</i>               | <u>-5,860.</u>  | <u>-5,860</u>   |               |
| • <i>Balance.</i>                    | 22,040.         | 33,300          |               |
| • <i>Paid to J &amp; V.</i>          | <u>-22,040.</u> | <u>-16,530.</u> | <u>-5,510</u> |
| • <u><i>Balance</i></u>              | Nil.            | 16,770.         | 5,590         |

# Particular's cash Creditors. Loan J. L. V

|                                 |                       |                       |                          |
|---------------------------------|-----------------------|-----------------------|--------------------------|
| • 3 <sup>rd</sup> Realisation.  | 3,600                 |                       |                          |
| • <i>Add excess of realn</i>    | <i>+780</i>           |                       |                          |
| • <i>Balance.</i>               | <i>4,380</i>          |                       |                          |
| • <i>Paid to J &amp; V.</i>     | <i><u>-1,000.</u></i> | <i><u>-750.</u></i>   | <i><u>-250</u></i>       |
| • <i>Balance.</i>               | <i>3,380.</i>         | <i>16,020.</i>        | <i>5,340</i>             |
| • <i>Paid to all.</i>           | <i><u>-3,380</u></i>  | <i><u>-1,690.</u></i> | <i><u>1,127. 563</u></i> |
| • <i>Balance.</i>               | <i>Nil.</i>           | <i>14,330</i>         | <i>9,553. 4,777</i>      |
| • 4 <sup>th</sup> Realisation.  | 19200                 |                       |                          |
| • +5 <sup>th</sup> Realisation. | +1,360                |                       |                          |

# Particular's cash Creditors. Loan J. L. V

*Balance. 20,560*

*Paid to all. -20,560. 10,280. 6853. 3,427*

*Unpaid balance Nil. 4,050. 2,700. 1,350*

**Working Note :**

Payment to Vishal out of realisation on 27-04 includes investments taken over by him for ₹ 1,360.

**Illustration 10 : (Asset taken over by partner)**

A, B and C were in partnership sharing profits and losses in the ratio 2 : 1 : 1. They decided to dissolve the partnership on the basis of the following Balance Sheet :

| <b>Liabilities</b>             |               | ₹               | <b>Assets</b>  |  | ₹               |
|--------------------------------|---------------|-----------------|----------------|--|-----------------|
| Sundry Creditors               |               | 5,000           | Premises       |  | 40,000          |
| Loan (on Mortgage of Premises) |               | 30,000          | Sundry Debtors |  | 60,000          |
| Partner's Loan (A)             |               | 15,000          | Stock          |  | 70,000          |
| General Reserve                |               | 10,000          | Cash           |  | 3,000           |
| Partners' Capital :            |               |                 |                |  |                 |
| - A                            | 50,000        |                 |                |  |                 |
| - B                            | 40,000        |                 |                |  |                 |
| - C                            | <u>23,000</u> | 1,13,000        |                |  |                 |
|                                |               | <u>1,73,000</u> |                |  | <u>1,73,000</u> |



The assets were realised piecemeal as follows :

June 2013 - ₹ 5,000 received after meeting in full the mortgage loan.

July 2013 - Debtors ₹ 15,000; Stock ₹ 10,000

August 2013 - Debtors ₹ 20,000; Stock ₹ 25,000

September 2013 - Debtors ₹ 17,000; Stock ₹ 23,000 (Final)

The remaining stock was taken over by B at an agreed value of ₹ 3,000.

The Sundry Creditors were settled for ₹ 4,000.

The partners decided to distribute cash as and when realised.

You are required to show the distribution of cash, applying the "highest rel

**Solution :**

### **STATEMENT OF EXCESS CAPITAL**

| Steps | Particulars | Amount |  |
|-------|-------------|--------|--|
|-------|-------------|--------|--|

# Statement of Excess capital

| <u>Steps</u> | <u>Particular's.</u>         | <u>Formula</u>               | <u>A.</u>      | <u>B.</u>      | <u>C</u>      |
|--------------|------------------------------|------------------------------|----------------|----------------|---------------|
| 1.           | Profit sharing Ratio.        | Given.                       | 2.             | 1              | 1             |
| 2.           | Capital Balance.             | Given.                       | 50,000         | 40,000.        | 23,000        |
| •            | Add reserves.                | 10,000                       | +5,000.        | +2,500.        | +2,500        |
| •            | <b>Adjusted Capital.</b>     |                              | <b>55,000.</b> | <b>42,500.</b> | <b>25,500</b> |
| 3.           | Unit Capital.                | 2/1.                         | 27,500         | 42,500.        | 25,500        |
| 4 .          | Base Capital.                | 25,500                       |                |                |               |
| 5.           | Proportionate share capital. | $25,500 \times \text{PSR}$ . | 51,000.        | 25,500.        | 25,500        |
| 6.           | Excess capital.              | 2-5.                         | 4,000.         | 17,000.        | Nil           |
| 7.           | Profit sharing Ratio.        | Given.                       | 2              | 1              |               |
| 8            | Unit Capital.                | 6/7.                         | 2,000.         | 17,000         |               |

|                                |                             |                    |                      |
|--------------------------------|-----------------------------|--------------------|----------------------|
| 9. New Base Capital.           | 2,000                       |                    |                      |
| 10. New Proportionate capital. | $2,000 \times \text{PSR}$ . | <b>4,000.</b>      | <b>2,000</b>         |
| 11. Final Excess capital.      | 6-10.                       | <u><b>NIL.</b></u> | <b><i>15,000</i></b> |

# **Order of payment**

- 1. Realisation Expenses = Nil**
- 2. Sundry Creditors ₹ 4,000**
- 3. Partners loan 'A' ₹ 15,000**
- 4. Partners Capital**
  - First will pay to B ₹ 15,000**
  - Second will pay A & B ₹ 6,000 in the ratio 2:1**
  - Balance pay to all in the ratio of 2:1:1**



# ***Statement of distribution of Cash***

## ***Particular's.Cash Creditors.Loan A. B. C***

|                                      |                       |                      |                      |                |                |               |
|--------------------------------------|-----------------------|----------------------|----------------------|----------------|----------------|---------------|
| • <i>Balance.</i>                    | <i>3,000.</i>         | <i>4,000.</i>        | <i>15,000.</i>       | <i>55,000.</i> | <i>42,500.</i> | <i>25,500</i> |
| • <i>Paid to credit.</i>             | <u><i>-3,000.</i></u> | <u><i>-3,000</i></u> |                      |                |                |               |
| • <i>Balance.</i>                    | <i>Nil.</i>           | <i>1,000</i>         |                      |                |                |               |
| • <i>1<sup>st</sup> Realisation.</i> | <i>5,000</i>          |                      |                      |                |                |               |
| • <i>Paid to Creditor-</i>           | <u><i>1,000.</i></u>  | <u><i>-1,000</i></u> |                      |                |                |               |
| • <i>Balance.</i>                    | <i>4,000</i>          | <i>nil</i>           |                      |                |                |               |
| • <i>Paid to A's loan</i>            | <u><i>-4,000.</i></u> |                      | <u><i>-4,000</i></u> |                |                |               |
| • <i>Balance.</i>                    | <i>Nil.</i>           |                      | <i>11,000</i>        |                |                |               |

## ***Particular's.Cash Creditors.Loan A. B. C***

|   |                               |                              |                             |
|---|-------------------------------|------------------------------|-----------------------------|
| • <b><i>2<sup>nd</sup> Realisation.</i></b> | <b><i>25,000</i></b>          |                              |                             |
| • <b><i>Paid to A's loan</i></b>            | <b><i><u>-11,000.</u></i></b> | <b><i><u>-11,000</u></i></b> |                             |
| • <b><i>Balance.</i></b>                    | <b><i>14,000.</i></b>         | <b><i>Nil</i></b>            |                             |
| • <b><i>Paid to B.</i></b>                  | <b><i><u>-14,000.</u></i></b> |                              | <b><i><u>14,000</u></i></b> |
| • <b><i>Balance.</i></b>                    | <b><i>Nil.</i></b>            |                              | <b><i>28,500</i></b>        |
| • <b><i>3<sup>rd</sup> Realisation.</i></b> | <b><i>45,000</i></b>          |                              |                             |
| • <b><i>Paid to B.</i></b>                  | <b><i><u>-1,000.</u></i></b>  |                              | <b><i><u>-1,000</u></i></b> |
| • <b><i>Balance.</i></b>                    | <b><i>44,000.</i></b>         |                              | <b><i>27,500</i></b>        |

# ***Particular's.Cash Creditors.Loan A. B. C***

|                                      |                        |                        |                       |                      |
|--------------------------------------|------------------------|------------------------|-----------------------|----------------------|
| • <i>Paid to A&amp; B.</i>           | <u><i>-6,000.</i></u>  | <u><i>-4,000.</i></u>  | <u><i>-2,000</i></u>  |                      |
| • <i>Balance.</i>                    | <i>38,000.</i>         | <i>51,000.</i>         | <i>25,500</i>         |                      |
| • <i>Paid to all.</i>                | <u><i>-38,000.</i></u> | <u><i>-19,000.</i></u> | <u><i>-9,500.</i></u> | <u><i>-9,500</i></u> |
| • <i>Balance.</i>                    | <i>Nil.</i>            | <i>32,000.</i>         | <i>16,000</i>         | <i>16,000</i>        |
| • <i>4<sup>th</sup> Realisation.</i> | <i>40,000</i>          |                        |                       |                      |
| • <i>Add:Stock</i>                   | <u><i>+3,000</i></u>   |                        |                       |                      |
| • <i>Balance.</i>                    | <i>43,000</i>          |                        |                       |                      |
| • <i>Paid to all.</i>                | <u><i>-43,000.</i></u> | <u><i>21,500.</i></u>  | <u><i>10,750.</i></u> | <u><i>10,750</i></u> |
| • <u><i>Balance Unpaid.</i></u>      | <u><i>Nil.</i></u>     | <u><i>10,500.</i></u>  | <u><i>5,250,.</i></u> | <u><i>5,250.</i></u> |

### Illustration 11 : (Ledger Accounts)

A, B and C carrying on business in the partnership decided to dissolve it on and from 30th September 2013. The following was their balance sheet on the date

#### Balance Sheet

| Liabilities        | ₹               | Assets         | ₹               |
|--------------------|-----------------|----------------|-----------------|
| Partners' Accounts |                 | Fixed Assets   | 80,000          |
| A                  | 40,000          | Current Assets | 44,000          |
| B                  | 10,000          | Bank           | 26,000          |
| C                  | 20,000          |                |                 |
| General Reserve    | 70,000          |                |                 |
| Debtors            | 60,000          |                |                 |
|                    | 20,000          |                |                 |
|                    | <u>1,50,000</u> |                | <u>1,50,000</u> |

As per the arrangements with the banks the partners were entitled to withdraw ₹ 8,000 immediately and ₹ 18,000 after 14th November 2013. It was decided that after keeping aside an amount of ₹ 2,000 for estimated realisation expenses the available funds should be distributed amongst the partners as and when realised.

Following were the realisations :

| Particulars                 | Fixed Assets | Current Assets |
|-----------------------------|--------------|----------------|
| 1st October 2013 (first)    | 20,000       | 10,000         |
| 14th November 2013 (second) | 52,000       | 24,000         |
| 30th December 2013 (final)  | 20,000       | 24,000         |

Actual realisation expenses amounted to ₹ 1,400. You are requested to submit a statement showing distribution of cash amongst the partners.

- Use surplus capital method.
- Prepare cash account showing above transactions.
- Prepare Realisation Account and Partners' Capital Accounts.

(IDOL, Mar. 06, adapted)

# Statement of Excess capital

| <u>Step</u> | <u>Particular's.</u>      | <u>Formula.</u>            | <u>A.</u> | <u>B.</u> | <u>C</u> |
|-------------|---------------------------|----------------------------|-----------|-----------|----------|
| 1.          | Profit sharing Ratio.     | Not given.                 | 1.        | 1.        | 1        |
| 2.          | Capital Balance.          | Given.                     | 40,000.   | 10,000.   | 20,000   |
| •           | Add General Reserve.      | Given.                     | 20,000.   | 20,000.   | 20,000   |
| •           | Adjusted Capital Account. |                            | 60,000.   | 30,000.   | 40,000   |
| •           | 3 Unit Capital.           | 2/1.                       | 60,000.   | 30,000.   | 40,000   |
| •           | 4. Base Capital.          | 30,000                     |           |           |          |
| •           | 5.proportionate capital.  | $30,000 \times \text{PSR}$ | 30,000.   | 30,000    | 30,000   |
| •           | 6. Excess capital.        | 2-5.                       | 30,000.   | Nil.      | 10,000   |

## **Statement of Excess capital**

| <u><b>Step</b></u> | <u><b>Particular's.</b></u> | <u><b>Formula.</b></u>       | <u><b>A.</b></u> | <u><b>B.</b></u> | <u><b>C</b></u> |
|--------------------|-----------------------------|------------------------------|------------------|------------------|-----------------|
| • 7.               | Profit sharing Ratio.       |                              | 1.               |                  | 1               |
| • 8.               | New Unit Capital.           | 6/7.                         | 30,000.          |                  | 10,000          |
| • 9.               | NewBase Capital.            | 10,000                       |                  |                  |                 |
| • 10.              | New proportionate Capital   | $10,000 \times \text{PSR}$ . | 10,000.          |                  | 10,000          |
| • 11.              | Final Excess capital.       | 6-10.                        | 20,000.          |                  | Nil             |

# Order of payment

- 1. Realisation Exp ₹ 2,000.
- 2. Creditors ₹ 20,000
- 3. Partners Capital
- First paid to A ₹ 20,000
- Second paid to A and C ₹ 20,000 in the ratio 1:1
- Paid to all in the ratio 1:1:1

# ***Statement of distribution of Cash***

***Particular's.Cash Creditors. A. B. C***

|                                |                 |                |         |        |        |
|--------------------------------|-----------------|----------------|---------|--------|--------|
| • Balance.                     | 8,000.          | 20,000.        | 60,000. | 30,000 | 40,000 |
| • Paid Realis exp.             | <u>-2,000</u>   |                |         |        |        |
| • Balance.                     | 6,000           |                |         |        |        |
| • Paid to Creditors.           | <u>-6,000.</u>  | <u>-6,000</u>  |         |        |        |
| • Balance.                     | Nil.            | 14,000         |         |        |        |
| • 1 <sup>st</sup> Realisation. | 30,000          |                |         |        |        |
| • Paid to Creditors            | <u>-14,000.</u> | <u>-14,000</u> |         |        |        |
| • Balance.                     | 16,000.         | Nil            |         |        |        |



# ***Statement of distribution of Cash***

***Particular's.Cash Creditors.    A.    .    B.       C***

|                               |                 |                 |                |
|-------------------------------|-----------------|-----------------|----------------|
| • Paid to A.                  | <u>-16,000.</u> | <u>16,000</u>   |                |
| • Balance.                    | Nil.            | 44,000          |                |
| • 2 <sup>nd</sup> Realisation | 76,000          |                 |                |
| • Add Bank bal                | <u>18,000</u>   |                 |                |
| • <u>Total balance.</u>       | 94,000          |                 |                |
| • Paid to A                   | <u>-4,000.</u>  | <u>-4,000</u>   |                |
| • Balance.                    | 90,000.         | 40,000          |                |
| • Paid to A& C.               | <u>-20,000.</u> | <u>-10,000.</u> | <u>-10,000</u> |
| • Balance.                    | 70,000.         | 30,000.         | 30,000         |

# ***Statement of distribution of Cash***

| <b><i>Particular's.Cash Creditors.</i></b> |                 | <b><i>A.</i></b> | <b><i>B.</i></b> | <b><i>C</i></b> |
|--|-----------------|------------------|------------------|-----------------|
| • <u>Paid to all.</u>                      | <u>70,000.</u>  | <u>23,333.</u>   | <u>23,333.</u>   | <u>23,334</u>   |
| • Balance.                                 | Nil.            | 6,667.           | 6,667.           | 6,666           |
| • 3 <sup>rd</sup> Realisation.             | 44,000          |                  |                  |                 |
| • Excess Realisation                       | <u>600</u>      |                  |                  |                 |
| • Balance.                                 | 44,600          |                  |                  |                 |
| • Paid to all.                             | <u>-44,600.</u> | <u>14,867.</u>   | <u>14,867.</u>   | <u>14,866</u>   |
| • <u>Surplus.</u>                          |                 | <u>8,200.</u>    | <u>8200.</u>     | <u>8,200</u>    |

**Illustration 12 : (Capitals in PSR)**

J and K were in partnership. Their balance sheet as on 31-3-2013 was as under :

| Liabilities | ₹        | Assets       | ₹        |
|-------------|----------|--------------|----------|
| J's Capital | 1,00,000 | Stock        | 1,60,000 |
| K's Capital | 1,00,000 | Other Assets | 2,40,000 |

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**Accountancy and Financial Management (S. Y. B. Com.: SEM I)**

Loan from Bank (Secured by stock)  
Creditors

|                |
|----------------|
| 1,00,000       |
| 1,00,000       |
| <hr/> 4,00,000 |

4,00,000

The assets realised as under :

|           |              |            |
|-----------|--------------|------------|
| 30-4-2013 | Other Assets | ₹ 1,00,000 |
| 31-5-2013 | Stock        | ₹ 40,000   |
| 30-6-2013 | Other Assets | ₹ 30,000   |
| 31-7-2013 | Other Assets | ₹ 1,20,000 |

You are required to prepare a statement showing piecemeal distribution of cash under Capital Method.

**Solution :**

**IN THE BOOKS OF J & K**

**STATEMENT OF DISTRIBUTION**

| Date | Particulars |
|------|-------------|
|------|-------------|

# ***Statement of distribution of Cash***

***Particular's.Cash loan Creditors.      J.                      K***

|                                |                   |                 |                |           |          |
|--------------------------------|-------------------|-----------------|----------------|-----------|----------|
| • Balance.                     | Nil.              | 1,00,000.       | 1,00,000.      | 1,00,000. | 1,00,000 |
| • 1 <sup>st</sup> Realisation. | 1,00,000          |                 |                |           |          |
| • (-) paid to 1:1.             | <u>-1,00,000.</u> | <u>-50,000.</u> | <u>-50,000</u> |           |          |
| • Balance.                     | Nil.              | 50,000.         | 50,000         |           |          |
| • 2 <sup>nd</sup> Realisation. | 40,000            |                 |                |           |          |
| • (-) paid to 1:1.             | <u>-40,000.</u>   | <u>-40,000</u>  |                |           |          |
| • Balance.                     | Nil.              | 10,000          |                |           |          |
| • 3 <sup>rd</sup> Realisation. | 30,000            |                 |                |           |          |
| • (-) Paid to 1:5              | <u>-30,000.</u>   | <u>-5,000.</u>  | <u>-25,000</u> |           |          |

***Particular's.Cash loan Creditors. J.***

***K***

|                                |                 |                |                            |
|--------------------------------|-----------------|----------------|----------------------------|
| • Balance.                     | Nil.            | 5,000.         | 25,000                     |
| • 4 <sup>th</sup> Realisation. | 1,20,000        |                |                            |
| • (-) paid to both             | <u>-30,000.</u> | <u>-5,000.</u> | <u>-25,000</u>             |
| • Balance.                     | 90,000.         | NIL.           | Nil                        |
| • (-)paid to partn             | <u>-90,000.</u> |                | <u>45,000.      45,000</u> |
| • Unpaid balance.              | Nil.            |                | 55,000.      55,000        |



**Illustration 13 :**

Arun, Varun and Mithun were in partnership sharing profits and losses in the ratio 2 : 2 : 1 respectively. The partnership was dissolved on 1st April, 2013. Their Balance Sheet as on 31st March, 2013 is as below :

**Balance Sheet as on 31-3-2013**

| <b>Liabilities</b> | <b>₹</b>        | <b>Assets</b>  | <b>₹</b>        |
|--------------------|-----------------|----------------|-----------------|
| Sundry Creditors   | 1,06,250        | Cash           | 9,520           |
| General Reserve    | 21,250          | Sundry Debtors | 87,500          |
| Capital : Arun     | 82,450          | Stock          | 57,000          |
| Varun              | 93,500          | Machinery      | 1,79,500        |
| Mithun             | 55,250          | Furniture      | 25,000          |
|                    | <u>3,58,700</u> |                | <u>3,58,700</u> |

Sundry Creditors have to be paid ₹ 98,600 in full settlement. A sum of ₹ 9,520 have to be provided for expenses of realisation. The assets are realised as under :



### *Piecemeal Distribution of Cash*

| Date of Realisation | Asset Realised | ₹        |
|---------------------|----------------|----------|
| 12-4-2013           | Sundry Debtors | 62,050   |
| 28-4-2013           | Stock          | 45,050   |
| 12-5-2013           | Machinery      | 1,40,930 |
| 25-5-2013           | Furniture      | 21,250   |

The actual expenses of realisation amounted to ₹ 8,500 upto last realisation. Prepare showing the distribution of cash under Excess Capital Method. **(April 201**

**solution :**

### **Statement of Excess Capital**

| Particulars | Arun | Varun |
|-------------|------|-------|
|             | ₹    | ₹     |

# **Statement of Excess capital**

## **Step Particular's. Formula. Arun. Varun Mith**

|                                    |          |                |                  |               |
|------------------------------------|----------|----------------|------------------|---------------|
| 1. Profit sharing Ratio.           | Given.   | 2.             | 2.               | 1             |
| 2. Capital.                        | Given.   | 82,450.        | 93,500.          | 55,250        |
| • Add General Reserve.             | Given.   | <u>+8,500.</u> | <u>+8,500.</u>   | <u>+4,250</u> |
| • <u>Adjusted Capital balance.</u> |          | <u>90,950.</u> | <u>1,02,000.</u> | <u>59,500</u> |
| 3. Unit Capital.                   | 2/1.     | 45,475.        | 51,000.          | 59,500        |
| 4.Base Capital.                    | 45,475   |                |                  |               |
| 5. Proportionate capital.          | BC ×PSR. | 90,950.        | 90,950.          | 45,475        |
| 6.Excess Capital.                  | 2-5      | Nil.           | 11,050.          | 14,025        |



## **Statement of Excess capital**

### **Step Particular's. Formula. Arun. Varun Mith**

|                               |                           |         |        |
|-------------------------------|---------------------------|---------|--------|
| 7. Profit sharing Ratio.      | Given                     | 2.      | 1      |
| 8. New Unit Capital.          | 6/7                       | 5,525.  | 14,025 |
| 9. New Base capital.          | 5,525                     |         |        |
| 10. New Proportionate capital | $5,525 \times \text{PSR}$ | 11,050. | 5,525  |
| 11. Final Excess Capital.     | 6-10.                     | Nil.    | 8,500  |

# Order of payment

1. Realisation Expenses ₹ 9,520
2. Sundry Creditors ₹ 98,600
3. Partners Capital
  - Pay to Mithun ₹ 8,500
  - Pay to Varun and mithun ₹ 16,575 in the ratio 2:1
  - Balance paid to all in the ratio 2:2:1

# Statement of distribution of Cash

Date Particular's. Cash. Creditors A. V. M

- Balance. 9,520. 98,600. 90,950. 1,02,000 59,500
- Paid Realisation Expense-9,520
- Balance. Nil
- 12/4/13 realisation Amt. 62,050
- -paid to Creditors. -62,050. -62,050
- Balance. Nil. 36,550
- 28/4/13 Realisation Amt 45,050
- - Paid to Creditors. -36,550. - 36,550
- Balance. 8,500. Nil

# Statement of distribution of Cash

**Date Particular's.Cash. Creditors A. V. M**

|                            |                  |               |               |               |
|----------------------------|------------------|---------------|---------------|---------------|
| • Paid to Mithun.          | <u>-8,500</u>    |               |               |               |
| • Balance.                 | Nil              |               |               |               |
| • 12/5/13 Realisation Amt  | 1,40,930         |               |               |               |
| • - Paid to varun & mithun | <u>-16,575</u>   |               | <u>11,050</u> | <u>5,525</u>  |
| • Balance                  | 1,24,355         |               | 90,950        | 45,475        |
| • - balance to all         | <u>-1,24,355</u> | <u>49,742</u> | <u>49,742</u> | <u>24,871</u> |
| • Balance                  | Nil              | 41,208        | 41,208        | 24,871        |

***Thank You***

# Quiz to solve MCQ

- Profit sharing Ratio of partner's A ,B & C is 3:2:1.
  - Capital balance A- 30,000,B- 30,000,C- 20,000
  - Calculate Unit capital-?
1. 10,000,15,000,20,000
  2. 15,000,10,000,20,000
  3. 20,000,15,000,10,000
  4. 20,000,10,000,15,000

- Calculate Purchase consideration-?
  - Land 2,00,000. Plant 1,00,000 Stock 40,000. Debtors 30,000. Cash 30,000. Creditors 1,50,000. Reserve 1,00,000
1. 2,00,000
  2. 3,00,000
  3. 2,50,000
  4. 1,50,000

- **Name of the method used to calculate purchase consideration in Conversion Or sale of partnership firm.**

- 1. Lumpsum method**
- 2. Net Asset method**
- 3. Payment method**
- 4. All of the above.**



- In piecemeal distribution of Cash, Payment to be given first

1. Partners capital.
2. Liabilities.
3. Realisation Expenses.
4. All of the above

- In piecemeal distribution of Cash, PC stands for

1. Partner Capital.
2. Proportionate capital.
3. Personal computer
4. Proportionate cost.

$$1 \times 3 / 2 \times 3 = 3/6, 1 \times 2/3 \times 2 = 2/6, 1/6 = 3:2:1$$

- A ,B and C partners sharing profit and losses in the ratio of  $1/2, 1/3, 1/6$ . Calculate proper profit sharing Ratio?

1. 2:3:1
2. 1:2:3
3. 1:3:2
4. 3:2:1

- In piecemeal distribution of Cash BC stand for

1. Big capital
2. Board capital
3. Base capital
4. Base cost.

- Name of the method used in piecemeal distribution of Cash.

1. Lumpsum method
2. Net Asset method
3. Surplus Capital Method
4. Payment method

- In Amalgamation of firm RDD to be calculated on

1. Creditors
2. Debtors
3. Goodwill
4. Land

- **Realisation is what type of account?**

1. **Personal Account**

2. **Real Account**

3. **Nominal Account**

4. **Fixed capital Account**

- **Partners Capital Account is what type of account?**

1. **Personal Account**

2. **Real Account**

3. **Nominal Account**

4. **Fixed capital Account**