

PIECEMEAL DISTRIBUTION

S.Y.B.COM (SEMESTER-III)

UNIVERSITY OF MUMBAI

LECTURE No. 1 (07/06/2020)

INTRODUCTION

By

Asst. Prof. (Dr.) Eknath K. Zhrekar

Mahatma Night Degree College of Arts and Commerce,
Chembur

M.Com, NET, GDC&A, Ph.D, CMA (Inter)

Introduction-

Balance Sheet as on-----

Liability	Rs	Assets	Rs
Capital Acc:		Furniture and Fittings	70,000
A	50,000	Plant and Machinery	80,000
B	75,000	Land and Building	65,000
C	1,00,000	Investment	80,000
Bank Loan (Secured Loan)----2	70,000	Stock	30,000
Loan from Prithviraj (Unsecured Loan)----4	50,000	Debtors	60,000
Tax/ GST/Custom-----1	30,000	Cash Balance	40,000
Creditors -----4	25,000		
Outstanding Exp- Salary/ Wages--3	25,000		
	4,25,000		4,25,000

Following are the realisation of the assets are as under:

First Realisation Rs.2,00,000

Second Realisation Rs.8,000

Third Realisation Rs.40,000

Prepare statement of Distribution of cash as per Excess Capital Method

Preference payment:

1. Government Dues (Taxes/ Duties/Cess)
2. Secured Loan (Hypothecation)
3. Preferential Creditors (Salaries/Wages/PF/Gratuity)
4. Unsecured Creditors
5. Partners Capital (Excess Capital Method)

Format:

1. Statement of Excess Capital

Particulars	A	B	C
Capital Balance	50,000	75,000	1,00,000
Add: Reserves (Distribute in their PSR)	--	--	--
Less: Drawings	--	--	--
Less: Loss/ Profit and Loss Acc (Dr. Balance)	--	--	--
Adjusted Capital	50,000	75,000	1,00,000
PSR	3	2	1
1. Unit Capital (Adjusted Capital /PSR)	16,667	37,500	1,00,000
2. Base Capital = Rs.16,667 (Lowest of Unit capital)			
3. Proportionate Capital (Base Capital x PSR)	50,000	33,333	16,667
4. Excess Capital (Adjusted cap – Proportionate Capital)	NIL	41,667	83,333
5. Unit Capital (4/ PSR)	NIL	20,833	83,333
6. Base Capital = 20,833			
7. Proportionate Capital	NIL	41,667	20,833
8. Excess Capital (4-7)	NIL	NIL	62,500

Statement showing Distribution of Cash

Particulars	Cash	Taxes	Bank Loan	Salaries	Prithi. Loan	Creditors
Balance	40,000	30,000	70,000	25,000	50,000	25,000
Less: Taxes Paid	30,000	30,000				
Balance	10,000	NIL	70,000	25,000	50,000	25,000
Less: Bank Loan repaid	10,000		10,000			
Balance	NIL		60,000			
1 st Realisation	2,00,000					
Less: Bank Loan repaid	60,000		60,000			
Balance	1,40,000		NIL	25,000	50,000	25,000
Less: Salaries paid	25,000			25,000		
Balance	1,15,000			NIL	50,000	25,000
Less: Paid to Prithi. And Creditors	75,000				50,000	25,000
Balance	40,000				NIL	NIL

Statement showing distribution of Cash to Partners

Particulars	Cash	A	B	C
Balance	40,000	50,000	75,000	1,00,000
Less: paid to C	40,000			40,000

Balance	NIL	50,000	75,000	60,000
2 nd Realisation	8,000			
Less: paid to C	8,000			8,000
Balance	NIL	50,000	75,000	52,000
3 rd Realisation	40,000			
Less: Paid to C	14,500			14,500
Balance	25,500	50,000	75,000	37,500
Less: paid to B and C	25,500		17,000	8,500
Balance	NIL	50,000	58,000	29,000
4 th Realisation	60,000			
Less: Paid to B and C	37,000		24,667	12,333
Balance	23,000	50,000	33,333	16,667
Less: Paid to A,B and C	23,000	11,500	7,667	3,833
Loss on Realisation	NIL	38,500	25,666	12,834