

Lecture No. 2

Date : 17/06/2020

QUESTION 1

Rajaram, Tukaram and Sakharam were in partnership, sharing profits and losses in the ratio of 3:2:1 respectively. On 31st March 2018, their balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Capital Account:		Cash at Bank	25,000
Rajaram	1,22,500	Sundry Assets	2,25,000
Tukaram	52,500	Drawings:	
Sakharam	<u>25,000</u>	Rajaram	25,000
General Reserve	30,000	Tukaram	25,000
Loan from BOI (Secures)	45,000	Sakharam	<u>12,500</u>
Bills Payable	25,000		
Sundry creditors	12,500		
	<u>3,12,500</u>		<u>3,12,500</u>

Additional information:

- Rs. 10,000 has to be provided for realization expenses.
- The following net realization were made:

15.04.2018	Rs.50,000
30.04.2018	Rs. 10,000
10.05.2018	Rs.67,500
19.05.2018	Rs.65,000

- The actual realization expenses were Rs.12,500

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

Solution:

Statement of Excess Capital

Particulars	Rajaram	Tukaram	Sakharam
Capital Balance	1,22,500	52,500	25,000
Add: General Reserves	15,000	10,000	5,000
Less: Drawings	25,000	25,000	12,500
Adjusted Capital----- A	1,12,500	37,500	17,500
PSR	3	2	1
Unit capital	37,500	18,750	17,500
Base capital= 17,500			
Proportionate Capital ----- B (Base Capital X PSR)	52,500	35,000	17,500
Excess Capital ----- (A-B)----- C	60,000	2,500	NIL
Unit Capital	20,000	1,250	NIL
Base Capital = 1,250			
Proportionate Capital ----- D	3,750	2,500	--
Excess Capital ----- (C-D)	56,250	NIL	

Statement showing Distribution of Cash

Particulars	Cash	Bank Loan	Bills Payable	Creditors
Balance b/d	25,000	45,000	25,000	12,500
Less: Provision for Expenses	10,000	--	--	--
Balance	15,000	45,000	25,000	12,500
Less: Bank Loan repaid	15,000	15,000	--	--
Balance	NIL	30,000	25,000	12,500
1 st Realisation	50,000	--	--	--
Less: Paid Bank Loan	30,000	30,000	--	--
Balance	20,000	NIL	25,000	12,500
Less: Paid to B/P and Creditors	20,000	--	13,333	6,667
Balance	NIL	NIL	11,667	5,833
2 nd Realisation	10,000	--	--	--
Less: paid to B/P and Creditors	10,000	--	6,667	3,333
Balance	NIL	NIL	5,000	2,500
3 rd Realisation	67,500	-	--	--
Less: Paid to B/P and Creditors	7,500	--	5,000	2,500
Balance	60,000	--	NIL	NIL

Particulars	Cash	Rajaram	Tukaram	Sakharam
Balances	60,000	1,12,500	37,500	12,500
Less: paid to Rajaram	56,250	56,250	--	--
Balance	3,750	56,250	37,500	12,500
Less: Paid to Rajaram and Tukaram	3,750	2,250	1,500	--
Balance	NIL	54,000	36,000	12,500
4 th realisation	65,000	--	--	--
Less: Realisation Expenses	2,500	--	--	--
Less: paid to rajaram and Tukaram	2,500	1,500	1,000	--
Balance	60,000	52,500	35,000	12,500
Less: Paid to all the partners	60,000	30,000	20,000	10,000
Loss on Realisation	NIL	22,500	15,000	2,500

QUESTION 2

Hum, Tum and Sub were in partnership sharing profits and losses in the ratio of 3:2:1. They dissolve the firm on 31st March 2018.

Liabilities		Rs	Assets		Rs
Capital Account:			Cash		25,000
Hum	50,000		Fixed Assets		2,00,000
Tum	62,500		Stocks		67,500
Sub	<u>25,000</u>	1,37,500			
Reserves		30,000			
Creditors		1,00,000			
Loan from Hum		25,000			
		<u>2,92,500</u>			<u>2,92,500</u>

The following are the realization and expenses:

	Fixed Assets	Stock	Expenses
April 2018	30,000	15,000	2,500
May 2018	55,000	2,500	3,750
June 2018	15,000	25,000	3,000
July 2018	83,750	20,000	6,000

Prepare a statement showing Piecemeal distribution of cash by using Proportionate Capital Method.

Solution:

Statement of Excess Capital

Particulars	Hum	Tum	Sub
Capital balances	50,000	62,500	25,000
Add: Reserves	15,000	10,000	5,000
Adjusted Capital -----A	65,000	72,500	30,000
PSR	3	2	1
Unit capital	21,667	36,250	30,000
Base Capital= 21,667			
Proportionate Capital -----B	65,000	43,333	21,667
Excess Capital ----- (A-B)-----C	NIL	29,167	8,333
PSR	--	2	1
Unit Capital	--	14,583.5	8,333
Base capital= 8,333			
Proportionate Capital		16,667	8,333
Final Excess Capital	--	12,500	NIL

Statement showing Distribution of Cash

Particulars	Cash	Creditors	Loan from Hum	Hum	Tum	Sub
Balances	25,000	1,00,000	25,000	65,000	72,500	30,00
Less: paid to Crs	25,000	25,000	--	--	--	-
Balance	NIL	75,000	25,000	65,000	72,500	30,00
1 st Realisation	42,500					
Less: Paid to crs	42,500	42,500				
Balance	Nil	32,500	25,000	65,000	72,500	30,00
2 nd Realisation	53,750					
Less: Paid to crs	32,500	32,500				
Balance	21,250	NIL	25,000	65,000	72,500	30,00
Less: paid to loan from H	21,250	--	21,250			
Balance	NIL	--	3,750	65,000	72,500	30,00
3 rd Realisation	37,000					
Less: paid to Loan from H	3,750		3,750			
Balance	33,250	--	NIL	65,000	72,500	30,00
Less: paid to Tum	12,500	--	--	--	12,500	-
Balance	20,750	--	--	65,000	60,000	30,00
Less: paid to Tum and Sub	20,750	--	--	--	13,833	6,91
Balance	NIL	--	--	65,000	46,167	23,08
4 th Realisation	97,750	--	--			
Less: Paid to T and S	4,250	--	--	--	2,833	1,41
Balance	93,500	--	--	65,000	43,334	21,66
Less: Paid to H,T and S	93,500			46,750	31,167	15,58
Loss on Realisation	NIL	--	--	18,250	12,167	6,08