Piecemeal Distribution

Proportionate Capital Method

Milan, Akash and Niuka are in a partnership . They shareprofit and loss in the ratio 5:3:2 Their balance sheet as on 31st December 1985 .

Liabilities		Asset	
Capital:		Premises	40000
Milan	50000	Plant	30000
Akash	15000	Stock	30000
Niuka	45000	Debtors	60000
Creditors.	40000		
Milan's Loan.	10000		
	160000		160000

It was agreed to repay the amount due to the partners as and when the asset are realised as follows:

1.2.86. 30000

1.4.86. 73000

1.6.86. 47000

Prepare the statement on how distribution to the partners should be made according to ProportionateCapital Method.

Soln:

<div align="center">Statement of calculation of absolute surplus</div>

	Milan	Akash	Niuka
Capital as per the balance sheet	50000	15000	45000
Less: Capital in profit sharing ratio by taking Akash capital as base	25000	15000	10000
Since Akash capital is lower ,his capital will be taken as base ie ,5000 and will be multiplied by the partner ratio to determine surplus			
Surplus	25000	--	35000
Less: Capital in profit sharing ratio by taking Milan capital as base	25000		10000
Since Milan capital is lower ,his capital will be taken as base ie 5000,and will be multiplied by the partner ratio to determine surplus			
Absolute surplus	--		25000

Capital Base Ratio Calculation:

Milan = $\dfrac{50000}{5}$ = 10000

Akash = $\dfrac{15000}{3}$ = **5000 (Since Akash capital is least his capital will be taken as base**

And be multiplied by all partners profit ratio : Milan = 5000x5= 25000, Akash= 5000x3= 15000 and Niuka= 5000x 2= 10000.

Niuka =. $\dfrac{45000.}{2}$ =22500

Again , between Milan and Niuka will compare who has least capital
Milan = $\dfrac{25000}{5}$ = 5000

Niuka. = $\dfrac{35000}{2}$ =17500

From the above analysis:
Order of payment
- After paying creditors ,
- Milan's loan,
- Among the partners
- Niuka will be paid first 25000
- Milan 25000 and Niuka 10000 will be paid second
- And the remaining will be paid to all the partners Milan 25000, Akash 15000 and Niuka 10000 in their profitsharing ratio .

Statement showing distribution of cash

Particulars	Total Realisation	Creditors	Milan's loan	Capital		
				Milan	Akash	Niuka
Balance b/d		40000	10000	50000	15000	45000
1.2.86. 1st Realisation	30000	30000				
Balance due		10000	10000	50000	15000	45000
1.4.86. 2nd Realisation Paid to Creditors and Milans loan 10000 and 10000 respectively.	73000					
		10000	10000			
Balance due				50000	15000	45000
Paid to Niukas capital 25000 out of the 2nd realisation						25000
Balance due				50000	15000	20000
Paid to Milan and Niuka out of the remaining amount from 2nd						

realisation 28000 in profit sharing ratio 5:2				20000		8000
Balance due				30000	15000	12000
1.6.86 3rd Realisation	47000					
Paid to Milan and Niuka 7000 in profit sharing ratio 5:2 out of 3rd realisation				5000		2000
Balance due				25000	15000	10000
Paid to All the partners in the profit sharing ratio 5:3:2 (Remaining amount 47000-7000 = 40000)				20000	12000	8000
Loss on Realisation				5000	3000	2000

Working Note :

Ist realisation = 30000 (Paid to creditors 40000-30000= 10000)

So 10000 will be paid in next realisation.

2nd realisation= 73000(Paid to creditors 10000 and Milan loan 10000 total

20000)So the amount remaining from the realisation is = 73000-20000= 53000

Out of 53000 Milan will be paid first 25000 as per the statement of surplus

Remaining amount= 53000-25000= 28000

Then again remaining amount from realisation 2 will be paid to Milan and Niuka the actual amount to bepaid is 25000 to Milan and 10000to Niuka (Milan+ Niuka = 35000) but only 28000 is available so .This will be shared by Milan and Niuka .

Milan = _5_ x28000 =
      200007
Niuka= _2_ x 28000= 8000
     7

The remaining amount that is 35000-28000 = 7000 will be paid in next realisation.3rd

realisation= 47000

From the third realisation first Milan and Niuka will be paid first because 7000 is yet to be paid out of 35000because only 28000 was paid to them from 2nd realisation

So ,7000=

Milan = _5_x 7000= 5000
     7
Niuka. = _2_ x 7000= 2000
     7

Now remaining amount after paying to Milan and Niuka 7000 from the third realisation 47000-7000= 40000This 40000 will be shared to all the partners in their profit sharing ratio:

Milan= $\frac{5}{10}$ x 40000= 20000

Akash= $\frac{3}{10}$ x 40000= 12000

Niuka =. $\frac{2}{10}$ x 40000 = 8000

Loss on Realisation
Milan= 5000
Akash = 3000
Niukas= 2000

Question:

P Q and R share profit in proportion of 2:1:1 .On the date of dissolution their Balance Sheet was as follows:

Liabilities	(₹)	Asset	(₹)
Creditors	14,000	Sundry Asset	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
	40,000		40,000

The asset realized ₹ 35,000 . Creditors were paid in full . Realisation expenses amounted to ₹ 1,500 . Prepare Realisation , Capital and Bank Account in the books of the firm.

Realisation Account

Particulars	(₹)	Particulars	(₹)
To Sundry Asset	40000	By Creditors	14000
To Bank(creditors)	14000	By Bank (asset realized)	35000
To Bank (expenses)	1,500	By loss to partner capital account:	
		P 3250	
		Q 1625	
		R 1625	6500
	55,500		55,500

Loss to partner capital:
P = 2/4 * 6500 =3250
Q = ¼* 6500 = 1625
R = ¼* 6500 =1625

Capital Account

Particulars	P(₹)	Q(₹)	R(₹)	Particulars	P(₹)	Q(₹)	R(₹)
To Realisation (loss)	3250	1625	1625	By Balance b/d	10000	10000	6000
To Bank (bal fig.)	6750	8375	4375				
	10000	10000	6000		10000	10000	6000

Bank Account

Particulars	(₹)	Particulars	(₹)
To Realisation (asset)	35000	By Realisation(creditors)	14000
		By Realisation (expenses)	1500
		By P's capital	6750
		By Q 's capital	8375
		By R 's capital	4375
	35000		35000