



**IDEAL / I.P.C.C. / ACCOUNTS**

**Sol.2. Statement Showing Distribution of Cash  
(Relative Surplus Capital Method)**

Particulars	Creditors (Rs.)	Apple's Loan (Rs.)	Partners' Capital		
			Orange (Rs.)	Apple (Rs.)	Banana (Rs.)
Amount due	6,000	3,000	10,000	9,000	5,000
July : Amount (net) realised & paid	4,800				
Balance due	1,200				
August : Amount realised & Paid (Net Rs.3,400)	1,200	2,200			
Balance due	-	800			
Sept. : Amount Realised 4,200 & Paid					
Rs.800 to apple (Loan)		800			
Rs.1,933 to Apple (capital)				1,933	
Rs.1,467 to Banana (capital)					1,467
Balance due		--	10,000	7,067	3,533
Oct : Amount realised and paid Rs.4,300			1,850	1,633	817
Loss on Realisation			8,150	5,434	2,716

**Note :**

- The profit sharing ratio being 3 : 2 : 1 and taking capital of Orange as the base, the capitals should be. Orange Rs.10,000; Apple Rs.6,667; and Banana Rs.3,333. First payments have to be made to Banana and Apple to bring down their capital respectively to Rs.3,333 and Rs.6,667.  
Between Apple and Banana, the ratio is 2 : 1 : therefore when Apple's capital Rs.9,000, the capital of Banana should be Rs.4,500 only. Hence first Rs.500 should be paid to Banana.
- In September after paying off the loan of Apple, the amount left is Rs.3,400. Of this Rs.500 must be paid to Banana to reduce his capital to Rs.4,500, the balance of Rs.2,900 will be divided between Apple and Banana in the ratio of 2 : 1.
- In October the available amount is Rs.4,300. To reduce the capitals of Apple and Banana to Rs.6,667 and Rs.3,333, first Rs.400 and Rs.200 respectively should be paid to Apple and Banana. The balance left will be divided in the profit sharing ratio amongst all the partners.

**Alternative Solution (on maximum loss basis)**

Particulars	Creditors (Rs.)	Apple's Loan (Rs.)	Partners' Capital		
			Orange (Rs.)	Apple (Rs.)	Banana (Rs.)
Amount due	6,000	3,000	10,000	9,000	5,000
July : Amount (net) realised & paid	4,800				
Amount due	1,200				
August : Amount realised & Paid	1,200	2,200			
Amount due	-	800			
Sept. : Amount Realised Rs. 4,200					
Amount Paid Rs.800		800			
Balance available Rs.3,400					
Possible maximum loss 20,600 (total of capital of capitals less net amt. available)		--	10,300	6,867	3,433
Balance			-300	2,133	1,567

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Deficiency of Orange debited in the ratio of capitals, i.e. 9 : 5				193	107
Amount paid				1,940	1,460
Oct : Balance due			10,000	7,060	3,540
Amount realised Rs.4,300					
Loss on Realisation Rs. 16,300			8,150	5,434	2,716
Amount paid			1,850	1,627	823

#### Journal Entry

Particulars		Dr. (Rs.)	Cr. (Rs.)
Orange Capital A/c	Dr.	8,150	
Apple Capital A/c	Dr.	5,433	
Banana Capital A/c	Dr.	2,717	
To Realisation Account			16,300
(Being the loss on realization transferred to partners' capital A/cs)			

**Sol. 3** As capital of the partners are not in profit sharing ratio, excess capitals will be calculated. For calculating excess capital relatively minimum capital will be taken as base. i.e. capital of each partner for his share in profit will be calculated. The capitals of partners for one share will be as under :

	A (Rs.)	B (Rs.)	C (Rs.)
Capitals as given	40,000	60,000	20,000
Profits sharing ratio	5	3	2
Capital for one share	8,000	20,000	10,000

A's Capital is minimum, therefore, A' Capital will be taken as base.

Calculation of surplus capital :

	A (Rs.)	B (Rs.)	C (Rs.)
Capital as given	40,000	60,000	20,000
Capitals in profit sharing ratio taking A's capital as base	40,000	24,000	16,000
Excess Capital	--	36,000	4,000
Between B and C, capital in profit sharing ratio, taking C's capital as base.		6,000	4,000
Excess Capitals		30,000	--

#### Procedure of payment :

In the above case first Rs.30,000 will be paid to B, then Rs.10,000, will be paid to B and C in the ratio of 3 : 2 i.e. Rs.6,000 and Rs.4,000 respectively. Subsequent realizations will be distributed among all the three partners in the ratio of 5 : 3 : 2.

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**Sol.4.**

**Statement of Distribution of Cash**

	Realisation (Rs.)	Interest on loans from partners' Spouses (Rs.)	Interest on loans from partners (Rs.)	Partner' Capital			Total (Rs.)
				A (Rs.)	B (Rs.)	C (Rs.)	
Balance due		2,000	1,000	9,600	6,000	8,400	24,000
(i) Sale of investment	1,000	(1,000)					
(ii) Sale of furniture	2,000	(1,000)	(1,000)				
(iii) Sale of Machinery	1,200						
Maximum possible loss Rs.22,800 (total of capitals Rs.24,000 less cash available Rs.1,200) allocated to partners in the profit sharing ratio i.e. 5 : 3 : 2				(11,400)	(6,840)	(4,560)	(22,800)
Amounts at Credit				(1,800)	(840)	3,840	1,200
Deficiency of A and B written off against C				1,800	840	(2,640)	--
Amount paid				-	-	1,200	1,200
Bal. in capital accounts				9,600	6,000	7,200	22,800
(iv) Sale of stock	4,000						
Max. possible loss Rs.18,800 (Rs.22,800 - Rs.4,000) allocated to partners in the ratio 5 : 3 :2				(9,400)	(5,640)	(3,760)	(18,800)
Amt. at credit & cash paid				200	360	3,440	4,000
Bal. in capital a/cs left unpaid - Loss				9,400	5,640	3,760	18,800