

## 12. LIQUIDATION OF COMPANIES

NO. OF PROBLEMS IN 41e OF CA INTER: CLASSROOM - 11, ASSIGNMENT - 09

NO. OF PROBLEMS IN 41.5e OF CA INTER: CLASSROOM - 08, ASSIGNMENT - 09

NO. OF PROBLEMS IN 42.5e OF CA INTER: CLASSROOM - 06, ASSIGNMENT - 08

### MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC AND CA INTER

MODEL NO.	M-12	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18 (O)	M-18 (N)	N-18 (O)	N-18 (N)
Model - 1	-	-	-	-	-	-	-	-	16	-	-	-	-	-	-	-
Model - 2	-	-	-	-	-	-	-	-	-	-	-	-	4	-	-	-
Model - 3	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-
Model - 4	-	-	-	16	-	-	-	-	-	16	-	-	-	-	-	10
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Model - 1 : Statement of Affairs

Model - 2 : Overriding preferential payments, Preferential Creditors

Model - 3 : Liquidator's Remuneration

Model - 4 : Liquidator's Final Statement of Accounts

Model - 5 : Liability of List B Contributories

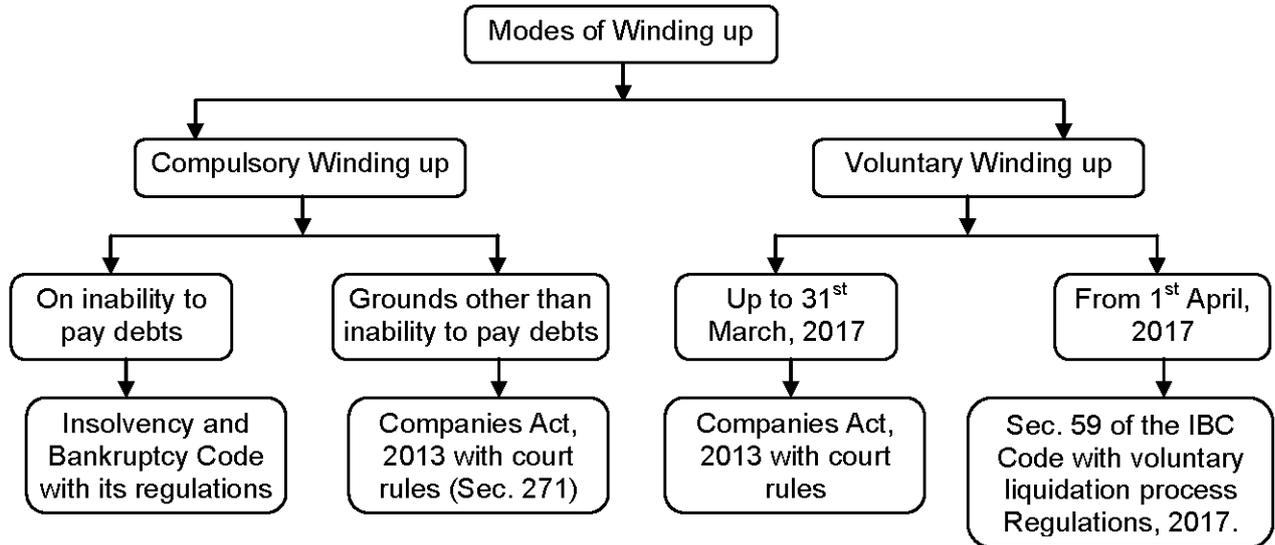
### SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL

Problem No. in this material	Problem No. in NEW SM	Problem No. in OLD SM	Problem No. in OLD PM	RTP	MTP	Previous Exams	Remarks
CR 1	ILL - 1	ILL - 1	-	-	-	-	-
CR 2	-	-	11	-	M18_1 (N&O)	M15-4M	-
CR 3	ILL - 6	ILL - 6	-	-	-	-	-
CR 4	-	-	8	M18	M17	-	-
CR 5	ILL - 7	ILL - 7	-	-	-	-	-
CR 6	ILL - 8	ILL - 8	-	-	-	-	-
ASG 1	-	-	-	-	-	-	-
ASG 2	ILL - 5	ILL - 5	-	-	-	-	-
ASG 3	-	-	7	-	-	-	-
ASG 4	-	-	-	-	-	M11-4M	-
ASG 5	-	-	13	-	-	-	-
ASG 6	-	-	10	-	-	N18 (N)-10M	-
ASG 7	-	-	3	-	-	M18(N)-5M	-
ASG 8	ILL - 2	ILL - 3	-	-	-	-	-

### THEORY

**Introduction:** A company comes into being through a legal process and also comes to an end by law. Liquidation/winding up is the legal procedure by which the company comes to an end. Thus a company being a creation of law cannot die a natural death. A company, when found necessary, can be liquidated.

**Definition:** As per Section 2 (94A) of the Companies Act, 2013, winding up means winding up under this Act or liquidation under the Insolvency and Bankruptcy Code, 2016, as applicable.



### A. Compulsory winding up:

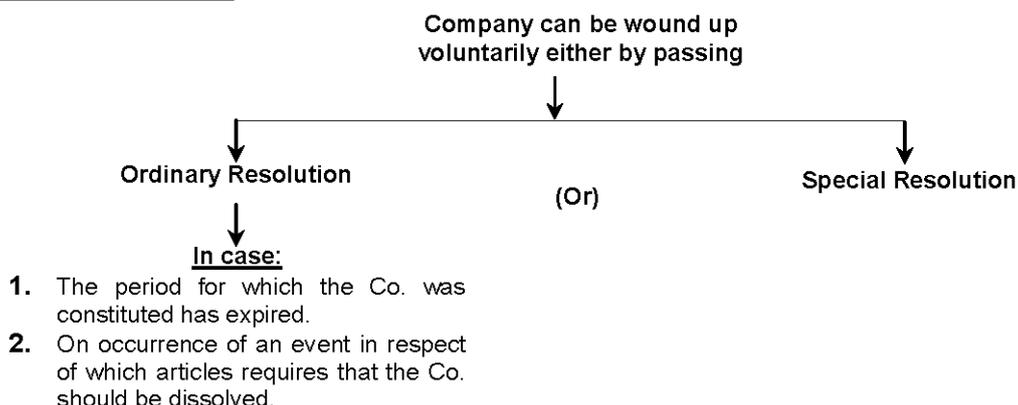
#### 1. Circumstances in Which Company May be Wound Up by Tribunal [Section 271]:

- a) The company by passing special resolution resolved that the company be wound up by the Tribunal.
- b) The Company has acted against the interests of the sovereignty and integrity of India.
- c) On application by the Registrar or any other person authorized by the CG if the tribunal is of the opinion that the affairs of the company have been conducted
  - In a fraudulent manner or
  - The company was formed for fraudulent and unlawful purpose or
  - The persons concerned in the formation or management of affairs have been guilty of fraud
- d) The company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding 5 Consecutive financial years
- e) The tribunal is of the opinion that it is just and equitable that the company should be wound up.

#### 2. Petition for Winding up (Section 272): The petition for winding up to tribunal can be made by

- The Company
- Any contributory or Contributories
- The Registrar
- Any person authorized by Central government in that behalf
- By the CG or SG, in case affairs of the Co. have been conducted in a fraudulent manner

### B. Voluntary Winding up:



**Sec 59 of Insolvency and Bankruptcy Code, 2016:**

A Corporate Person who intends to liquidate itself voluntarily and has not committed any default may initiate Voluntary Liquidation Proceedings. The following conditions are applicable:

**1. Declaration from Directors:**

<b>Contents</b>	There shall be a Declaration from majority of the Directors verified by an Affidavit stating that - a) They have made a full inquiry into the Company's affairs and they have formed an opinion that either - <ul style="list-style-type: none"> <li>• Company has no Debt, or</li> <li>• it will be able to pay its Debts in full from the proceeds of assets to be sold in the voluntary liquidation, &amp;</li> </ul> b) The Company is not being liquidated to defraud any person.
<b>Enclosures</b>	a) Audited Financial Statements and record of business operations of the Company for the previous 2 years or for the period since its Incorporation, whichever is later, b) Assets Valuation Report of the Company, if any, prepared by a Registered Valuer,

**2. Resolution:** Within 4 Weeks of the Declaration, a Resolution of the Members in a General Meeting shall be passed requiring the Company to be liquidated voluntarily and appointing an Insolvency Professional to act as the Liquidator, as under -

Situation	Type of Resolution
a) Expiry of the period of the Company's duration, if any, fixed by its AOA, or b) Occurrence of any event in respect of which the AOA provide that the Company shall be dissolved.	Ordinary Resolution is sufficient.
Voluntary Liquidation of the Company in any other situation than (a) and (b) above.	Special Resolution is required.

**3. Approval from Lenders/Creditors:** If the Company owes any Debt to any person, Creditors representing 2/3rd in Value of Debt of the Company shall approve the above Resolution within 7 days of such Resolution.**4. Notice to ROC/IBBI:** The Company shall notify the Registrar of Companies (ROC) and the Insolvency and Bankruptcy Board of India (IBBI) about the above Resolution to liquidate the Company, within 7 days of such Resolution or the subsequent approval by the Creditors.**5. Dissolution:**

- a) Where the affairs of the Corporate Person have been completely wound-up, and its Assets completely liquidated, the Liquidator shall make an application to NCLT for the dissolution of such Corporate Person.
- b) On an application filed by the Liquidator, NCLT shall pass an Order that the Corporate Debtor shall be dissolved from the date of that order and the Corporate Debtor shall be dissolved accordingly.
- c) Copy of an Order shall be forwarded to the Authority with which the Corporate Person is registered, within 14 days from the date of such order.

**Consequences of Passing Winding up Order/Resolution:**

1. An Official Liquidator/Insolvency professional will take over the administration of the company.
2. The power of Board of Directors will terminate and vest with the liquidator.
3. The members of the company will termed as contributories on the commencement of companies winding up.

**When the winding is up deemed to commence?**

Type of Winding up	Date of Commencement
a) In case of Compulsory Winding up	The winding up commences from the date of filing petition or passing of special resolution whichever is earlier.
b) In case of Voluntary Winding up	The winding up commences from the date of passing the resolution (Sec 308).

**Who appoints a liquidator?**

Type of Winding up	Appointment of Liquidator
a) In case of Compulsory Winding up	The Official Liquidator attached to High Court Is appointed by the Central Government
b) In case of Members' Voluntary Winding up	Person (other than body corporate) is appointed by the Company in its general meeting.
c) In case of Creditors' Voluntary Winding up	Person (other than body corporate) is appointed by the Creditors in their meeting.

**MODEL 1: STATEMENT OF AFFAIRS**

In case of winding up by Tribunal, Section 272(5) of the Companies Act, 2013 provides that a petition presented by the company for winding up before the Tribunal shall be admitted only if accompanied by a statement of affairs in such form and in such manner as may be prescribed.

In accordance with Section 274(1), where a petition for winding up is filed before the Tribunal by any person other than the company, the Tribunal shall, if satisfied that a prima facie case for winding up of the company is made out, by an order direct the company to file its objections along with a statement of its affairs within thirty days of the order in such form and in such manner as may be prescribed. The Tribunal may allow a further period of thirty days in a situation of contingency or special circumstances.

**Format of Statement of Affairs as at the date of Commencement of Winding Up****1. Assets not specifically pledged as per List A:**

Particulars	ERV [Rs.]
Cash in Hand	XXX
Marketable Securities	XXX
Calls in Arrears	XXX
Trade debtors, Stock in Trade etc.	XXX
Machinery etc.	XXX
<b>Total</b>	<b>XXX</b>

**2. Assets specially pledged as per List B:**

Particulars	ERV	Liability	Shortfall/ Deficiency Ranking as Unsecured	Surplus C/D to last Column	Amount (Rs.)
-----					XXX
-----					XXX

Estimated assets available for preferential creditors,	XXX
Creditors with floating charge and unsecured creditors.	XXX
(Total of 1 <sup>st</sup> + 2 <sup>nd</sup> Table) (Carried forward)	XXX

**3. Summary of Gross Assets:**

Particulars	ERV
ERV of Assets not specifically pledged	XXX
ERV of Assets specifically pledged	XXX
<b>Total:</b>	<b>XXX</b>

## 4. Gross Liabilities (to be deducted from Surplus or added to Deficiency)

Gross Liabilities	Particulars	Amount (Rs.)
xxx	Secured Creditors as per List B to the extent to which claims are estimated to be covered by assets specifically pledged	xxx
xxx	Preferential Creditors as per List C	xxx
xxx	Estimated Balance of Assets, available for Debenture holders secured by a Floating Charge and Unsecured Creditors	xxx
xxx	Debenture holders secured by a Floating Charge as per List D	xxx
	Estimated Surplus / (Deficiency) as regards Debenture holders	xxx
xxx	Unsecured Creditors as per List E	xxx
	Estimated Surplus / (Deficiency) as regards Creditors [being the difference between Gross Assets and Gross Liabilities] (D) - (E)	xxx
	Issued & called up capital: Preference Share capital as per List F	xxx
	Equity share capital as per List G	xxx
xxx	Estimated Surplus / (Deficiency) as regards Members (List H)	xxx

**Statement of Deficiency (List H):**

The Official Liquidator will specify a date for period (minimum three years) beginning with the date on which information is supplied for preparation of an account to explain the deficiency or surplus. On that date assets would exceed capital and liabilities, there would be a reserve or there would be a deficit or debit balance in the P&L Account. The Deficiency account is divided into two parts:

- The first part starts with the deficit (on the given date) and contains every item that increases deficiency (or reduces surplus such as losses, dividends etc.)
- The second part starts with the surplus on the given date and includes all profits.

If the total of the first exceeds that of the second, there would be a deficiency to the extent of the difference, and if the total of the second part exceeds that of the first, there would be a surplus.

Particulars	Amount (Rs.)
<b>A. Items contributing to Deficiency/reducing surplus:</b>	
a) Excess of capital & Liabilities over assets on the date of incorporation	xxx
b) Net Dividends/Bonus declared during the period	xxx
c) Net Trading losses during the period	xxx
d) Losses other than Trading Loss during the period. [E.g. Income tax penalty, Excise duty penalty]	xxx
e) Losses on account of winding up of the company [E.g. Loss in realisation of Assets]	xxx
<b>Total A:</b>	<u>xxxx</u>
<b>B. Items reducing deficiency/contributing to surplus:</b>	
a) Excess of Assets over capital & Liabilities on the date of incorporation.	xxx
b) Net Trading profit during the period	xxx
c) Profits other than Trading Profit during the period. [E.g. Profit on sale of Assets, investment income]	xxx
d) Other items reducing deficiency or contribute to surplus. [E.g. Profit on Realization of Assets at the time of winding up]	xxx
<b>Total B:</b>	<u>xxxx</u>
<b>Deficiency (Surplus) [A - B]</b>	<u>xxx</u>

**Note:** Statement of affairs should accompany eight lists:

**List A:** Full particulars of every description of property not specifically pledged and included in any other list are to be set forth in this list.

**List B:** Assets specifically pledged and creditors fully or partly secured.

**List C:** Preferential creditors for rates, taxes, salaries, wages and otherwise.

**List D:** List of debenture holders secured by a floating charge.

List E: Unsecured creditors.

List F: List of preference shareholders.

List G: List of equity shareholders.

List H: Deficiency or surplus account.

## **MODEL 2: OVERRIDING PREFERENTIAL PAYMENTS, PREFERENTIAL CREDITORS**

1. **Overriding Preferential Payments (Section 326):** In the winding up of a company under this Act, the following debts should be paid in priority to all other debts,

- a) Workmen's dues; and
- b) Debts due to Secured Creditors, to the extent such debts rank pari passu with Workmen's Dues, i.e. least of below.
  - Amount that could not be realized by the Secured Creditor out of the Secured Assets,
  - Amount of Workmen's portion in his Security.

**Note:** If the Assets are insufficient to pay the above debts in full, they shall abate in equal proportions.

**Example:** The value of the security of a secured creditor of a company is Rs. 1,00,000. The total amount of the workmen's dues is Rs. 1,00,000. The amount of the debts due from the company to its secured creditors is Rs.3,00,000. The aggregate of the amount of workmen's dues and the amount of debts due to secured creditors is Rs. 4,00,000. The workmen's portion of the security is, therefore, one-fourth of the value of the security that is Rs. 25,000.

**As per Sec 325(3) (b) workmen's dues**, in relation to a company, mean the aggregate of the following sums:

- a) **All wages or salary** including wages payable for time or piece work and salary earned wholly or in part by way of commission of any workman and any compensation payable to any workman under any of the provisions of the Industrial Disputes Act, 1947;
- b) **All accrued holiday remuneration** becoming payable to any workman or in the case of his death to any other person in his right, on the termination of his employment before, or by the effect of, the winding up order;
- c) All amounts due in respect of **any compensation** or liability for compensation under Workmen's Compensation Act, 1923, in respect of death or disablement of any workman of the company
- d) All sums due to any workman from a **provident fund, a pension fund, a gratuity fund** or any other fund for the welfare of the workmen maintained by the company.

**As per Sec 325(3)(a) "workmen"** in relation to a company, means the employees of the Company, being workmen within the meaning of the Industrial Dispute Act, 1947.

2. **Preferential Creditors (Section 327):** Section 327 provides that subject to the provisions of Section 326, following preferential creditors shall be paid in priority to unsecured creditors or creditor having a floating charge:

- a) All revenues, taxes, cesses and rates, becoming due and payable by the company within 12 months next before the commencement of the winding up.
- b) All wages or salaries (including wages payable for time or piece work and salary earned wholly or in part by way of commission) of any employee due for the period not exceeding 4 months within 12 months next before commencement of winding up provided the amount payable to one claimant will not exceed such amount as may be notified.
- c) All accrued holiday remuneration becoming payable to any employee on termination of employment before winding up order or dissolution of the company.
- d) Unless the company is being wound up voluntarily for the purpose of reconstruction, all contributions payable during the 12 months next under the Employees' State Insurance Act, 1948, or any other law for the time being in force.

- e) All sums due as compensation to employees under the Workmen's Compensation Act, 1923.
- f) All sums due to any employee from a provident fund, pension fund, gratuity fund or any other fund, for the welfare of the employees maintained by the company.
- g) The expenses of any investigation held under Section 213 and 216 in so far as they are payable by the company.

All the preferential debts rank equally among themselves and are to be paid in full unless the assets are insufficient, in which case they will abate in equal proportion.

After retaining sufficient sum for costs, charges and expenses of winding up, preferential debts must be paid forthwith so far as assets are sufficient to meet them.

**Note:** Sections 326 and 327 should not be applicable in the event of liquidation under the Insolvency and Bankruptcy Code, 2016.

**Example 1:** XYZ Limited is being wound up by the tribunal. All the assets of the company have been charged to the company's bankers to whom the company owes Rs 5 crores. The company owes following amounts to others:

- ✓ Dues to workers - Rs 1,25,00,000
- ✓ Taxes Payable to Government - Rs 30,00,000
- ✓ Unsecured Creditors - Rs 60,00,000

You are required to compute with the reference to the provision of the Companies Act, 2013 the amount each kind of creditors is likely to get if the amount realized by the official liquidator from the secured assets and available for distribution among creditors is only Rs 4,00,00,000/-

**Solution:**

Section 326 of the Companies Act, 2013 talks about the overriding preferential payments to be made from the amount realized from the assets to be distributed to various kind of creditors. According to the proviso given in the section 326 the security of every secured creditor should be deemed to be subject to a pari passu change in favor of the workman to the extent of their portion.

$$\begin{aligned} \text{Workman's Share to Secured Asset} &= \frac{\text{Amount Realised} \times \text{Workman's Dues}}{\text{Workman's Dues} + \text{Secured Loan}} \\ &= \frac{4,00,00,000 \times 1,25,00,000}{1,25,00,000 + 5,00,00,000} \end{aligned}$$

$$\text{Workman's Share to Secured Asset} = 4,00,00,000 \times 1/5 = 80,00,000$$

Amount available to secured creditor is Rs. 400 Lakhs - 80 Lakhs = 320 Lakhs

Hence, no amount is available for payment of government dues and unsecured creditors.

**Example 2:** The following details have been extracted from the books of a company at the time of the liquidation:

Secured creditors (with assets charged in their favour Rs.2,00,000)	3,00,000
Workmen's dues	1,00,000
Preferential creditors (excluding workmen's dues)	50,000
Unsecured creditors	2,00,000
Other assets	2,50,000

The assets available will be used as follows:

- a. Assets charged in favour of secured creditors worth Rs.2,00,000 will be shared by Secured Creditors and workers in the ratio of 3:1
- i. Share of secured creditors  $2,00,000 \times \frac{3}{4} = 1,50,000$
  - ii. Share of workers  $2,00,000 \times \frac{1}{4} = 50,000$
- b. Over-riding preferential payments amount to:

Secured creditors to the extent of their security being used for workmen's dues:	50,000
Balance of workmen's dues (1,00,000 - 50,000)	50,000
<b>Total:</b>	<b>1,00,000</b>

c. Other Assets will be used as follows:

Over-riding preferential payments (50,000 sec. cr. + 50,000 workmen due))	1,00,000
Preferential creditors	50,000
Unsecured creditors	1,00,000
<b>Total</b>	<b>2,50,000</b>

### **MODEL 3: LIQUIDATOR'S REMUNERATION**

#### **Liquidator's Remuneration:**

- It is the remuneration to be paid to liquidator /insolvent professional for discharging the functions of liquidation/winding up. It is generally paid on the basis of the following.
  - In Lump sum.
  - As a percentage of the assets realised.
  - As a percentage of the payments made to unsecured creditors (or) shareholders.
  - Or in any one or more of the above ways.
- In case liquidator is entitled to get commission on payments made to persons who are last in order of payment because the amount is insufficient then the liquidator's remuneration should be calculated as follows:

**Example:** LT Ltd. went into liquidation with the following liabilities:

Particulars	Amount ( Rs.)
Secured Creditors	40,000 (securities realised 50,000)
Preferential Creditors	1,200
Unsecured Creditors	61,000
Liquidation expenses	500

The liquidator is entitled to a remuneration of 3% on the amount realised (including securities in the hands of secured creditors) and 1½% on the amount distributed to unsecured creditors. The various assets (excluding the securities in the hands of the secured creditors) realised are Rs. 52,000. Prepare the liquidator's statement of account showing the payment made to the unsecured creditors.

#### **Solution:**

Particulars	Rs.	Particulars	Rs.
Amount realised	52,000	Liquidation expenses	500
Surplus from secured creditors	10,000	Liquidation remuneration	3,924
		Preferential creditors	1,200
		Unsecured creditors (b/f)	56,376
	<b>62,000</b>		<b>62,000</b>

#### **Working Notes:**

i) Calculation of Liquidators' Remuneration:

3% of Rs. 52,000 + 50,000	:	3,060
1½% on Preferential Creditors - 1,200	:	18
1½% on payment to unsecured creditors i.e. 57,222 x 3/203	:	<u>846</u>
		<u>3,924</u>

ii) Percentage of amount paid to unsecured creditors to total unsecured creditors

$$= 56,376 / 61,000 \times 100 = 92.41\%$$

**MODEL 4: LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT**

**Liquidator's Final Statement of Account:** It is a final statement A/c that is to be submitted by Official Liquidator/Liquidator to the court/members/creditors as the case may be in the event the company is finally being wound up.

**PROFORMA**

Name of the Company

Nature of Winding UP - voluntary/ compulsory

Liquidator Final A/c \*

Receipts	Rs.	Payments	Rs.
To Realisation from sale of Assets [not specifically pledged]	XXX	By Legal Charges	XXX
To Realisation from Assets specifically pledged	XXX	By Liquidator remuneration	XXX
Less: amount paid to Secured creditors	XXX	By Expenses of Liquidation	XXX
To Receipts from contributory [to the extent of uncalled capital]	XXX	By Amt. paid to Debenture holders By Preferential Creditors **	XXX
	XXX	By Unsecured Creditors	XXX
		By Preference Share Holders [at the rate of --- per share]	XXX
		By Equity Share Holders [at the rate of --- per share]	XXX
	XXX		XXX

\* In case of compulsory winding up it is called "Official Liquidators Final Account".

\*\* In actual practice preferential creditors are paid before debenture holders having a floating charge. Here this order is only for presentation sake.

**Important points to be noted:**

## 1. Debenture Interest

a) In case the company is solvent	Interest on Debentures is to be paid upto the date of payment
b) In other cases	Interest on Debentures is to be paid upto the date of winding up

**Note:** A company is said to be solvent when it has sufficient amount to pay off the principal and interest on all debts upto the commencement of winding up.

## 2. Arrears of Dividends on Cummulative Preference shares for the period upto the date of Commencement of winding up

i) If the Articles provides for the payment of arrears of dividend in priority to the equity share holders In the event of winding up.	Arrears are payable after the settlement of all claims of outsiders but before anything is paid to the equity share holders. Thus, if need be and possible, call, should be made on the equity share holders to pay dividend on cummulative preference shares.
ii) In other cases	Arrears are payable after the repayment of Equity Share Capital.

## 3. Call from Contributories:

While calling upon the Contributories to pay, the following two points should be kept in mind:

- First the equity shareholders should be called upon to contribute (not exceeding the amount of Uncalled Capital), then the preference shareholders should be called upon to contribute (not exceeding the amount of Uncalled Capital).
- Among the shareholders (whether Equity or Preference), first those who have paid less as compared to others, should be called upon to contribute.

## 4. Distribution of Cash among Equity Share Holders:

While distributing the Cash among equity shareholders the following points should be kept in mind:

- a) In case of deficiency, the available cash should be distributed among the shareholders in such a way that the loss suffered by each class of shareholders is proportionate to the nominal value of the shares held by respective class.
- b) In case of surplus, the available cash should be distributed among the shareholders in such a way that the surplus gained by each class of shareholder is proportionate to the nominal value of the shares held by respective class.
- c) Among the shareholders, first those who have paid more as compared to others, should be paid.
- d) **Calls-in advance:** The Calls in-advance received by the company will be paid in priority to any payment to the shareholders of that class.

**MODEL 5: LIABILITY OF LIST B CONTRIBUTORIES**

In the event of Companies winding up the Liquidators prepare two lists of contributories.

**List A:** This list consists of those persons who are the members of the company on the date of winding up. In other wards, List A contributories is list of the present members of the company.

**List B:** This list consists of those persons, who were the members of the company during the 12 months preceding the date of Winding up. In other words, List B contributory consists of the list of the past members of the Company.

In case assets of the company are not sufficient to pay the liabilities of the company in the event of Company's winding up, the liquidator can ask List B contributories towards assets of the company, if each of the following conditions is satisfied:

1. The Winding up of the company has commenced within one year of his or having been ceased to be a member.
2. A debt or liability of a company which was incurred up to the date of his or her membership is still outstanding.
3. The shares are partly paid up and the present member is not in a position to pay the calls made.

**Receiver for Debenture holders:**

**Meaning:** A receiver is an independent person appoint by the court or individual (or) group of individuals to take possession of certain property for protective purposes (or) receive income and profits there from and apply them as required.

**Mode of Application:** A Receiver will make payment to debenture holders only after meeting his expenses, remuneration and making payment to persons entitled to get payment in priority to them and surplus if any will be handed over by him to the liquidator of the company.

**Statement of Accounts to be prepared:** In this case two statements of accounts will have to be prepared. (i) Receiver Statement of A/c (ii) Liquidator Statement of A/c.

**PROBLEMS FOR CLASSROOM DISCUSSION**

**MODEL 1: STATEMENT OF AFFAIRS**

**PROBLEM 1:** X Ltd. was ordered to be wound up on March 31<sup>st</sup>, 2011 on which date its summarized balance sheet was as follows:

Name of the Company: X Ltd.  
Balance Sheet as at: 31<sup>st</sup> March, 2011

			Particulars	Notes No.	Figures as at the end of current reporting
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			1	2	period 3
1		<b>EQUITY AND LIABILITIES:</b>			
		<b>Shareholder's funds:</b>			
	A	Share capital	1		10,00,000
	B	Reserves and Surplus	2		(1,38,500)
2		<b>Non-current liabilities:</b>			
	A	Long term borrowings	3		1,60,000
3		<b>Current liabilities:</b>			
	A	Trade Payable			36,000
	B	Other current liabilities	4		29,000
		<b>TOTAL</b>			<b>10,86,500</b>
1		<b>ASSETS</b>			
		<b>Non-current assets:</b>			
	A	<b>Fixed assets</b>			
	(i)	Tangible assets	5		9,23,000
	(ii)	Intangible assets - Goodwill			1,00,000
2		<b>Current Assets</b>			
	A	Inventories			38,000
	B	Trade receivables			25,000
	C	Cash and cash equivalents			500
		<b>TOTAL</b>			<b>10,86,500</b>

**Notes to Accounts:****1. Share Capital:**

Particulars	Rs.
10,000 shares of Rs. 100 each	10,00,000

**2. Reserve & Surplus:**

Particulars	Rs.
Profit & Loss A/c	(1,38,500)

**3. Long term Borrowings:**

Particulars	Rs.
5% Debentures secured by a floating charge on all assets	1,60,000

**4. Other Current Liabilities:**

Particulars	Rs.
Bank Overdraft(Secured by hypothecation of stock)	25,000
Interest accrued on Debentures	4,000

**5. Tangible Assets:**

Particulars	Rs.
Land & Building	3,50,000
Plant & Machinery	5,50,000
Fixtures	23,000

The amounts estimated to be realized are: Goodwill Rs. 1,000; Building Rs.3,00,000; Plant Rs.5,25,000; Fixture Rs.10,000; Stock Rs.31,000; Debtors Rs.20,000.

Creditors included Rs. 6,000 on account of wages of 15 men at Rs.100 per month for 4 months immediately before the date of winding up: Rs.9,000 being the salaries of 5 employees at Rs.300 per month for the previous 6 months; Rent for godown for the last six months amounting to Rs.3,000. Income tax deducted out of salaries of employees Rs.1,000 and Directors Fees Rs.500.

Three years ago, the debit balance in the Profit and Loss Account was Rs.77,925 and since that date the accounts of the company have shown the following figures.

Particulars	Year 31.03.2009 (Rs.)	Year 31.03.2010 (Rs.)	Year 31.03.2011 (Rs.)
Gross Profit	65,000	45,000	40,000
Wages and Salaries	40,500	36,000	34,400
Electricity and Water Tax	5,750	6,380	5,260
Debentures interest	8,000	8,000	8,000
Bad Debts	8,540	7,600	6,700
Depreciation	6,700	-	-
Directors' Fees	1,000	1,000	1,000
Miscellaneous Expenses	10,500	7,265	7,980
Total	80,990	66,245	63,340
Loss	15,990	21,245	23,340

6. In addition it is estimated that the company would have to pay Rs. 5,000 as compensation to an employee for injuries suffered by him which was contingent liability not accepted by the company. Prepare the Statement of Affairs and the Deficiency account.

(C) (NEW SM) (ANS.: DEFICIENCY AS PER LIST H RS.3,42,500)

Note: \_\_\_\_\_

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To **MASTER MINDS**, Guntur

## **MODEL 2: OVERRIDING PREFERENTIAL PAYMENTS & PREFERENTIAL CREDITORS**

### **MODEL 3: LIQUIDATOR'S REMUNERATION**

#### **PROBLEM 2: Liquidator's Remuneration**

- The liquidator of a company is entitled to a remuneration of 2% on assets realized and 3% on the amount distributed to unsecured creditors. The assets realized Rs. 10,00,000. Amount available for distribution to unsecured creditors before paying liquidator's remuneration is Rs. 4,12,000. Calculate liquidator's remuneration if the surplus is insufficient to pay off unsecured creditors in total.
- A Liquidator is entitled to receive remuneration at 2% on the assets realized, 3% on the amount distributed to Preferential Creditors and 3% on the payment made to Unsecured Creditors. The assets were realized for Rs. 25,00,000 against which payment was made as follows:

Liquidation Rs. 25,000

Secured Creditors Rs. 10,00,000

Preferential Creditors Rs. 75,000

The amount due to Unsecured Creditors was Rs. 15,00,000. You are asked to calculate the total Remuneration payable to Liquidator. Calculation shall be made to the nearest multiple of a rupee.

(A) (OLD PM, M15, MTP1 M18(N&O)) (ANS.: LIQUIDATORS REMUNERATION A: 32,000 B: 91,505)

Note: \_\_\_\_\_

## **MODEL 4: LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT**

**PROBLEM 3:** Prakash Processors Ltd. went to voluntary liquidation on 31<sup>st</sup> December, 2010 when their Balance Sheet read as follows:

Name of the Company: Prakash Processors Ltd.

Balance Sheet as at: 31<sup>st</sup>, December, 2010

		Particulars	Notes No.	Figures as at the end of current Reporting period
		1	2	3
1				
	A	<b>EQUITY AND LIABILITIES:</b>		
	B	Shareholder's funds:		
		Share capital	1	11,37,500
		Reserves and Surplus	2	(2,81,250)
2		<b>Non-current liabilities:</b>		
	A	Long term borrowings	3	2,50,000
3		<b>Current liabilities:</b>		
	A	Trade Payable		3,18,750
	B	Other current liabilities (interest on debentures)		37,500
		<b>TOTAL</b>		<b>14,62,500</b>
1		<b>ASSETS:</b>		
	A	<b>Non-current assets:</b>		
	(i)	Tangible assets	4	8,75,000
	(ii)	Intangible assets - Patents		1,00,000
2		<b>Current Assets:</b>		
	A	Inventories		1,37,500
	B	Trade receivables		2,75,000
	C	Cash and cash equivalents		75,000
		<b>TOTAL</b>		<b>14,62,500</b>

**Notes to Accounts:****1. Share Capital:**

Particulars	Rs.
5,000 10% Cumulative Preference Shares of Rs.100 Each	5,00,000
2,500 Equity shares of Rs.100 each, Rs.75 paid	1,87,500
7,500 Equity shares of Rs.100 each, Rs.60 paid	4,50,000

**2. Reserve & Surplus:**

Particulars	Rs.
Profit & Loss A/c	2,81,250

**3. Long term Borrowings:**

Particulars	Rs.
15% Debentures secured by a floating charge	2,50,000

**4. Tangible Assets:**

Particulars	Rs.
Land & Building	2,50,000
Plant & Machinery	6,25,000

Preference dividends were in arrears for 2 years and the creditors included preferential creditors of Rs.38,000. The assets realized as follows:

Land and Buildings Rs.3,00,000; Machinery and Plant Rs.5,00,000; Patents Rs.75,000; Stock Rs.1,50,000; Sundry debtors Rs.2,00,000.

The expenses of liquidation amounted to Rs.27,250. The liquidator is entitled to a commission of 3% on assets realized except cash. Assuming the final payments including those on debentures is made on 30<sup>th</sup> June 2011. Show the liquidator's statement of Account. (A) (NEW SM)

(ANS.: LIQUIDATOR'S REMUNERATION = RS. 36,750, TOTAL OF LIQUIDATOR'S STATEMENT OF A/C = RS. 13,19,875)  
(DEFICIENCY PER EQ. SHARE 2.65: AMT PAID PER SHARE RS. 12.35 (ON RS. 75 PAID UP)

(SOLVE PROBLEM NO. 3 & 4 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 4: (PRINTED SOLUTION AVAILABLE)** The following particulars relate to a Limited Company which has gone into voluntary liquidation. You are required to prepare the Liquidators Statement of Account allowing for his remuneration @ 2½% on all assets realized excluding call money received and 2% on the amount paid to unsecured creditors including preferential creditors.

**Share capital issued:**

10,000 Preference shares of Rs.100 each fully paid up.

50,000 Equity shares of Rs.10 each fully paid up.

30,000 Equity shares of Rs.10 each, Rs.8 paid up.

Assets realized Rs.20,00,000 excluding the amount realized by sale of securities held by partly secured creditors.

Particulars	Amount
Preferential Creditors	50,000
Unsecured creditors	18,00,000
Partly secured creditors (Assets realized Rs.3,20,000)	3,50,000
Debenture holders having floating charge on all assets of the company	6,00,000
Expenses of liquidation	10,000

A call of 2 per share on the partly paid equity shares was duly received except in case of one shareholder owning 1,000 shares.

Also calculate the percentage of amount paid to the unsecured creditors to the total unsecured creditors. (A) (OLD PM, RTP M18 (N&O), MTP M17) (ANS.: BALANCE OF LIQUIDATOR FINAL STATEMENT A/C RS. 20,58,000)

(SOLVE PROBLEM NO. 5 & 6 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

**PROBLEM 5:** The following is the Balance Sheet of Confidence Builders Ltd. as at 30<sup>th</sup> September 2012.

Name of the Company: Confidence Builders Ltd.

Balance Sheet as at: 30<sup>th</sup> September, 2012

		Particulars	Notes No.	Figures as at the end of current reporting period
		1	2	3
		<b>EQUITY AND LIABILITIES:</b>		
		<b>Shareholder's funds:</b>		
1		<b>Share capital</b>		
	A	Share capital	1	2,37,500
	B	Reserves and Surplus	2	(40,500)
		<b>Non-current liabilities:</b>		
2		<b>Long term borrowings</b>		
	A	Long term borrowings	3	2,30,000
	B	Deferred tax liabilities (Net)	4	26,000
		<b>Current liabilities:</b>		
3		<b>Short term borrowings (Bank Overdraft)</b>		
	A	Short term borrowings (Bank Overdraft)		30,000

	B	Trade Payable		32,000
			TOTAL	5,15,000
1		ASSETS:		
		Non-current assets:		
	A	Fixed assets		
	(i)	Tangible assets - Land & Buildings		1,20,000
2		Current Assets		3,95,000
				5,15,000

**Notes to Accounts:****1. Share Capital:**

Particulars	Rs.
11% Preference Shares of Rs.10 Each	1,00,000
10,000 Equity Shares of Rs.10 each fully paid	1,00,000
5,000 Equity shares of Rs.10 each, Rs.7.50 paid	37,500

**2. Reserve & Surplus:**

Particulars	Rs.
Profit & Loss A/c	38,500
Debenture issue expenses not written off	2,000

**3. Long term Borrowings:**

Particulars	Rs.
13% Debentures	1,50,000
Mortgage Loan	80,000

**4. Deferred Tax Liabilities:**

Particulars	Rs.
Income Tax arrears for 2010-11	21,000
Income Tax arrears for 2011-12	5,000
Assessment concluded in July, 2012	

Mortgage loan was secured against land and buildings. Debentures were secured by a floating charge on all the other assets. The company was unable to meet the payments and therefore the debenture holders appointed a Receiver for the Debenture holders brought the land and buildings to auction and realized Rs.1,50,000. He also took charge of Sundry assets of value of Rs.2,40,000 and realized Rs.2,00,000. The Bank overdraft was secured by a personal guarantee of two of the Directors of the Company and on the Bank raising a demand, the Directors paid off the due from their personal resources. Costs incurred by the Receiver were Rs.2,000 and by the Liquidator Rs.2,800. The Receiver was not entitled to any remuneration but the liquidator was to receive 3% fee on the value of assets realized by him. Preference shareholders had not been paid dividend for period after 30<sup>th</sup> September 2010 and interest for the last half year was due to the debenture holders, Rest of the assets were realized at Rs.1,00,000.

Prepare the accounts to be submitted by the Receiver and liquidator.

(B) (NEW SIM) (ANS.: TOTAL OF LIQUIDATOR FINAL STATEMENT A/C RS. 1,93,100)

(SOLVE PROBLEM NO: 7 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

### **MODEL 5: LIABILITY OF LIST B CONTRIBUTORIES**

**PROBLEM 6:** In a liquidation which commenced on April 2, 2011 certain creditors could not receive payments out of the realisation of assets and out of the contributions from "A" list contributories. The following are the details of certain transfers, which took place in 2010 and 2011.

Shareholders	Number of shares transferred at	Date of ceasing	Creditors remaining
--------------	---------------------------------	-----------------	---------------------

	the date of ceasing to be member	to be member	unpaid and outstanding
X	1,500	1st March 2010	4,000
A	1,000	1st May 2010	6,000
B	1,500	1st July 2010	7,500
C	300	1st Nov. 2010	8,000
D	200	1st Feb. 2011	9,500

All the shares were Rs. 10 each, Rs. 6 paid up ignoring expenses of and remuneration to liquidators, etc., show the amount to be realised from the various persons listed above. (B) (NEW SM)

(ANS.: ACTUAL LIABILITY A-2,000, B-4,125, C-1,125, D-800) (SOLVE PROBLEM NO: 8 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: \_\_\_\_\_

## ASSIGNMENT PROBLEMS

### MODEL 1: STATEMENT OF AFFAIRS

**PROBLEM 1:** Statement of Affairs and Deficiency Statement when accounts are made properly: The following information was extracted from the books of a limited Company on 31<sup>st</sup> March, 2003 on which date a winding up order was made:

Particulars	Rs.
Equity share capital - 20,000 shares of Rs.10 each	2,00,000
14% preference share capital - 30,000 shares of Rs.10 each	3,00,000
Calls in arrears on Equity shares (estimated to realise Rs.2,000)	4,000
14% First Mortgage Debentures secured by a floating charge on the whole of the assets of the Company (interest paid to date)	2,00,000
Creditors having a mortgage on the Freehold Land & Buildings	85,000
Creditors having a second charge on Freehold Land & Buildings	90,000
Trade Creditors	2,70,000
Bills discounted (of these bills for Rs.15,000 are expected to be dishonoured)	40,000
Unclaimed Dividends	6,000
Bills payable	10,000
Income tax due	25,000
Salaries and wages (for 5 months)	40,000
Bank Overdraft secured by a second charge on the whole of the assets of the Co.	20,000
Cash in hand	1,200
Debtors (of these Rs.60,000 are good; Rs.15,000 are doubtful, estimated to realise Rs.5,000 and the rest bad).	90,000
Bills of Exchange (considered good)	35,000
Freehold Land & Buildings (estimated to realise Rs.1,65,000)	1,50,000
Plant & Machinery (estimated to produce Rs.90,000)	1,20,000
Fixtures and Fittings (estimated to produce Rs.8,000)	12,000
Stock in trade (estimated to produce 25% less)	80,000
Patents (estimated to produce Rs.45,000)	70,000

On 31<sup>st</sup> March, 1997, the Company's share capital stood at the same figures as on 31<sup>st</sup> March, 2003 but in addition, there was a General Reserve of Rs.65,000. In 1997-98 the Company earned a profit of Rs.1,43,000 but thereafter it suffered trading losses totaling in all Rs.4,67,000. In 1999-2000 a speculation loss of Rs.91,000 was incurred. Preference dividend was paid for 1997-98 and 1998 - 99 and on equity shares a dividend of 15% was paid for 1997-98 only.

Excise authorities imposed a penalty of Rs.1,60,000 for evasion of excise and income tax authorities imposed a penalty of Rs.60,400 for evasion of tax. Prepare the Statement of Affairs and the Deficiency A/c. (c)

### MODEL 4: LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

**PROBLEM 2:** Liquidator's statement of account and adjustment of capital: The summarized Balance Sheet of Full Stop Limited as on 31st March 2013, being the date of voluntary winding up is as under:

Liabilities	Rs.	Assets	Rs.
<b>Share capital:</b>		Land & building	5,20,000
5,000, 10% Cumulative Preference shares of Rs.100 each fully paid up	5,00,000	Plant & machinery	7,80,000
<b>Equity share capital:</b>		Inventory in trade	3,25,000
5,000 Equity shares of Rs. 100 each Rs. 60 per share called and paid up	3,00,000	Book debts	10,25,000
5,000 Equity shares of Rs. 100 each Rs. 50 per share called up and paid up	2,50,000	Profit & loss account	5,50,000
Securities premium	7,50,000		
10% Debentures	2,10,000		
Preferential creditors	1,05,000		
Bank overdraft	4,85,000		
Trade creditors	6,00,000		
	<b>32,00,000</b>		<b>32,00,000</b>

Preference dividend is in arrears for three years. By 31-03-2013, the assets realized were as follows:

Particulars	Rs.
Land & building	6,20,000
Inventory in trade	3,10,000
Plant & machinery	7,10,000
Book debts	6,60,000

Expenses of liquidation are Rs. 86,000. The remuneration of the liquidator is 2% of the realization of assets. Income tax payable on liquidation is Rs. 67,000. Assuming that the final payments were made on 31-03-2013, prepare the Liquidator's Statement of Account.

(A) (NEW SM) (ANS.: TOTAL OF LIQUIDATORS STATEMENT A/C RS. 23,00,000)

**PROBLEM 3:** M. Ltd. resolved on 31<sup>st</sup> December 2010 that the company be *Deficiency* voluntarily. The following was the trial balance extracted from its books as on that date:

Particulars	Rs.	Rs.
Equity shares of Rs.10 each		2,00,000
9% Preference shares of Rs.10 each		1,00,000
Plant (less depreciation w/o Rs.85,000)	2,15,000	
Stock in trade	2,50,000	
Sundry Debtors	55,000	
Sundry Creditors		75,000
Bank balance	74,000	
Preliminary Expenses	6,000	
Profit & Loss A/c (Balance on 1 <sup>st</sup> January, 2010)		30,000
Trading loss for the year 2010	24,000	
Preference dividend for the year 2010	6,000	
Outstanding Expenses (Including mortgage interest)		25,000
4% Mortgage loan		2,00,000
	<b>6,30,000</b>	<b>6,30,000</b>

On 1<sup>st</sup> January, 2011 the liquidator sold to M Ltd. Plant for Rs.2,05,000 and stock in trade for Rs.2,00,000. The sale was completed in January, 2011 and the consideration satisfied as to

Rs.2,62,200 in cash and as to the balance in 6% Debentures of the purchasing company issued to the liquidator at a premium of 2%.

The remaining steps in the liquidation were as follows:

1. The liquidator realized Rs.52,000 out of the book debts and the cost of collection amounted to Rs.2,000.
2. The loan mortgage was discharged on 31<sup>st</sup> January, 2011 along with interest from 31<sup>st</sup> July, 2010. Creditors were discharged subject to 2% and outstanding expenses excluding mortgage interest were settled for Rs.2,000.
3. On 30<sup>th</sup> June 2011 six month's interest on debentures was received from M Ltd.
4. Liquidation expenses amounting to Rs.3,000 and liquidator's remuneration of 3% on disbursements to members were paid on 30<sup>th</sup> June, 2011 when:
  - a) The preference shareholders were paid out in cash; and
  - b) The debentures on M Ltd. and the balance of cash were distributed ratably among the equity shareholders.

Prepare the Liquidator's Statement of Account showing the distribution.

(A) (NEW SIM) (ANS.: BALANCE OF LIQUIDATOR FINAL STATEMENT A/C RS. 5,33,200)

**PROBLEM 4:** Liquidator's statement of account: The position of Valueless Ltd. on its liquidation is as under:

**Issue and paid up Capital:**

3,000 11% preference shares of Rs.100 each fully paid.

3,000 Equity shares of Rs.100 each fully paid.

1,000 Equity shares of Rs.50 each Rs.30 per share paid

Calls in Arrears are Rs. 10,000 and Calls received in Advance Rs. 5,000. Preference Dividends are in arrears for one year. Amount left with the liquidator after discharging all liabilities is Rs.4,13,000. Articles of Association of company provide for payment of preference dividend arrears in priority to return of equity capital. You are required to prepare the Liquidator final statement of account.

(B) (OLD PM) (ANS.: TOTAL OF LIQUIDATOR'S FINAL STATEMENT: RS.4,28,000)

**PROBLEM 5:** Basic level problem on Liquidators Final Statement of Account: The following information is given to you:

Name of the Company: A Ltd.

Balance Sheet as at : 31<sup>st</sup> March, 2013

		Particulars	Notes No.	Figures as at the end of current reporting period
		1	2	3
		<b><u>EQUITY AND LIABILITIES:</u></b>		
		<b>Shareholder's funds:</b>		
1	a	Share capital	1	4,55,000
	b	Reserves and Surplus	2	(83,500)
2	a	<b>Non-current liabilities:</b>		
		Long tem borrowings	3	1,00,000
3	a	<b>Current liabilities:</b>		
	b	Trade Payable		1,45,000
		Other current liabilities-O/S Interest		14,000
		<b>Total</b>		<b>6,30,500</b>
		<b><u>ASSETS</u></b>		
1	a	<b>Non-current assets:</b>		
		Fixed assets		

		i	Tangible assets	4	3,50,000	
		ii	Intangible assets - Patents		40,000	
2	a b c	<b>Current Assets</b>				
			Inventories		55,000	
			Trade receivables		1,10,000	
			Cash and cash equivalents		75,500	
			<b>Total</b>		<b>6,30,500</b>	

**Notes to Accounts:****1. Share Capital:**

Particulars	Rs.
2,000 14% Preference shares of Rs.100 each, fully paid-up	2,00,000
1,000 Equity Shares of Rs.100 each, Rs.75 paid	75,000
3,000 Equity shares of Rs.100 each, Rs.60 paid	1,80,000

**2. Reserve & Surplus:**

Particulars	Rs.
Profit & Loss A/c	(83,500)

**3. Long term Borrowings:**

Particulars	Rs.
14% Debentures secured by a floating charge on all assets	1,00,000

**4. Tangible Assets:**

Particulars	Rs.
Land & Building	1,00,000
Plant & Machinery	2,50,000

The Company went into liquidation on the above date. The preference dividends were in arrear for two years. The arrears are payable automatically on liquidation. Creditors include a loan for Rs. 50,000 On the mortgage of Land & Buildings. The assets were realised as Land & Buildings 1,20,000; Machinery & Plant: 2,00,000; Patents: 30,000; Stock: 60,000; Sundry Debtors: 80,000;

The expenses of liquidation amounted to Rs. 10,900. The liquidator is entitled to a commission of 3% on all assets realised except cash and a commission of 2 % on amounts distributed among unsecured creditors. Preferential creditors amount to Rs. 15,000. Assume the payment was made on 30<sup>th</sup> September, 2013. Prepare the Liquidator's Final statement of A/c.

(A) (SIMILAR: M11) (ANS.: TOTAL OF LIQUIDATOR'S FINAL STATEMENT RS.5,15,500)

**Problem 6:** Receiver's receipts and payments a/c and liquidator's final statement of A/c: The summarized Balance Sheet of Vasant Ltd. as on 31st March, 2013, being the date of voluntary winding up is as under:

Liabilities	Rs.	Assets	Rs.
<b>Issued Share Capital:</b>		Land & Building	1,30,000
10% Pref. Shares of Rs. 10 each	1,50,000	Sundry Current Assets	4,36,000
10,000 Equity Shares of Rs. 10 each, fully paid up	1,00,000	Profit and Loss Account	35,000
5,000 Equity Shares of Rs. 10 each, Rs. 8 per share paid up	40,000	Debenture issue expenses not written off	2,000
13% Debentures	1,50,000		
Mortgage Loan	70,000		
Bank overdraft	30,000		
Trade Creditors	38,000		
Income Tax Arrears (assessment concluded in February, 2013)	25,000		

6,03,000

6,03,000

Mortgage loan was secured against Land & Building. Debentures were secured by a floating charge on all assets. The company was unable to meet the payments and therefore the debenture holders appointed a Receiver for the debenture holders. He brought the Land & Buildings to auction and realized Rs. 1,60,000. He also took charge of Sundry Assets of value of Rs.2,36,000 and realized Rs.2,00,000. The Bank overdraft was secured by personal guarantee of the directors of the company and on the Bank raising a demand, the Directors paid off the due from their personal resources. Costs incurred by the Receiver were Rs. 1,950 and by the Liquidator Rs. 3,000. The receiver was not entitled to any remuneration but the Liquidator was to receive 2% fee on the value of assets realized by him. Preference Shareholders have not been paid dividend for period after 31st March, 2011 and interest for the last half year was due to the Debenture holders. Rest of the assets were realized at Rs.1,50,000.

Prepare the accounts to be submitted by the receiver and Liquidator. (B) (OLD PM, SIMILAR: N18 (N) - 10M)

(ANS.: SURPLUS TRANSFERRED TO LIQUIDATOR: RS. 1,03,300, TOTAL OF LIQUIDATOR'S FINAL STATEMENT: RS. 2,60,200)

### MODEL 5: LIABILITY OF LIST B CONTRIBUTORIES

**PROBLEM 7:** list B contributories - Basic level: Pessimist Ltd. has gone into liquidation on 10<sup>th</sup> May, 2013. The details of members, who have ceased to be members, within the year ended 31<sup>st</sup> March, 2013 are given below. The debts that could not be paid out of realization of assets and contribution from present members ('A' contributories) are also given with their date - wise break up. Shares are of Rs.10 each, Rs.6 per share paid up.

You are to determine the amount realizable from each person.

Shareholders	No. of shares Transferred	Date of transfer	Proportionate unpaid debts
P	1,000	20.04.2012	3,000
Q	1,200	15.05.2012	5,000
R	1,500	18.09.2012	9,200
S	800	24.12.2012	10,500
T	500	12.03.2013	11,000

(B) (OLD PM, N00, SIMILAR: M18 (N) - 5M) (ANS.: LIABILITY OF Q - RS. 1500, R - RS. 4,125, S - RS. 3,000, T - RS. 2,000)

**PROBLEM 8:** From the following particulars, prepare a Statement of Affairs and the Deficiency Account for submission to the official liquidator of the Equipment Ltd., which went into liquidation on December 31, 2012:

Particulars	Rs.	Rs.
3,000 equity shares of 100 each, Rs. 80 paid-up		2,40,000
6% 1,000 preference shares of Rs. 100 each fully paid-up	1,00,000	
Less : Calls in arrear	(5,000)	95,000
5% Debentures having a floating charge on the assets (interest paid up to June 30, 2012)		1,00,000
Mortgage on Land & Buildings		80,000
Trade Creditors		2,65,500
Owing for wages		20,000
Secretary's salary (@Rs. 500 p.m.) owing		3,000
Managing Director's salary (@Rs. 1,500 p.m.) owing		6,000

Assets	Estimated to produce Rs.	Book value Rs.
Land & Building	1,30,000	1,20,000
Plant	1,30,000	2,00,000
Tools	4,000	20,000
Patents	30,000	50,000
Stock	74,000	87,000
Investments in the hands of a Bank for an overdraft of Rs.1,90,000	1,70,000	1,80,000

Book Debts	60,000	90,000
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On 31<sup>st</sup> December, 2007 the balance sheet of the company showed a general reserve of Rs. 40,000 accompanied by a debit balance of Rs. 25,000 in the Profit & Loss Account.

In 2008 the company made a profit of Rs. 40,000 and declared a dividend of 10% on equity shares. The company suffered a total loss of Rs. 1,09,000 besides loss of stock due to fire of Rs. 40,000 during 2009, 2010 and 2011. For 2012 accounts were not made.

The cost of winding up is expected to be Rs. 15,000. (A) (NEW SIM) (ANS.: DEFICIENCY AS PER LIST-H RS.4,04,000)

## PRINTED SOLUTIONS TO SOME SELECTIVE PROBLEMS

### PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 4

#### PROBLEM NO: 4

##### i) Liquidator's Statement of Account

	Rs.			Rs..
To Assets Realised	20,00,000	By Liquidator's remuneration		
To Receipt of call money on 29,000 equity shares @ 2 per share	58,000	2.5% on 23,20,000 □*	58,000	
		2% on 50,000	1,000	
		2% on 13,12,745 (W.N.3)	26,255	85,255
		By Liquidation Expenses		10,000
		By Debenture holders having a floating charge on all assets		6,00,000
		By Preferential creditors		50,000
		By Unsecured creditors		13,12,745
	<b>20,58,000</b>			<b>20,58,000</b>

□\* Total assets realised excluding call money = Rs. 20,00,000 + Rs. 3,20,000 = Rs. 23,20,000

##### ii) Percentage of amount paid to unsecured creditors to total unsecured creditors:

$$= \frac{13,12,745}{18,30,000} \times 100 = 71.73\%$$

##### Working Notes:

1. Unsecured portion in partly secured creditors = Rs. 3,50,000 - Rs. 3,20,000 = Rs. 30,000
2. Total unsecured creditors = 18,00,000 + 30,000 (W.N.1) = Rs. 18,30,000
3. Liquidator's remuneration on payment to unsecured creditors

Cash available for unsecured creditors after all payments including payment to preferential creditors & liquidator's remuneration on it = Rs. 13,39,000

$$\text{Liquidator's remuneration on unsecured creditors} = \frac{2}{102} \times 13,39,000 = \text{Rs. } 26,255$$

Or on Rs. 13,12,754 x 2/100 = Rs. 26,255

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To **MASTER MINDS**, Guntur

## THE END