

Corporate Accounting

Unit-3 Liquidation of Companies

STATEMENT OF AFFAIRS

PROBLEM 1. M Co. Ltd. went into voluntary liquidation on 1st March 2018. Following balances are extracted from its books on that date :

	₹		₹
Capital :		Buildings	1,50,000
50,000 equity shares of ₹ 10 each	5,00,000	Plant and Machinery	3,50,000
Debentures (secured by a floating charge)	2,00,000	Stock-in-Trade	95,000
Bank Overdraft	30,000	Book Debts	75,000
Creditors <i>Liabilities for Purchase</i>	40,000	Less : Provision	10,000
			65,000
		Calls in Arrears	1,00,000
		Cash on hand	10,000
	7,70,000		7,70,000

Plant and Machinery and Building are valued at ₹ 1,50,000 and ₹ 1,20,000 respectively. On realisation, losses of ₹ 15,000 are expected on stock. Book debts will realise ₹ 70,000. Calls in arrears are expected to realise 90%. Bank Overdraft is secured against Buildings. Creditors include preferential creditors for taxes and wages are ₹ 6,000 and Miscellaneous Expenses Outstanding ₹ 2,000.

Prepare a Statement of Affairs to be submitted to the meeting of creditors.

SOLUTION

STATEMENT OF AFFAIRS OF M CO. LTD. as on 1st March, 2018

	Estimated Realisable Values
Assets not specially pledged (as per List A)	₹
Cash in Hand	10,000
Sundry Debtors	70,000
Calls in Arrears	90,000
Stock-in-Trade	80,000
Plant and Machinery	1,50,000
	4,00,000

Assets not specially pledged (as per List B)

	Estimated Realisable Value ₹	Due to Secured Creditors ₹	Deficiency ranking as unsecured ₹	Surplus carried to last column ₹
Buildings	1,20,000	30,000	—	90,000
Estimated surplus from assets specially pledged				90,000

Estimated total assets available for preferential creditors, debentureholders secured by a floating charge and unsecured creditors

4,90,000

Summary of Gross Assets :

Gross realisable value of assets specially pledged	₹ 1,20,000
Other assets	4,00,000
	<u>5,20,000</u>

Gross
Liabilities

Liabilities

Secured creditors as per List B the extent to which claims are estimated to be covered by assets specially pledged

Preferential creditors as per List C (including o/c salary, wages, comm. and

Estimated balance of assets available for debentureholders secured by a floating charge and unsecured creditors

Debentureholders secured by a floating charge as per List D

Estimated surplus as regards debentureholders

Unsecured creditors as per List E

Liabilities for purchases (₹ 40,000 – ₹ 6,000 – ₹ 2,000)

Miscellaneous expenses outstanding

Estimated surplus as regards creditors (Being the difference between gross assets and gross liabilities i.e. ₹ 5,20,000 – ₹ 2,70,000)

₹

30,000

6000

2,00,000

34,000

2,70,000

6,000

4,84,000

2,00,000

2,84,000

32,000

2,000

34,000

2,50,000

PROBLEM 2. 'A' Ltd. is to be liquidated. Their summarised Balance Sheet as at 30th September, 2018 appears as under :

Liabilities :

5,00,000 Equity Shares of ₹ 100 each

Secured Debentures (on Land and Buildings)

Unsecured Loans

Trade Creditors

Assets :

Land and Building

Other Fixed Assets

Current Assets

Profit and Loss Account

Contingent Liabilities are :

For Bills Discounted

For Excise Duty Demands

₹

50,00,000

20,00,000

40,00,000

70,00,000

1,80,00,000

10,00,000

40,00,000

90,00,000

40,00,000

1,80,00,000

2,00,000

3,00,000

On investigation, it is found that the contingent liabilities are certain to devolve and that the assets are likely to be realised as follows :

Land and Building	₹ 22,00,000
Other Fixed Assets	36,00,000
Current Assets	70,00,000

Taking the above into account, prepare the Statement of Affairs.

SOLUTION

Statement of Affairs of 'A' Ltd. (in Liquidation) as on 30th September, 2018

					Estimated Realisable Value (₹)
Assets not specifically pledged (as per List A) :					
Other Fixed Assets					36,00,000
Current Assets					70,00,000
					1,06,00,000
Assets specifically pledged (as per List B) :					
	Estimated Realisable Value ₹	Due to secured creditors ₹	Deficiency ranking as unsecured ₹	Surplus carried to the last column ₹	
Land and Building	22,00,000	20,00,000	—	2,00,000	2,00,000
Estimated Total Assets available for Preferential Creditors, Debentureholders Secured by a Floating Charge and Unsecured Creditors					1,08,00,000
Summary of Gross Assets :					
Gross Realisable Value of Assets Specifically pledged				22,00,000	
Other Assets				1,06,00,000	
Total Assets				1,28,00,000	
Gross Liabilities	Liabilities				
20,00,000	Secured Creditors (as per List B) to the extent to which claims are estimated to be covered by assets specifically pledged				—
3,00,000	Preferential Creditors (as per List C)—for demand of Excise Duty				3,00,000
—	Balance of Assets available for Debentureholders Secured by Floating Charge and Unsecured Creditors				1,05,00,000
40,00,000	Debentureholders Secured by Floating Charge (as per List D)				—
70,00,000	Unsecured Loans				40,00,000
2,00,000	Trade Creditors				70,00,000
1,35,00,000	Liability for Bills Discounted (Contingent)				2,00,000
	Estimated Deficiency as regards Creditors (Difference between Gross Assets and Gross Liabilities)				7,00,000
	Issued and Called up Capital :				
	5,00,000 Equity Shares of ₹ 10 each (as per List G)				50,00,000
	Estimated Deficiency as regards Members/Contributories				57,00,000

PROBLEM 3. Following information is extracted from the books of a limited company on June 30, 2018 on which date a winding up order was made.

Cash in Hand

Book Debts :

Good

Doubtful (estimated to produce 40%)

Bad

₹
75,000
15,000
9,000

₹
4,050

Stock in Trade (estimated to produce ₹ 1,19,350)

Freehold Land and Buildings (estimated to produce ₹ 3,91,000)

Plant and Machinery (estimated to produce ₹ 1,06,000)

Fixtures and Fittings (estimated to produce ₹ 15,000)

Equity Share Capital, 40,000 shares of ₹ 10 each

10% Preference Share Capital, 6,000 shares of ₹ 100 each

Calls in arrears on equity shares (estimated to produce ₹ 4,000)

9% First Mortgage Debentures, secured by a floating charge on the whole of the assets of the company

Creditors fully secured (value of shares in A Ltd. ₹ 80,000)

Creditors partly secured (value of shares in B Ltd. ₹ 40,000)

Preferential Creditors

Bank Overdraft, secured by a second charge on the whole of the assets of the company

Unsecured creditors

Estimated liability on bills discounted

99,000
1,44,000
3,30,000
1,50,000
25,000
4,00,000
6,00,000
8,000
4,00,000
70,000
80,000
15,000
40,000
5,20,000
20,000

Prepare a Statement of Affairs : (a) as regards creditors ; and (b) as regards contributories.

SOLUTION

STATEMENT OF AFFAIRS OF... LTD.

as on June 30, 2018

Assets					Estimated Realisable Value
Assets not Specifically Pledged (as per List A)					₹
Cash in Hand					4,050
Trade Debtors (₹ 75,000 + 40/100 of ₹ 15,000)					81,000
Unpaid Calls				6,000	4,000
Stock in Trade					1,19,350
Freehold Land and Buildings					3,91,000
Plant and Machinery					1,06,000
Fixtures and Fittings					15,000
Assets Specifically Pledged (as per list B)					7,20,400
	Estimated realisable value	Due to secured creditors	Deficiency ranking as unsecured	Surplus carried to last column	
	₹	₹	₹	₹	
Shares in A Ltd.	80,000	70,000	—	10,000	
Share in B Ltd.	40,000	80,000	40,000	—	
	<u>1,20,000</u>	<u>1,50,000</u>	<u>40,000</u>	<u>10,000</u>	
Estimated surplus from assets specially pledged					10,000
Estimated total assets available for preferential creditors, debentureholders secured by a floating charge, bank overdraft secured by a second floating charge and unsecured creditors					7,30,400

SUMMARY OF GROSS ASSETS

Gross realisable value of assets
specifically pledged
Other assets
Gross assets

₹
1,20,000
7,20,400
8,40,400

Gross
Liabilities

Liabilities

(a) or (b) whichever is less

(To be deducted from surplus or added to deficiency as the case may be)

Secured creditors (as per List B) to the extent to which claims are
estimated to be covered by assets specially pledged

Preferential creditors (as per List C)

15,000

Estimated balance of assets available for debentureholders secured by a
floating charge, bank overdraft secured by a second floating charge
and unsecured creditors

7,15,400

Debentureholders secured by a floating charge (as per List D)

4,00,000

Bank overdraft secured by a second floating charge (as per List D)

3,15,400

Estimated surplus as regards debentureholders and bank

40,000

Unsecured creditors (as per List E)

2,75,400

Estimated unsecured balance of claims of creditors partly secured
on specific assets

₹ 40,000

Unsecured creditors

₹ 5,20,000

Liability on bills discounted

₹ 20,000

5,80,000

11,45,000

5,80,000

Estimated deficiency as regards creditors, being the difference between
gross liabilities and gross assets (₹ 11,45,000 – ₹ 8,40,400)

3,04,600

Issued and called up capital :

6,000 10% Preference shares of ₹ 100 each fully paid up
(as per List F)

6,00,000

40,000 Equity shares of ₹ 10 each fully paid up (as per
List G)

₹ 4,00,000

Less : Irrecoverable unpaid calls

₹ 4,000

3,96,000

Estimated deficiency as regards members or contributories (as per List H)

13,00,600

STATEMENT OF AFFAIRS AND DEFICIENCY ACCOUNT

PROBLEM 4. Shri AB Govindan is appointed liquidator of a company in voluntary liquidation on 1st July 2018, and the following balances are extracted from the books on that date :

	₹		₹
Capital :		Machinery	65,000
16,000 shares of ₹ 5 each	80,000	Leasehold Properties	40,000
Provision for Bad Debts	10,000	Stock in Trade	1,000
Debentures	50,000	Book Debts	60,000
Bank Overdraft	18,000	Investments	6,000
Liabilities for Purchases	20,000	Calls in Arrear	5,000
		Cash in Hand	1,000
	<u>1,78,000</u>		<u>1,78,000</u>

Machinery is valued at ₹ 60,000 ; Leasehold Properties at ₹ 73,000 ; Investments at ₹ 4,000 ; Stock in Trade at ₹ 2,000; bad debts are ₹ 2,000 ; doubtful debts are ₹ 4,000 estimated to realise ₹ 2,000. Bank Overdraft is secured by deposit of title deeds of Leasehold Properties. Preferential creditors for tax and wages ₹ 1,000. Telephone rent owing is ₹ 80. You are required to make out (1) Statement of Affairs as regard creditors and contributories and (2) Deficiency or Surplus Account.

SOLUTION

STATEMENT OF AFFAIRS OF

as on July 1, 2018

Assets					Estimated Realisable Values ₹
Assets not specifically pledged (as per List A)					
Cash in Hand					1,000
Trade Debtors					56,000
Call in Arrears					5,000
Investments					4,000
Stock					2,000
Machinery					60,000
					1,28,000
Assets not specifically pledged (as per List A)					
	Estimated Realisable Value ₹	Due to Secured Creditors ₹	Deficiency ranking as unsecured ₹	Surplus carried to last column ₹	
Leasehold Properties	73,000	18,000	—	55,000	
Estimated surplus from assets specifically pledged					55,000
Estimated total assets available for preferential creditors, debentureholders secured by a floating charge, and unsecured creditors					1,83,000
SUMMARY OF GROSS ASSETS					
Gross realisable value of assets specifically pledged				₹	
Other Assets				73,000	
Gross Assets				1,28,000	
				2,01,000	
Liabilities					
(To be deducted from surplus or added to deficiency as the case may be)					
Secured creditors (as per List B) to the extent to which claims are estimated to be covered by assets specifically pledged					
Preferential creditors (as per List C)					
					1,000
Estimated balance of assets available for debentureholders secured by a floating charge and unsecured creditors					
Debentureholders secured by a floating charge (as per List D)					
Estimated surplus as regards debentureholders					
					1,82,000
Unsecured creditors (as per List E)					
Liabilities for purchases					
Telephone rent outstanding					
				20,000	
				80	
					1,32,000
					20,080
Estimated surplus as regards creditors being the difference between gross assets and gross liabilities (₹ 2,01,000 – ₹ 89,080)					
Issued and called up equity capital (as per List G)					
Estimated surplus as regards contributories (as per List H)					
					1,11,920
					80,000
					31,920

SURPLUS ACCOUNT (LIST H)

Items reducing surplus :				₹
Estimated losses now written off for which provision has been made for the purpose of preparing the statement :				
Machinery (₹ 65,000 – ₹ 60,000)				5,000
Investments (₹ 6,000 – ₹ 4,000)				2,000
Preferential creditors for taxes and wages				1,000
Telephone Rent Outstanding				80
				<u>8,080</u>
				8,080
Items contributing to surplus :				
Leasehold Properties (₹ 73,000 – ₹ 40,000)				33,000
Stock (₹ 2,000 – ₹ 1,000)				1,000
Provision for Bad Debts		₹	10,000	
Less : Bad Debts	2,000			
Doubtful Debts	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>	
				40,000
Surplus as shown by Statement of Affairs				<u>31,920</u>

PROBLEM 5. Following particulars were extracted from the books of X Ltd. on 1st January, 2018 on which date a winding up order was made.

	₹
20,000 Equity Shares of ₹ 10 each fully paid up	2,00,000
6% 2,000 Preference Shares of ₹ 100 each fully paid up	2,00,000
6% First Mortgage Debentures secured by a floating charge upon the whole of the assets	1,00,000
Fully secured creditors	30,000
Partly secured creditors	20,000
Preferential creditors for rates and taxes	6,000
Bills payable	10,000
Unsecured creditors	70,000
Bank overdraft	10,000
Bills receivable	15,000
Bills discounted (one bill for ₹ 10,000 is likely to be bad)	40,000
Book debts—good	10,000
doubtful (estimated to produce 50%)	7,000
bad	6,000
Shares in A Ltd. (estimated to produce ₹ 35,000)	45,000
Shares in B Ltd. (estimated to produce ₹ 10,000)	15,000
(given to partly secured creditors as security)	
Land and building (estimated to produce ₹ 40,000)	1,50,000
Stock in trade (estimated to produce ₹ 40,000)	50,000
Machinery and tools etc. (estimated to produce ₹ 20,000)	50,000
Cash in hand	10,000

You are required to prepare : (a) Statement of Affairs. (b) Deficiency Account.

STATEMENT OF AFFAIRS OF X LTD.
as on 1st January, 2018

Assets not Specially pledged (as per List A)

Cash in hand	
Sundry Debtors (₹ 10,000 + 50% of ₹ 7,000)	
Bills Receivable (10,000 + 3,500)	
Shares in A Ltd.	
Stock in Trade	
Machinery and Tools etc.	
Land and Building	

**Estimated
Realisable
Values**
₹

10,000
13,500
15,000
35,000
40,000
20,000
40,000

Assets specially pledged (as per List B)

	Estimated realisable Value ₹	Due to secured Creditors ₹	Deficiency ranking as unsecured ₹	Surplus carried to last column ₹
Value of Securities (1)	30,000	30,000	—	—
Shares in B Ltd.	10,000	20,000	10,000	—
	<u>40,000</u>	<u>50,000</u>	<u>10,000</u>	<u>—</u>

Summary of gross assets :

Gross realisable value of assets specially pledged	₹ 40,000
Other assets	1,73,500
	<u>2,13,500</u>

Gross Liabilities ₹	Liabilities	
40,000	Secured creditors as per List B to the extent to which claims are estimated to be covered by assets specially pledged	
6,000	Preferential creditors as per List C	6,000
1,00,000	Estimated balance of assets available for debentureholders secured by a floating charge and unsecured creditors	1,67,500
	Debentureholders secured by a floating charge as per List D	1,00,000
	Estimated surplus as regards debentureholders	67,500
	Unsecured creditors as per List E	
	Unsecured Balance of Partly Secured Creditors	₹ 10,000
	Bills Payable	10,000
	Unsecured Creditors	70,000
1,10,000	Bank Overdraft	10,000
	Liability on Bills Discounted	10,000
2,56,000	Estimated deficiency as regards creditors (Being the difference between gross assets ₹ 2,13,500 and gross liabilities ₹ 2,56,000)	1,10,000
	Issued and called-up capital :	42,500
	6% 2,000 Preference Shares of ₹ 100 each fully paid up as per List F	2,00,000
	20,000 Equity Shares of ₹ 10 each fully paid up as per List G	2,00,000
	Estimated deficiency as regards contributories as per List H	4,42,500

256000
42500
213500

DEFICIENCY ACCOUNT (LIST H)

A. Items contributing to deficiency :		₹
Excess of capital and liabilities over assets on 1st January, 2018 as shown by the trial balance	(2)	2,58,000
Losses other than trading losses now written off or for which provision has been made in the books :		₹
Bills discounted likely to be dishonoured	10,000	
Sundry Debtors	9,500	
Shares in A Ltd.	10,000	
Shares in B Ltd.	5,000	
Land and Building	1,10,000	
Stock in Trade	10,000	
Machinery and Tools etc.	30,000	
		1,84,500
Deficiency as shown by Statement of Affairs		4,42,500

Working Notes :

(1) Value of securities held by fully secured creditors is not given in the problem. Value of securities held by fully secured creditors has been assumed to be ₹ 30,000 equal to the amount of fully secured creditors.

(2) Excess of capital and liabilities over assets ₹ 2,58,000 has been ascertained by preparing Trial Balance of X Ltd. as on 1-1-2018.

TRIAL BALANCE OF X LTD.

as on 1-1-2018

Credit Balances	₹	Debit Balances	₹
20,000 Equity Shares of ₹ 10 each fully paid	2,00,000	Land and Building	1,50,000
2,000 Preference Shares of ₹ 100 each fully paid	2,00,000	Machinery and Tools etc.	50,000
Mortgage Debentures	1,00,000	Shares in A Ltd.	45,000
Fully Secured Creditors	30,000	Shares in B Ltd.	15,000
Partly Secured Creditors	20,000	Value of Securities held by Fully Secured Creditors	30,000
Preferential Creditors	6,000	Bills Receivable	15,000
Bills Payable	10,000	Book Debts— Good	10,000
Unsecured Creditors	70,000	Doubtful	7,000
Bank Overdraft	10,000	Bad	6,000
		Stock in Trade	50,000
		Cash in Hand	10,000
			3,88,000
		Excess of Capital and Liabilities Over Assets (Bal. fig.)	2,58,000
	6,46,000		6,46,000

LIQUIDATORS FINAL STATEMENT OF ACCOUNT

PROBLEM 6. LT Ltd. went into liquidation with the following liabilities :

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 1.5% on the amount distributed to unsecured

creditors. The various assets (excluding the securities in hand of the secured creditors) realised ₹ 52,000.

Prepare Liquidator's Statement of Account showing the payment made to the unsecured creditors.

SOLUTION

LIQUIDATOR'S STATEMENT OF ACCOUNT

	₹		₹
Realisation of Securities (in the hands of fully secured creditors)	50,000	Fully Secured Creditors	40,000
Realisation of Assets	52,000	Liquidation Expenses	500
To Assets realised	52,000	Liquidator's Remuneration :	
To Securities realised	50,000	3% on Assets Realised	₹ 3,060
		i.e., 3% on ₹ 1,02,000	
		$1\frac{1}{2}\%$ on Payment made :	
		to Preferential Creditors	18
		to Unsecured Creditors	
		i.e., $1\frac{1}{2}\%$ on ₹ 56,376	846
		Preferential Creditors	3,924
		Unsecured Creditors	1,200
		@ 92.42 paise in a rupee	
		(i.e., $\frac{₹ 56,376}{₹ 61,000}$)	
	1,02,000		56,376
			1,02,000

PROBLEM 7. Following particulars relate to a Limited Company. You are required to prepare Liquidator's Final Statement of Account allowing for his remuneration @ 2% on amount realised and 2% on the amounts distributed among the unsecured creditors other than preferential creditors. The assets realised the following sums : Buildings ₹ 20,000 ; Plant ₹ 18,650 ; Furniture ₹ 1,000.

Liabilities :

Preferential Creditors ₹ 10,000 ; Unsecured Creditors ₹ 32,000 ; Debentures ₹ 10,000 ; Equity Share Capital ₹ 50,000.

Liquidation expenses amounted to ₹ 1,000.

SOLUTION

LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

	₹		₹
Assets Realised :		Liquidation Expenses	1,000
Land & Building	20,000	Liquidator's Remuneration @ 2% on	
Plant & Machinery	18,650	Assets Realised :	
Fixtures & Fittings	1,000	2% on ₹ 39,650	793
		2% on amount paid to Creditors	
		$\left(\frac{2}{102} \times ₹ 17,857 \right)$	350
		Preference Creditors	1,143
		Debentureholders A/c	10,000
		Unsecured Creditors (54.71%)	10,000
	39,650		17,507
			32,000
			39,650

39650

1000

38650

37854

1000

36854

PROBLEM 8. Following particulars relate to a limited company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Final Account allowing for his remuneration @ 3% on the amount realised and 2% on the amount paid to the unsecured creditors.

Share Capital issued : 1,000 preference shares of ₹ 100 each (fully paid) ; 20,000 equity shares of ₹ 10 each (fully paid) ; 4,000 equity shares of ₹ 10 each (80% paid).

Assets realised ₹ 3,08,000 excluding amount realised by sale of securities held by the secured creditors.

Secured Creditors (security realised ₹ 54,000) ₹ 46,000 ; Unsecured Creditors ₹ 2,83,698 ; Preferential Creditors ₹ 8,000 ; Debentures having a floating charge on the assets ₹ 1,00,000 ; Expenses of liquidation amounted to ₹ 3,000.

A call of ₹ 2 per share on the partly paid equity shares was duly paid except in case of one shareholder owning 400 shares.

SOLUTION

In the Books of a company (in Liquidation) LIQUIDATOR'S FINAL ACCOUNT

	₹		₹
Assets Realised	3,08,000	Liquidation Expenses	3,000
Calls (3,600 shares @ ₹ 2)	7,200	Liquidator's Remuneration :	
Surplus from Securities	8,000	3% on ₹ 3,16,000	9,480
		2% on ₹ 8,000 p.c	160
		2% on ₹ 1,98,588	(2) 3,972
			13,612
		Preferential Creditors	8,000
		Debentureholders having	
		floating charge on the assets	1,00,000
		Unsecured Creditors	
		(70% of ₹ 2,83,698)	1,98,588
	3,23,200		3,23,200

Notes. (1) Shareholders will not get anything as the amount is not sufficient even to make the full payment of the unsecured creditors.

(2) Since the amount is not sufficient to make the full payment of the unsecured creditors, the commission payable to the liquidator is calculated as follows :

Amount available for distribution amongst unsecured creditors before the liquidator's commission on payment to unsecured creditors is ₹ 2,02,560 (i.e., ₹ 3,23,200 - ₹ 3,000 - ₹ 9,480 - ₹ 160 - ₹ 8,000 - ₹ 1,00,000). Therefore, liquidator's commission on payment to the unsecured creditors is ₹ 3,972 (i.e., $\frac{2}{102} \times ₹ 2,02,560$)

PROBLEM 9. From the data relating to a company (in voluntary liquidation), you are asked to prepare Liquidator's Statement of Account.

(a) Cash with liquidator (after all assets are realised and secured creditors and debentureholders are paid) is ₹ 6,73,800.

(b) Preferential creditors to be paid ₹ 30,000.

(c) Other unsecured creditors ₹ 2,15,000.

(d) 4,000 6% preference shares of ₹ 100 each, fully paid.

(e) 2,000 equity shares of ₹ 100 each, ₹ 75 per share paid up.

(f) 6,000 equity shares of ₹ 100 each, ₹ 60 per share paid up

(g) Liquidator's remuneration 2% on preferential and other unsecured creditors.

(h) Preference dividends were in arrears for 2 years.

SOLUTION**LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT**

Cash in hand	₹ 6,73,800	Liquidator's Remuneration	₹
Cash (Amount called from holders of 6,000 shares @ ₹ 6.76 per share)	(1) 40,560	(2% on ₹ 2,45,000)	4,900
		Preferential Creditors	30,000
		Unsecured Creditors	2,15,000
		Preference Shareholders :	
		Capital	₹ 4,00,000
		Dividend for 2 years @ 6% p.a.	48,000
			4,48,000
		Equity Shareholders :	
		Amount paid to holders of 2,000 equity shares @ ₹ 8.24 per share	(1) 16,460
	7,14,360		7,14,360

Working Note :**(1) Calculation of Amount Returnable to Equity Shareholders or Receivable from Equity Shareholders.**

Cash in hand	₹ 6,73,800
Less : Payments :	
Liquidator's Remuneration	₹ 4,900
Preferential Creditors	30,000
Unsecured Creditors	2,15,000
Preference Shareholders	4,48,000
	6,97,900
Amount required for Preference Shareholders	24,100
Add : Amount of Equity Capital (Paid up)	
2,000 equity shares @ ₹ 75 per share	1,50,000
6,000 equity shares @ ₹ 60 per share	3,60,000
Total loss to be borne by equity shareholders	5,34,100
Number of equity shares	8,000
Therefore loss per equity share = $\frac{\text{Total Loss}}{\text{No. of Equity Shares}} = \frac{₹ 5,34,100}{8,000} = ₹ 66.76$	
	Holders of 2,000 shares Holders of 6,000 shares
Paid up amount per share	₹ 75 ₹ 60
Less : Loss per share	66.76 66.76
Net amount receivable or returnable per share	8.24 6.76
	(Returnable) (Receivable)

PROBLEM 10. V. Ltd., went into voluntary liquidation on 31st March, 2018. The details regarding liquidation are as follows :

(a) 3,000 9% Preference Shares of ₹ 100 each fully paid up.

(b) 3,000 'A' Equity Shares of ₹ 100 each, ₹ 75 paid up. 2,400 'B' Equity Shares of ₹ 100 each, ₹ 60 paid up. 2,100 'C' Equity Shares of ₹ 100 each, ₹ 50 paid up.

V Ltd. has borrowed a loan of ₹ 75,000 from B Ltd. against the mortgage of Machinery which realised ₹ 1,20,750. Books of the company show outstanding salaries of four clerks for four months @ ₹ 450 p.m. per clerk and of four workers for three months @ ₹ 225 p.m. per worker. In addition to this the company's books show the creditors worth ₹ 1,31,100. Other assets realised ₹ 4,86,750. Prepare Liquidator's Final Statement of Account.

SOLUTION

LIQUIDATOR'S STATEMENT OF RECEIPTS AND PAYMENTS

	₹		₹
Assets Realised	4,86,750	Payment of Secured Creditors	
Other Assets Realised	1,20,750	(Loan of Patel Bros.)	75,000
Proceeds of call @ ₹ 1 per share on 2,100 shares of class C	(3) 2,100	Liquidation Expenses	Nil
		Preferential Creditors	(1) 9,900
		Unsecured Creditors	(2) 1,31,100
		Preference Shareholders	3,00,000
		Equity Shareholders :	
		Return of ₹ 24 per share on 3,000 class A shares	(3) 72,000
		Return of ₹ 9 per share on 2,400 class B shares	(3) 21,600
	6,09,600		6,09,600

Working Notes :

(1) Calculation of Preferential Creditors

Salary of 4 clerks = $4 \times 4 \times 450 =$
 Workers $225 \times 3 \times 4$

₹
 7,200
 2,700
 9,900

(2) Calculation of Unsecured Creditors

Creditors shown in the books

₹
 1,31,100

(3) Calculation of Amount Returnable to Equity Shareholders or Receivable from Equity Shareholders

Assets realised

₹
 6,07,500

Less : Payments :

Secured Creditors

75,000

Preferential Creditors

9,900

Unsecured Creditors

1,31,100

2,16,000

Balance available for shareholders

3,91,500

Less : Capital to be returned to preference shareholders

3,00,000

Amount available for equity shareholders

91,500

Less : Equity share paid up :

Class A—3,000 equity shares @ ₹ 75 = 2,25,000

Class B—2,400 equity shares @ ₹ 60 = 1,44,000

Class C—2,100 equity shares @ ₹ 50 = 1,05,000

4,74,000

3,82,500

Loss to be borne by equity shareholders

Therefore, loss per equity share = $\frac{\text{Total Loss}}{\text{Total No. of Equity shares}} = \frac{₹ 3,82,500}{7,500} = ₹ 51$

	Class A Shares	Class B Shares	Class C Shares
	₹	₹	₹
Paid up amount per share	75	60	50
Less : Loss per share	51	51	51
Net amount receivable or returnable per share	24	9	-1

PROBLEM 11. T Ltd. was placed in voluntary liquidation on 31st December, 2017, when its Balance Sheet was as follows :

		₹
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital :		
50,000 Equity Shares of ₹ 10 each	5,00,000	
Less : Calls in arrear	25,000	
		4,75,000
6,000 5% Cumulative Preference Shares of ₹ 100 each fully paid		6,00,000
(b) Reserves and Surplus :		
Securities Premium Account		50,000
(2) Non-current Liabilities		
5% Debentures Account		1,00,000
(3) Current Liabilities		
Creditors		1,15,000
Bank Overdraft		58,000
Interest on Debentures Due		2,500
	Total	14,00,500
II. Assets		
(1) Non-current Assets		
Freehold Factory		7,94,000
Plant & Machinery		2,89,000
Motor Vehicles		57,500
(2) Current Assets		
Stocks		1,86,000
Debtors		74,000
	Total	14,00,500

Preference dividends are in arrears from 2014 onwards.

The Company's articles provide that on liquidation, out of the surplus assets remaining after payment of liquidation costs and outside liabilities, there shall be paid firstly all arrears of preference dividend ; secondly the amount paid up on the Preference Shares together with a premium thereon of ₹ 10 per share, and thirdly any balance then remaining shall be paid to the equity shareholders.

Bank Overdraft was guaranteed by the directors who were called upon by the Bank to discharge their liability under the guarantee. The directors paid the amount to the Bank

The liquidator realised the assets as follows :

		₹		
Freehold Factory		7,00,000	Stock	1,50,000
Plant and Machinery		2,40,000	Debtors	60,000
Motor Vehicles		59,000	Calls in Arrears	25,000

Creditors were paid less discount of 5 per cent. The debentures and accrued interest were repaid on 31st March, 2018.

Liquidation costs were ₹ 3,820 and the liquidator's remuneration was 2 per cent on the amounts realised

Prepare Liquidator's Statement of Account.

SOLUTION

T Ltd. (In Liquidation) LIQUIDATOR'S STATEMENT OF ACCOUNT

	₹		₹
Assets Realised :		Liquidator's Remuneration	
Debtors	60,000	@ 2% on ₹ 12,34,000	24,680
Calls in Arrears	25,000	Liquidation Costs	3,820
Stock	1,50,000	Debentureholders :	
Plant and Machinery	2,40,000	5% Debentures	1,00,000
Motor Vehicles	59,000	Interest as given	
Freehold Property	7,00,000	in Balance Sheet	₹ 2,500
		Interest for 3 months	
		from 1-1-2018	
		to 31-3-2018	$\frac{3}{12} \times \frac{5}{100} \times 1,00,000 = 1,250$
		@ 5% p.a. on	
		₹ 1,00,000	₹ 1,250
			3,750
		Bank Overdraft	1,03,750
		Creditors	58,000
		Less : 5% Discount	1,15,000
			5,750
			1,09,250
		Preference Shareholders :	
		Preference Share	₹
		Capital	6,00,000
		Add : 10% Premium	60,000
		Arrears of Dividend	
		for 4 years @ 5% p.a. on	
		₹ 6,00,000	1,20,000
			7,80,000
		Equity Shareholders	1,54,500
			12,34,000
	12,34,000		12,34,000

PROBLEM 12. The Suny Valley Mining Co. Ltd. went into voluntary liquidation on 1st January, 2018. Liquidator's remuneration is 5% on assets realized and 3% on distribution among shareholders. Position as on 1st January, 2018 was as follows :

Cash on realisation of assets	₹ 5,00,000
Liquidation expenses	9,000
Unsecured creditors	62,000
Creditors for salaries and wages (December 2017)	6,000
5,000 6% preference shares @ ₹ 30 each (dividend paid up to 2015)	1,50,000
10,000 equity shares of ₹ 10 each, ₹ 9 per share called and paid up	90,000

Under the Articles the preference shareholders have the right to receive 25% of the surplus remaining after repaying the equity share capital.

Prepare Liquidator's Final Statement of Account.

SOLUTION

The Suny Valley Mining Co. Ltd. LIQUIDATOR'S FINAL STATEMENT ACCOUNT (In Liquidation)

	₹		₹
Realisation of Assets	5,00,000	Liquidator's Remuneration	
		5% on ₹ 5,00,000	25,000
		3% on ₹ 3,86,408	(i) 11,592

	Liquidation Expenses	9,000
	Preferential Creditors	6,000
	Unsecured Creditors	62,000
	Refund to Contributories	
	Pref. Shareholders	1,50,000
	Add: Dividend for	
	2 years @ 6% p.a.	18,000
	Add: 1/4 of surplus (ii)	32,102
		<u>2,00,102</u>
	Equity Shareholders	
	Equity Capital	90,000
	3/4 of Surplus (ii)	96,306
		<u>1,86,306</u>
		<u>5,00,000</u>
	<u>5,00,000</u>	<u>5,00,000</u>

Working Note :

(i) Assets realised

Less : Liabilities paid including remuneration on assets realised

Commission @ 3% : ₹ 3,98,000 × $\frac{3}{103}$ = ₹ 11,592

(ii) Amount available to Shareholders

Less: Commission (3% on shareholders)

Less: Paid to Shareholders

Preference

Equity

Surplus

Less : 1/4 to Preference Shareholders

3/4 to Equity Shareholders

25000
9000
6000
62000

₹ 5,00,000

1,02,000

3,98,000

₹

3,98,000

11,592

3,86,408

₹

1,68,000

90,000

2,58,000

1,28,408

32,102

96,306

PROBLEM 13. The position of Valueless Ltd. on its liquidation is as under :

Issued and Paid-up Capital :

3,000 11% Preference shares of ₹ 100 each fully paid. 3,000 Equity shares of ₹ 100 each, fully paid. 1,000 Equity shares of ₹ 50 each, ₹ 30 per share paid.

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

SOLUTION

LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

	₹		₹
To Cash (Left after discharging all liabilities)	4,13,000	By Payment of Preference Dividend @ 11% on ₹ 3,00,000 Pref. Capital	33,000
To Realisation from Calls in Arrears	10,000	By Payment of Preference Share Capital	3,00,000
To Final Call on 1,000 Equity Shares of ₹ 50 each @ ₹ 5 per share (1)	5,000	By Calls in Advance	5,000

	By Payment to Holders of Equity Shares fully paid @ ₹ 30 (1) per Equity Share	90,000
4,28,000		4,28,000

Working Notes (1)

Balance left with the liquidator after payment of all liabilities ₹ 4,13,000
 Add : Calls in arrears received 10,000

4,23,000

Less : Payment for preference dividend ₹ 33,000
 Payment for preference capital 3,00,000
 Payment of calls in advance 5,000

3,38,000

85,000

Add : Amount which can be received from holders of 1,000
 equity shares of ₹ 50 each, ₹ 30 paid @ ₹ 20 per equity share

20,000

Total amount disposable

1,05,000

No. of Equivalent Equity Shares of ₹ 50 each :

3,000 equity shares of ₹ 100 each = 6,000 equity shares of ₹ 50 each

1,000 equity shares of ₹ 50 each = 1,000 equity shares of ₹ 50 each

7,000 equity shares of ₹ 50 each

Final payment for equity share of ₹ 50 each = $\frac{₹ 1,05,000}{7,000 \text{ shares}} = ₹ 15$

Therefore, final payment for each equity share of ₹ 100 = $\frac{₹ 15}{₹ 50} \times ₹ 100 = ₹ 30$

Equity shareholders of ₹ 50 each, ₹ 30 paid up have to pay ₹ 20 per share and receive ₹ 15 as final payment. As a result, they are required to pay net ₹ 5 (i.e. ₹ 20 – ₹ 15) per share.

PROBLEM 14. The Breakfast Foods Ltd., went into voluntary liquidation on 31st December, 2018. The balances in its books on that date were :

Credit Balances	₹	Debit Balances	₹
Share Capital :		Land and Buildings	2,50,000
Authorised and Subscribed :		Machinery and Plant	9,25,000
5,000 6% Cumulative		Patents	1,00,000
Preference Shares of		Stock	1,37,500
₹ 100 each fully paid	5,00,000	Sundry Debtors	2,75,000
2,500 Equity Shares of		Cash at Bank	75,000
₹ 100 each, ₹ 75 paid	1,87,500		
7,500 Equity Shares of			
₹ 100 each, ₹ 60 paid	4,50,000		
5% Mortgage Debentures	2,50,000		
Interest Outstanding	12,500		
Creditors	3,62,500		
	17,62,500		17,62,500

The liquidator is entitled to commission of 3% on all assets realised except cash and 2% on amounts distributed among unsecured creditors other than preferential creditors.

Creditors include Preferential Creditors ₹ 37,500 and a loan for ₹ 1,25,000 secured by a mortgage on land and buildings. The preference dividends were in arrears for two years. The assets realised as follows :

Land and Buildings ₹ 3,00,000 ; Machinery and Plant ₹ 5,00,000 ; Patents ₹ 75,000 ; Stock ₹ 1,50,000 ; Sundry Debtors ₹ 2,00,000 ; The expenses of liquidation amounted to ₹ 27,250.

Prepare Liquidator's Final Statement of Account.

SOLUTION

The Breakfast Foods Ltd. (In Liquidation) LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

Receipts	₹	₹	Payments	₹
Asset Realised :			Secured Creditors	1,25,000
Cash at Bank	75,000		Expenses of Liquidation	27,250
Land and Buildings	3,00,000		Liquidator' Remuneration :	
Machinery and			3% on assets realised	₹ 36,750
Plant	5,00,000		2% on payment made	
Patents	75,000		to unsecured creditors	4,000
Stock	1,50,000			(1) 40,750
Sundry Debtors	2,00,000		Preferential Creditors	37,500
		13,00,000	5% Mortgage Debentures	2,50,000
			Add : Interest Outstanding	12,500
				2,62,500
			Unsecured Creditors	2,00,000
			Preference Shareholders :	
			Capital	5,00,000
			Arrears of dividend	
			for 2 years @ 6% on ₹ 5,00,000	60,000
				5,60,000
			Equity shareholders :	
			@ ₹ 15.95 on	
			2,500 shares (2)	39,875
			@ 95 paise on 7,500 shares (2)	7,125
				47,000
		13,00,000		13,00,000

Working Notes :

(1) Calculation of Liquidator's Remuneration :

3% on all assets realised except cash i.e., 3% on ₹ 12,25,000

2% on payment made to unsecured creditors other than preferential creditors

Total Creditors	₹ 3,62,500
Less : Loan secured by a mortgage on land and buildings	1,25,000

Less : Preferential Creditors	37,500
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Unsecured Creditors	2,00,000
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Remuneration @ 2% on ₹ 2,00,000	4,000
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Total Remuneration	40,750
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(2) Amount available for distribution amongst equity shareholders is ₹ 47,000. In the problem, there are two classes of equity shareholders, namely 2,500 equity shares of ₹ 100 each, ₹ 75 paid up and 7,500 equity shares of ₹ 100 each, ₹ 60 paid up. First of all the difference of ₹ 15 per share is paid to the holders of the first class of 2,500 shares to bring their capital contribution equal to the capital share on 2,500 shares, the holders of all 10,000 shares (both classes of equity shares) have got an amount of ₹ 9,500 (₹ 47,000 – ₹ 2,500 × 15) to be distributed among themselves. Therefore, the holder of each equity share gets 95 paise (i.e. ₹ 9,500/10,000).

PROBLEM 15.

BALANCE SHEET OF SONA LIMITED as on 31st December, 2017

I. Equity and Liabilities		₹
(1) Shareholders' Funds		
Share Capital :		
(i) 2,000 Equity Shares of ₹ 100 each fully paid		2,00,000
(ii) 3,000 Equity Shares of ₹ 100 each, ₹ 50 per share paid		1,50,000
(iii) 1,000 6% Preference Shares of ₹ 100 each		1,00,000
(2) Non-current Liabilities		
(i) 6% Debentures (Floating charge on all assets)		1,00,000
(ii) Loan on Mortgage of Land & Building		1,00,000
(3) Current Liabilities		
(i) Sundry Creditors		90,000
(ii) Income Tax Payable		10,000
Total		7,50,000
II. Assets		
(1) Non-current Assets		
(a) Land & Building		2,00,000
(b) Plant & Machinery		3,20,000
(2) Current Assets		
(a) Stock		1,00,000
(b) Debtors		1,00,000
(c) Cash at Bank		30,000
Total		7,50,000

The company went into liquidation on 1st January, 2018.

The preference dividends were in arrear for three years. The arrears are payable on liquidation.

The assets were realised as follows :

Land and Building ₹ 2,40,000 ; Plant and Machinery ₹ 1,80,000 ; Stock ₹ 70,000 ; Debtors ₹ 60,000.

The expenses of liquidation amounted to ₹ 8,000.

The liquidator is entitled to a commission at 2% on all assets realised except cash at bank and 3% on amounts distributed to unsecured creditors.

All payments were made on 30th June, 2018.

Prepare Liquidator's Statement of Account.

SOLUTION

In the Books of Sona Limited (In Liquidation)
LIQUIDATOR'S STATEMENT OF ACCOUNT

Cash at Bank	₹ 30,000	Secured Creditors	₹ 1,00,000
Assets Realised :		Expenses of Liquidation	8,000
Land & Building	2,40,000	Liquidator's Remuneration :	
Plant & Machinery	1,80,000	2% on assets realised i.e.,	₹
Stock	70,000	$2/100 \times 5,50,000$	11,000
Debtors	60,000	3% on unsecured	
		creditors i.e., $3/100 \times 1,00,000$	3,000
	5,50,000		14,000
		Debentureholders	
		including 6% interest	
		for 6 months from	
		1-1-2018 to 30-6-2018	1,03,000
		Unsecured Creditors	1,00,000
		Preference Shareholders :	
		Preference Share	
		Capital	1,00,000
		Dividend for 3 years @ 6% p.a.	18,000
			1,18,000
		Equity Shareholders :	
		On 2,000 shares @ ₹ 57.40	1,14,800
		On 3,000 shares @ ₹ 7.40	22,200
			1,37,000
	5,80,000		5,80,000

PROBLEM 16. Credit and debit balances taken from the books of Bubble Ltd. as on 31-12-2018 were as follows :

Cr. Balances	₹	Dr. Balances	₹
Share Capital :		Land and Building	25,000
8,000 Preference Shares of ₹ 10 each	80,000	Other Fixed Assets	2,00,000
12,000 Equity Shares of ₹ 10 each	1,20,000	Stock	5,25,000
Bank Loan	4,00,000	Debtors	1,00,000
8% Debentures	1,00,000	Surplus A/c (Negative Balance)	58,000
Interest Outstanding on Debentures	8,000		
Creditors	2,00,000		
	9,08,000		9,08,000

The company went into liquidation on that date. Prepare Liquidator's Statement of Account after taking into account the following :

- (1) Liquidation expenses and liquidator's remuneration amounted to ₹ 3,000 and ₹ 10,000 respectively.
- (2) Bank loan was secured by pledge of stock.
- (3) Debentures & interest thereon are secured by a floating charge on all assets.
- (4) Fixed assets were realised at book values and current assets at 80% of book values.

SOLUTION

In the Books of Bubble Ltd. (In Liquidation)
LIQUIDATOR'S STATEMENT OF ACCOUNT

Assets Realised :	₹			₹
Land & Building	25,000	Bank Loan		4,00,000
Other Fixed Assets	2,00,000	Liquidation Expenses		3,000
Stock (80% of ₹ 5,25,000)	4,20,000	Liquidator's Remuneration		10,000
Debtors (80% of ₹ 1,00,000)	80,000	Debentureholders :	₹	
		8% Debentures	1,00,000	
		Interest Outstanding	8,000	
				1,08,000
		Creditors		2,00,000
		Preference Shareholders :		
		On 8,000 shares @ 50 paise per share		4,000
	<u>7,25,000</u>			<u>7,25,000</u>

PROBLEM 17. Balance Sheet of Byrtes Ltd. as on 30th September, 2018 was as follows :

I. Equity and Liabilities	₹
(1) <i>Shareholders' Funds</i>	
(a) <i>Share Capital :</i>	
(i) 10,000 'A' Equity Shares of ₹ 20 each	2,00,000
(ii) 5,000 'B' Equity Shares of ₹ 20 each, ₹ 19 per share called up and paid up	95,000
(iii) 500 5% Cumulative Preference Shares of ₹ 200 each	1,00,000
(b) <i>Surplus Account</i>	(-) 1,95,000
(2) <i>Non-current Liabilities</i>	
5% Debentures (Secured on Freehold Property)	80,000
(3) <i>Current Liabilities</i>	
Creditors	1,78,000
Total	<u>4,58,000</u>
II. Assets	
(1) <i>Non-current Assets</i>	
Freehold Property	80,000
Plant & Machinery	1,20,000
Furniture & Equipment	20,000
(2) <i>Current Assets</i>	
Stock	1,60,000
Debtors	60,000
Bank	18,000
Total	<u>4,58,000</u>

The company passed a resolution to wind up voluntarily and you are appointed as a liquidator. The preference shareholders have not received dividend for the past two years. The articles of the company include the following clauses : (a) The preference shares will rank both as regards dividend whether declared or not and capital in priority to all other shares both present and future. (b) That all equity shares will be treated alike.

The debenture interest is payable on 31st March and on 30th September every year and the interest due on 30th September, 2018 was paid. Creditors include ₹ 5,000 on account of Income-tax due.

The liquidator sold the Plant and Furniture for ₹ 95,000, stock realised ₹ 1,22,000 and debtors realised ₹ 50,000. The debentureholders requested the liquidator to sell also the Freehold Property and the property was sold for ₹ 1,20,000. Liquidation expenses amounted to ₹ 12,000. Liquidator's remuneration was fixed at $2\frac{1}{2}\%$ on all the amount realised except Bank plus a fixed bonus of ₹ 4,325. The debentureholders and others were paid off on 31st December, 2018. Draw up Liquidator's Final Statement of Account.

SOLUTION

LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT

Realisation of Assets :		₹		₹	₹
Bank	18,000		Debentureholders (secured) :		
Plant & Furniture	95,000		Value of Debentures	80,000	
Stock	1,22,000		Add : Interest @ 5% p.a.		
Debtors	50,000		for 3 months from		
Freehold Property	1,20,000		1-10-2018 to 31-12-2018	1,000	
		4,05,000			81,000
			Liquidation Expenses		12,000
			Liquidator's Remuneration :		
			$2\frac{1}{2}\%$ on ₹ 3,87,000		
			(value of assets realised except bank)	9,675	
			Fixed Bonus	4,325	
					14,000
			Income Tax (Preferential creditors)		5,000
			Unsecured creditors (other than income tax)		1,73,000
			Preference Shareholders :		
			Value of Preference Shares	1,00,000	
			Add : Preference Share Dividend @ 5% p.a. for 2 years	10,000	
					1,10,000
			'A' Equity Shareholders — Return @ ₹ 1 on 10,000 shares (excess paid by them) over 'B' Equity Shareholders		10,000
		4,05,000			4,05,000