

2. LIQUIDATION OF COMPANIES

PROBLEM NO:1

Statement of affairs of X Co Ltd as on 1.4.2011

Assets not specifically pledged: As per List A				ERV (Rs.)
	(a)	(b)	(c)	(d)
Cash in hand				3000
Investments				12,000
Debtors				1,40,000
Stock				6,000
Machinery				180,000
				3,41,000
Assets Specifically Pledged: As per List-B				
	(a)	(b)	(c)	(d)
	E.R.V	Due to secured creditors	Deficiency ranking as unsecured	Surplus carried to last column
Lease hold property	218000	54,000	-	164,000
	Estimated surplus from assets specifically pledged			164,000
	Estimated total assets available for preferential creditors, debenture holders secured by floating charge and unsecured creditors			5,05,000
	<u>Summary of Gross Assets</u> Gross realizable value of Assets Specifically pledged Rs.218000 Other Assets <u>Rs.3,41,000</u> <u>Gross Assets</u> <u>5,59,000</u>			
	Gross Liabilities (to be deducted from surplus or added to deficiency as the case may be)			
54,000	Secured creditors to the extent to which claims are estimated to be covered by Assets specifically pledged (as per list B)			
3000	Preferential Creditors (as per List C)			3000
	Estimated balance of Assets available for debenture holders secured by a floating charge and Unsecured creditors			502,000
1,50,000	Debentures (as per List-D)			<u>150,000</u>
	Estimated surplus as regard debenture holders			352,000
60,000	Creditors (as per List-E)			<u>60,000</u>
2,67,000	Estimated Surplus as regards creditors (Diff b/w the Gross Assets & Gross Liabilities)			292,000
	Issued and Called up Capital:			
	24,000 Equity shares of Rs.10 each			<u>240,000</u>
	Estimated surplus as regard members			<u>52,000</u>

PROBLEM NO:2

Statement of affairs of a company as on 31.03.2003

Assets not specifically pledged as per list A

Particulars	Amount
Calls in arrears an equity shares	2,000
Cash in hand	1,200
Debtors	65,000
Bills of exchange	35,000
Plant & machinery	90,000
Fixtures & fittings	8,000
Stock in trade (80,000 × 75%)	60,000
Patents	45,000
	3,06,200

Assets specifically pledged as per list B

Particulars	ERV	Liability	Short fall	Surplus	Amount
Creditors having a charge on land & building	1,65,000	85,000	-	80,000	-
Creditors having a 2 nd charge on L & B	-	90,000	10,000	-	-
	1,65,000	1,75,000	10,000	80,000	-

Estimated assets available for preferential creditors, creditors with floating charge and unsecured creditors carried forward = RS.306,200.

Summary of gross assets:

Particulars	ERV (Rs.)
ERV of assets as per list A	306,200
ERV of assets as per list B	1,65,000
Total	4,71,200

Estimated assets available for preferential creditors, creditors with floating charge and unsecured creditors brought forward Rs.306,200.

Gross liability 1,65,000	Particulars		
	Security creditors to the extent covered by securities as per list B		
	<u>Preferential creditors as per list - C</u>		
	Income tax due	25,000	
	Salaries and wages($4,000 \times 4/5$)	32,000	<u>57,000</u>
	Estimated assets available for creditors with floating charge and unsecured creditors		2,49,200
	<u>Creditors with floating charge as per list – D</u>		
	14% debentures	200,000	
	Bank OD	20,000	<u>2,20,000</u>
	Estimated surplus as regards creditors with floating charge		29,200
2,00,000	Unsecured creditors as per list – E		
	Trade creditors	2,70,000	
	Bills discounted expected to be dishonoured	15,000	
	Unclaimed dividend	6,000	
	Bills payable	10,000	
	Salaries & wages ($40,000 \times 1/5$)	9,000	
	Short fall ranking as unsecured	10,000	<u>3,19,000</u>
	Estimated deficiency as regards unsecured creditors		(289,800)
	Preference share capital as per list – F		(3,00,000)
	Equity share capital as per list - G		(1,98,000)
7,61,000	Estimated deficiency as per list - H		(7,87,800)

Statement of Deficiency (List – H)

Particulars	Amount	Amount
A. Items contributing to deficiency/Reducing surplus		
1. Excess of capital & liabilities over assets as on 31-03-99		
2. Net dividend during the period	84,000	
Preference dividend ($3L \times 14\% \times 2 \text{ yrs}$)	29,400	1,13,400
Equity dividend ($1.9L \times 15\% \times 1 \text{ yr}$)		4,67,000
3. Net trading losses during the period	91,000	
4. Losses other than trading losses during the period	1,60,000	
Speculation loss	60,400	3,11,400
Excise Duty penalty		
Income Tax penalty		
5. Loss on account of winding up	25,000	
Debtors (90,000-65,000)	30,000	
Plant & Machinery (1,20,000-90,000)	4,000	
Fixture & Fittings (12,000-8,000)		

Stock in trade (80,000x25%)	20,000	
Patents (70,000-45,000)	25,000	1,04,000
6. Others		
Bills discounted expected to be dishonored		15,000
B. Items Contributing to surplus/ reducing deficiency		
1. Excess of assets over capital & liabilities as on 31-03-97		65,000
2. Net trading profits during the period		1,43,000
3. Profits other than trading profits during the period		-
4. Profits on account of winding up		
Free hold land & building (165,000-150,000)		15,000
Total (B)		223,000
Deficiency as per list -H (A - B)		787,800

PROBLEM NO:3

Liquidator's statement of Account

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Land & Building	620,000	Liquidator's Remuneration	46,000
Inventory	3,10,000	Liquidator's expenses	86,000
Plant & Machinery	7,10,000	10% Debentures	2,10,000
Book debts	6,60,000	Preferential creditors	1,05,000
		Income Tax payable	67,000
		Bank overdraft	4,85,000
		Trade creditors	6,00,000
		Preference shareholders:-	
		Capital	5,00,000
		Arrears of preference dividend for 3 years	150,000
		Equity shareholders :-	
		Refund on 5000 shares of Rs.60 paid up @ 10.10 per shares (WN)	50,500
		Refund on 5,000 shares of Rs.50 paid up @ 0.10 per share (WN)	500
	23,00,000		23,00,000

Working Note: Computation of amount refundable to Equity share holders

Particulars	Amount (Rs.)
Total Equity share capital paid up	5,50,000
(-) Balance available after payment to secured, unsecured, preferential creditors and preference shareholders	(51,000)
(23,00,000 - 46,000 - 86,000 - 210,000 - 105,000 - 67,000 - 485,000 - 600,000 - 5,00,000 - 150,000)	
Loss to be borne by 10,000 Equity shareholders	4,99,000
Loss per share	Rs.49.90
Hence, amount of refund on Rs.50 per share paid up (50-49.90)	Rs.0.10
Amount of refund on Rs.60 paid up (60-49.90)	Rs.10.10

PROBLEM NO:4

M Ltd (in Liquidation)

Liquidator's statement of account

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance at Bank	74,000	Liquidator's Remuneration (3% on 2,43,398) (Note 1)	7302

Realisation from:		Liquidation expenses	3000
Trade Receivables	52,000	Loan on Mortgage with accrued interest (Note 2)	2,04,000
M Ltd - (140,000, 6% Debenture 142,800 Cash - 262,200)	4,05,000	Outstanding expenses	75,500
		6% pref. shareholders @10 per share	100,000
		6% Debentures 142,800	
6 month's interest on Debentures	4,200	Cash Per share 598 $\frac{598}{20,000 \text{ shares}} = \text{Rs. } 0.3 \text{ (app)}$	143,398
Equity share holders	5,35,200		
(-) cost of collection of debts	(2000)		
	5,33,200		5,33,200

Note:-1) $2,50,700 \times 3/103 = \text{Rs. } 7302$

(i.e 5,32,000 Less payment made to all creditors)

2) It is assumed that loan is secured by a floating charge.

PROBLEM NO:5Liquidators Final Statement of A/c

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash	413,000	Return to contributors Arrears of preference dividend	33,000
Realisation from:-		Preference share holders	300,000
Calls in arrears	10,000	Calls in advance	5,000
Final call of Rs.5 per equity share (WN) of Rs.50 each (5 x 1000)	5000	Equity share holders of Rs.100 each (3000 x 30)	90,000
	4,28,000		4,28,000

Working Note:-

Particulars	Amount (Rs.)
Cash account balance	4,13,000
(-) Payment for dividend	33,000
Preference share holders	3,00,000
Calls-in-advance	5,000
	75,000
(+) Calls-in-arrears	10,000
	85,000
(+) Amount received from equity share holders of Rs.50 each (1000 x 20)	20,000
Amount disposable	105,000

Number of Equivalent equity shares

3000 shares of Rs.100 each = 6000 shares of Rs.50 each

1000 shares of Rs.50 each = 1000 shares of Rs.50 each
7000 shares of Rs.50 eachFinal payment to Equity share holders =
$$\frac{\text{Amount Left for distribution}}{\text{Total No. of Equivalent Equity shares}}$$

= Rs. 105,000/7000

= Rs.15 per share to Equity share holders of Rs.50 each

Therefore for equity share holders of Rs.100 each $(15 \times 100/50)$

= Rs.30 per share equity share holders of Rs.100 each

Calls-in-advance must be paid first, so as to pay the shareholders on pro-rata basis. Equity share holders of Rs.50 each have to pay net Rs.5 per share.

PROBLEM NO: 6

Liquidator's Final statement of A/c

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash and Cash equivalents	75,500	Liquidators Remuneration	
Assets realized:-		3%(200,000+30,000+60,000 +80,000 + 120,000)	14,700
* Plant & Machinery	200,000	2%(145000-15,000-50,000) (Note-1)	1600
* Patents	30,000	Liquidation Expenses	10,900
* Stock	60,000	Debenture holders	100,000
* Sundry Debtors	80,000	O/s interest	14,000
Land &Building 120,000		Interest from the B/s date (100,000x14% \times 6/12)	7000
(-)Mortgage loan (50000)	70,000	Preferential Creditors	15,000
		Unsecured Creditors	80,000
		Preference share capital	200,000
		Arrears of preference dividend(200,000x14% \times 2)	56,000
		Equity share holders:-	
		Refund of 3,000 equity shares @ 0.325 (Note 2)	975
		Refund of 1000 Equity shares @ 15.325 (Note 2)	15,325
	5,15,500		5,15,500

Note:

1. Liquidator's Commission

2% on amount distributed among unsecured creditors

2% (Total creditors – Preferential creditors-Mortgage loan on Land & Buildings)

= 2% (145,000 – 15,000 – 50,000)

= 2% (80,000)

= Rs.1600

2. Refund to Equity shareholders:-

Total Equity share capital paid up (75,000+180,000) = 2,55,000

(-) Balance available to Equity shareholders = (16,300)

Loss to be borne by 4000 Equity share holders = 2,38,700

Loss per share = Rs.59.675

Hence, amount of refund on 3,000 Equity shares

@ 0.325 (60-59.675) = 975/-

Amount of refund on 1000 Equity shares @ 15.325 = 15,325/-

(75 - 59.675)

PROBLEM NO:7**Calculation of Total Remuneration payable to Liquidator**

Particulars	Amount
2% on Assets realised	(45,00,000 x 2%)
3% on payment made to Preferential creditors	1,25,000 x 3%
3% on payment made to Unsecured creditors (Refer W.N)	45,000
Total Remuneration payable to Liquidator	1,38,750

Working Note:

Liquidator's remuneration on payment to unsecured creditors =

Cash available for unsecured creditors after all payments including liquidation expenses, payment to secured creditors, preferential creditors & liquidator's remuneration

= Rs. 45,00,000 – Rs. 50,000 – Rs. 15,00,000 – Rs. 1,25,000 – Rs. 90,000 – Rs. 3,750 = Rs. 27,31,250

Sufficient amount is available for unsecured creditors therefore Liquidator's remuneration on payment to unsecured creditors = 3% x Rs. 15,00,000 = Rs. 45,000

PROBLEM NO:8**Receiver's Receipts and Payments Account**

Receipts			Payments		
Sundry Assets realised		2,00,000	Costs of the Receiver		1,950
Surplus received from Mortgage loan : -			Preferential payments:		
Sale Proceeds of land and building	1,60,000		Income Taxes (raised within 12 months)		25,000
Less: Applied to discharge mortgage loan	(70,000)	90,000	Debentures holders :		
			Principal amount	1,50,000	
			Interest for half year	9,750	1,59,750
			Surplus transferred to the Liquidator		
		2,90,000			1,03,300
					2,90,000

Liquidator's Final Statement of Account

Receipts		Payments	
Surplus received from Receiver	1,03,300	Cost of Liquidation	3,000
Assets Realised	1,50,000	Remuneration to Liquidator	
Calls on Contributors		(1,50,000 x 2%)	3,000
On holder of 5,000		Unsecured Creditors :	
Equity Shares at the rate of . 1.38 per share	6,900	Trade	38,000
		Directors for Bank	
		O/D cleared	30,000
		Preferential Shareholders:	
		Capital	1,50,000
		Arrears of Dividends	30,000
		Equity shareholders:	
		Return of money to holders of 10,000 equity shares at 62 paise each	1,80,000
			6,200
	2,60,200		2,60,200

Working Note:

Call from partly paid shares

Deficit before call from Equity Shares Rs.

= Rs.(1,03,300+1,50,000) – Rs.(3,000+3,000+68,000+1,80,000) = 700

Notional call on 5,000 shares @ Rs. 2 each 10,000

Net balance after notional call (a) 9,300

No. of shares deemed fully paid (b) 15,000

Refund on fully paid shares 9300/15000 = Rs.0.62

Calls on partly paid share (Rs.2 - Rs.0.62) = Rs.1.38

PROBLEM NO:9

Statement of liabilities of B List Contributors

Creditors outstanding on the date of transfer (ceasing to be member)			Q	R	S	T	Amount to be paid to creditor
No. of shares			1,200	1,500	800	500	
15.5.2012		5,000	1,500	1,875	1,000	625	5,000
18.9.2012	9,200 - 5,000	4,200	-	2,250	1,200	750	4,200
24.12.2012	10,500 - 9,200	1,300	-	-	800	500	1,300
12.3.2013	11,000 10,500	500	-	-	-	500	125*
Total (a)		11,000	1,500	4,125	3,000	2,375	10,625
Maximum liability on shares held (b)			4,800	6,000	3,200	2,000	
Amount paid (a) and (b) whichever is lower			1,500	4,125	3,000	2,000	

Working Note:

P will not be liable since he transferred his shares prior to one year preceding the date of winding up. The amount of Rs.5,000 outstanding on 15th May, 2012 will have to be contributed by Q, R, S and T in the ratio of number of shares held by them, i.e. in the ratio of 12:15:8:5; thus Q will have to contribute Rs.1,500; R-Rs.1,875; S-Rs.1,000; T-Rs.625. Similarly, the further debts incurred between 15th May, 2012 to 18th September, 2012, viz. Rs. 4,200 for which Q is not liable will be contributed by R, S and T in the ratio of 15:8:5. R will have to contribute Rs.2,250. S and T will contribute Rs. 1,200 and Rs.750 respectively. The further increase from Rs. 9,200 to Rs.10,500 viz. Rs.1,300 occurring between 18th September and 24th December will be shared by S and T who will be liable for Rs.800 and Rs.500 respectively. The increase between 24th December and 12th March, is solely the responsibility of T.

* Against T's liability of Rs. 2,375, he can be called upon to pay Rs. 2,000, the loss of Rs. 375 will have to be suffered by the creditors.

THE END