

Liquidation of Company (Weightage:30%)

Q.1 Solve the following: (2 to 3 marks questions.)

1. Calculate amount of preferential creditors.

i. Outstanding salary of 2 clerks for 6 months, monthly Rs.10,000 each.

ii. Gratuity Rs.10,00,000 , Staff welfare fund Rs.8450.

iii. Outstanding municipal tax **for current year** Rs.9000.

iv. Director fees Rs.6480

v. Outstanding income-tax **before three years** Rs.8,950.

2. At the time of liquidation the balance of unsecured creditors was Rs.2,92,600 in the books of account of a company. Liquidator has Rs.2,42,250 balance available. The liquidator is entitled to 2% commission on payment to be paid to unsecured creditors. Compute payment to be made to liquidator and amount paid to unsecured creditors as a final dividend.

3. After making payment to the debenture holders, the liquidator has balance of Rs. 5, 16,120 on his hand, unsecured creditors are of Rs. 7,04,600. The liquidator is entitled to 2% commission on payment to be paid to unsecured creditors. Compute payment to be made to liquidator and amount paid to unsecured creditors.

4. Paid up capital of Amit Ltd. is as follows:

4000 'A' equity shares of Rs.100 each - Rs. 4,00,000

1000 'B' equity shares of Rs.100 each, Rs.50paid up - Rs. 50,000

4,50,000

Liquidator has Rs.2,00,000 cash on hand after paying all liabilities. Find out **loss to be bear by each** type of shares.

5. Calculate preferential creditors and unsecured creditors.

i. Municipal taxes dues and payable: last year-Rs.11, 000 and current year-Rs.15,000

ii. unpaid salary of two clerks for 12 months Rs.1400 p.m. per clerk.

iii. unpaid salary of one clerk for one month **for last year** was Rs.1400

iv. Employees' P.F. Rs.4000 and Employees' welfare fund Rs.3000

v. Bills payable Rs.4000, unsecured creditors Rs.34,000

6. The share capital of Vijay Ltd. on 31-03-2020 when it went into liquidation was as under:

1000 8% Pref. Shares of Rs.100 each fully paid-up=1,00,000
 2000equity shares of Rs.100 each fully paid-up=2,00,000
 3000equity shares of Rs.50 each, Rs.40 per share paid-up=1,20,000
 4000equity shares of Rs.10 each, Rs.6 per share paid-up=24,000
 5000equity shares of Rs.5 each, Rs.4 per share paid-up=20,000
 Liquidator has Rs.2,15,000 cash on hand. Prepare liquidator's final statement of Receipts & Payments.

Q.2 Solve following Questions:

1. Rahul Ltd. went into liquidation on 31-03-2024. The balances in its books on that date were:

I. Equity and Liabilities	Amount
1. Share Holders' Fund	
a. Share Capital	
1000, A Equity shares of Rs. 100 each, Rs.80 paid	80,000
700, B Equity shares of Rs. 100 each, Rs. 60 paid	42,000
800, C Equity shares of Rs. 100 each, Rs. 40 paid	32,000
1000 7% Preference shares of Rs. 100 each, fully paid	1,00,000
b. Reserve & Surplus Profit & Loss Account	(70,000)
2.Non-Current Liabilities	
a. Long Term Borrowings	
5% Debentures	20,000
3. Current Liabilities	
a. Trade payables- Creditors	1,30,000
b. Other Current liabilities	
Interest payable on debentures	1000
Preferential Creditors	5000
Total	3,40,000
II. Assets	
1.Non-Current Assets	
a. Fixed Assets-(i) Tangibles	
Land & Buildings	1,12,000

Machinery	74,000
b. Non-current Investments	68,000
c. Other Non-current Assets-Preliminary Expenses	7500
2. Current Assets	
a. Inventories- Stock	15,000
b. Trade Receivables- Debtors	36,000
c. Cash & Cash equivalents- Bank balance	27,500
Total	3,40,000

Assets realized: Land & Building-84,400, Machinery- 36,000, Stock-9100, Debtors-28,500. Investment were mortgaged with creditors of Rs.65,000 who realised Rs.71,000 of the same. The excess was given to liquidators. Creditors of Rs.25,000 were paid 3% less & creditors of Rs.10,000 were paid 35% less. Remaining creditors were paid fully. Debenture holders were paid on 30-06-24. Liquidation expenses were Rs.6795. Liquidator is entitled to get 3% on the assets realized by him except surplus in hands of fully secured creditors and 2% on the amount distributed to unsecured creditors other than preferential creditors. Prepare Liquidator's Final statement of Receipts & Payments.

2. Mahek Ltd. went into liquidation on 31-12-2023. The balances in its books on that date were:

I. Equity and Liabilities	Amount
2. Share Holders' Fund	
c. Share Capital	
2500, Equity shares of Rs. 100 each, fully paid	2,50,000
7500, Equity shares of Rs. 100 each, Rs. 60 paid	4,50,000
5,000, 6% Preference shares of Rs. 100 each, fully paid	5,00,000
b. Reserves & Surplus	
Profit & loss A/c	(3,50,000)
2.Non-Current Liabilities	
b. Long Term Borrowings	
10% Debentures	2,50,000
3. Current Liabilities	
c. Trade payables- Creditors	3,62,500
d. Other Current liabilities	
Interest payable on debentures- Deb.	12,500
Total	14,75,000

III. Assets	
1.Non-Current Assets	
d. Fixed Assets-(i) Tangibles	
Land & Buildings	3,00,000
Furniture	6,00,000
(ii) Intangible Assets- Patents	1,25,000
2. Current Assets	
d. Inventories- Stock	1,50,000
e. Trade Receivables- Debtors	2,25,000
f. Cash & Cash equivalents- Bank balance	75,000
Total	14,75,000

The liquidator is entitled to a commission of 3% on all assets realized except cash and 2% on amount distributed to **unsecured creditors other than preferential creditors**. The assets realized as follows:

Land & Building -	5,00,000	Patents -	80,000
Furniture -	4,00,000	Stock -	1,25,000
Debtors -	2,25,000		

The expenses of liquidation are Rs.30,000. Creditors include preferential creditors of Rs.37,500 and a loan of Rs.1,25,000 secured by Land & Buildings. **The preference dividend is in arrears for two years**. Prepare liquidator's final statement of accounts.

3. Vinash co. liquidated on 31-03-2024. The balance sheet of the company on that date disclosed as under:

I. Equity and Liabilities	Amount
1. Share Holders' Fund-a. Share Capital	
10,000 Equity shares of Rs. 100 each, fully paid	10,00,000
15,000, Equity shares of Rs. 100 each, Rs. 60 paid	9,00,000
15,000, 10% Preference shares of Rs. 100 each, fully paid	15,00,000
2.Non-Current Liabilities	
a. Long Term Borrowings-15% Debentures	20,00,000
3. Current Liabilities	
a. Trade payables-Creditors	60,00,000
b. Other Current liabilities	
Interest payable on debentures	1,50,000

Total	1,15,50,000
II. Assets	
1.Non-Current Assets	
a. Fixed Assets-(i) Tangibles	
Furniture	10,00,000
Buildings	50,00,000
Machinery	10,00,000
b. Non- current Investment	20,00,000
2. Current Assets	
a. Inventories- Stock	20,00,000
b. Cash & Cash equivalents- Bank balance	5,50,000
Total	1,15,50,000

Additional Information:

1. Debenture holders are paid on 30-04-2024

2. Creditors include as under:

i) Provident fund Rs. 1,00,000.

ii) Income tax for the assessment years ended on 31-03-2023 and 31-03-2024 is Rs. 1,50,000 and Rs. 1,00,000-respectively.

iii) Bills for water & electricity Rs.1,00,000

iv) Salary of 10 clerks for last three months at Rs.50,000per month.

v) Mortgage loan on investments Rs.8,00,000 and on furniture Rs.2,50,000

3. Assets realized as under:

Assets	Amount
Investments	6,50,000
Furniture	7,00,000
Buildings	40,00,000
Machinery	3,00,000
Stock	5,00,000

1. Dissolution expenses are Rs. 50,000. Liquidator's remuneration is payable at 4% on assets realized by him and 2% on amount paid to unsecured creditors excluding preferential creditors. All assets are sold by liquidator.

Prepare liquidator's final statement of receipt and payment.

4. On 1-04-2024 Pramad Ltd. went into voluntary liquidation. Balance Sheet of the company as on 31-03-2024 was as under:

• Equity and Liabilities	Amount
1.Share Holders' Fund	
a.Share Capital	
Equity Share capital	6,00,000
12% Preference share capital	4,00,000
2.Non-Current Liabilities- a. Long term borrowings	
12% Debentures	2,00,000
b. Other Long- Term liabilities	
Mortgage loan against furniture-	1,60,000
3. Current Liabilities- a. Trade payables- Creditors	3,66,000
b. Short term borrowings- Bank overdraft against stock	1,80,000
c. Other Current liabilities- salary of workmen	4,000
Accrued holiday remuneration of terminated employee	30,000
d. Short - term provisions: workmen's pension	20,000
Employee Gratuity	40,000
Total	20,00,000
II. Assets	
1.Non-Current Assets	
a. Fixed Assets-(i) Tangibles	
Furniture	1,90,000
Machineries	3,60,000
Land & Building	10,29,160
2. Current Assets- a. Inventories- Stock	3,50,000
• Trade Receivables- Debtors	38,000
• Cash & Cash equivalents- Bank balance	32,840
Total	20,00,000

Prepare Liquidator's final statement from following details:

1. The assets realized as under:

Machineries	4,00,000
Land & Building	13,60,000
Stock	2,02,000
Debtors	38,000

2. Liquidation expenses amounted to Rs.24,740
3. To pay one -year dividend to preference shareholders.
4. All the liabilities are paid on 30-04-2024 (Additional –Int-1 month)
5. Creditors of loan mortgaged on furniture had sold furniture for Rs.2,00,000 and returned surplus to the liquidator.
6. According to Articles the **preference shareholders are eligible for 40%** share from the surplus, if there is, after paid up capital returned to the equity shareholders.
7. Liquidator’s remuneration:
 - (1) 1% on amount paid to equity shareholders.
 - (2) 2% on amount paid to Preference shareholders
 - (3) **3% on amount realized including surplus from secured creditors.**
 - (4) 4% on amount paid to preferential creditors.
 - (5) 5% on amount paid to unsecured creditors other than preferential creditors.

5. Dhara Ltd. went into voluntary liquidation on 31-03-2024. Prepare Liquidator’s Final Statement of Receipts and Payments from the following information:

- Paid up share capital:
 - 1000,10% Cumulative Preference Shares of Rs.100 each, fully paid up-1,00,000
 - 2000 Equity shares of Rs.100 each, fully paid up.-2,00,000
 - 3000 Equity shares of Rs.100 each, Rs.80 paid up.-2,40,000
- Liquidator’s remuneration Rs.14,000
(2% on assets realization amount and Rs.3000 at 3% on amount paid to unsecured creditors including preferential creditors.)
- Preferential creditors Rs.20,000

- Cash balance Rs.15,000
- Dissolution expenses 2% on amount realized of assets.
- 10% Debentures Rs.1,00,000(Amount paid on 30-09-2024).
- **Preference Dividend was in arrears for last two years.**

6. The balance sheet of Hindustan Ltd. on 31-03-2024 is as follows:

I. Equity and Liabilities	Amount
1.Share Holders' Fund	
• Share Capital	
2000, Equity shares of Rs. 100 each, fully paid	2,00,000
2000, Equity shares of Rs. 100 each, Rs. 75 paid	1,50,000
1,000, 6% Preference shares of Rs. 100 each, fully paid	1,00,000
b. Reserves & Surplus	
Profit & loss A/c	(3,00,000)
2.Non-Current Liabilities- a. Long term borrowings	
Bank loan (<u>secured on stock</u>) -SC	1,00,000
3. Current Liabilities- a. Trade payables- Creditors	3,50,000
a. Other Current liabilities- Income-tax payable-PC	10,000
b.	
Total	6,10,000
II. Assets	
1.Non-Current Assets	
a. Fixed Assets-(i) Tangibles	
Furniture	10,000
Plant & Machinerics	1,90,000
2. Current Assets	
a. Inventories- Stock	1,20,000
b. Trade Receivables- Debtors	2,40,000
c. Cash & Cash equivalents- Bank balance	50,000
Total	6,10,000

The company went into liquidation on 1-4-2024. The assets realized as under: Machinery- Rs. 1,66,000, Furniture- Rs. 8000, Stock- Rs. 1,10,000, Debtors- Rs. 2,30,000. Liquidation expenses incurred amounted to Rs. 4000. The liquidator is entitled to a commission at 2% as amount paid to unsecured creditors. **Calls on partly paid shares were made but the amount due on 200 shares was found to be irrecoverable.** Prepare liquidator's statement of account.

7. The following is the balance sheet of Yogi Ltd. as on 31-03-23:

I. Equity and Liabilities	Amount
1.Share Holders' Fund	
• Share Capital	

2000, Equity shares of Rs. 100 each, Rs. 75 paid	1,50,000
6000, Equity shares of Rs. 100 each, Rs. 60 paid	3,60,000
2,000, 10% Preference shares of Rs. 100 each, fully paid	2,00,000
b. Reserves & Surplus	
Profit & loss A/c	(2,40,000)
2.Non-Current Liabilities- a. Long term borrowings	
10% Debentures	2,00,000
3. Current Liabilities- a. Trade payables- Creditors	4,90,000
c. Other Current liabilities- Unpaid interest on Deb.	10,000
Total	14,10,000
II. Assets	
1.Non-Current Assets	
b. Fixed Assets-(i) Tangibles	
Land & Building	4,00,000
Plant & Machineries	3,80,000
2. Current Assets	
a. Inventories- Stock	1,10,000
b. Trade Receivables- Debtors	2,20,000
c. Cash & Cash equivalents- Bank balance	60,000
Total	14,10,000

On that date, Company went into liquidation. The dividends on preference shares were in arrears for the last two years. Creditors include a loan of Rs.90,000 on mortgage of land & building. Interest accrued on loan on mortgage of land & building upto the date of payment amounted to Rs.10,000. Expenses of liquidation are Rs.4600. The liquidator is entitled to a commission of 3% on all assets realized except cash and 2% on amount distributed among equity shareholders. The assets realized as follows:

Land & Building - 3,40,000, Debtors – 1,60,000

Plant & Machineries- 3,60,000, Stock – 1,20,000

Preferential Creditors are included in creditors amounted to Rs.30,000. All payments were made on 30-06-2024. Prepare liquidator's final statement of accounts.