

Quadrant II – Notes

Paper Code: COD 125

Module Name: Practical Problem on preparation of Liquidator's Final Statement of Account with adjustments

Module No: 17

- 1. Golden Company Ltd. went into voluntary liquidation on 1st January 2020; when their Balance Sheet was as follows:**

Liabilities	Amount	Assets	Amount
Share Capital: 20,000 5% Preference Share Capital of Rs.10 each	2,00,000	Fixed assets: Plant & Machinery	2,80,000
20,000 Eq. Shares of Rs.10 each	2,00,000	Current assets:	
Secured Loans:		Stock	1,30,000
6% Debentures	50,000	Sundry Debtors	1,20,000
Current Liabilities: Sundry Creditors	1,05,000	Cash in hand	2000
		Profit & Loss Account	23,000
	5,55,000		5,55,000

- The Liquidator realized the assets as follows:
 - Plant & Machinery Rs.2,00,000
 - Stock Rs.80,000
 - Sundry Debtors Rs.1,00,000
- The Expenses of liquidation amounted to Rs.3900, and the liquidators remuneration was agreed at 2% on realizes value of assets and 2% on amount distributed to equity shareholders.
- Preference share dividend is paid up to **31st December, 2020** and the Debenture holders are paid their dues on **30th June, 2020**.
- All the Creditor's claims were admitted and paid in full. Prepare Liquidator's Final statement of Account.

Solution:**Liquidator's Final Statement of Account of Golden Company Limited**

Receipts	Amount	Payments	Amount
To Cash in hand	2000	By Liquidators Remuneration	7678
To Assets Realised:		By Liquidation Expenses	3900
Plant & Machinery	2,00,000	By 6% Debentures	50,000
Stock	80,000	Add Interest on Debentures <u>1500</u>	51,500
Debtors	1,00,000	By Creditors	1,05,000
		By Preference Shareholders: Pref. Share Capital 2,00,000 Add: Pref. Dividend <u>10,000</u>	2,10,000
		By Equity Shareholders	3922
	3,82,000		3,82,000

Working Notes:**1. Liquidator's Remuneration**

- 2% on assets Realised ($3,80,000 \times 2\%$) = Rs.7600
- 2% on amount paid to Equity Shareholders ($3922 \times 2\%$) = Rs.78

2. Calculation of Interest on Debentures

$$50000 \times 6\% \times 6/12 = \text{Rs.}1500$$

3. Calculation of dividend on Preference Share capital

$$2,00,000 \times 5\% = \text{Rs.}10,000$$

4. Calculation of amount paid to Equity Shareholders

Let the amount paid 100

+ Remuneration @ 2% 02

Total 102

If 102 4000 (3,82,000 – 3,78,000)

100 ?

Therefore amount paid to Equity Shareholders = Rs.3922

Remuneration = 2% of 3922 = Rs.78