

# LIQUIDATION OF COMPANIES

**COURSE- B.COM**  
**SEMESTER- 4**  
**SUBJECT- CORPORATE ACCOUNTING**  
**B.COM CC408**

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# INTRODUCTION

- Liquidation: It is a legal procedure by which a company comes to an end. This term has not been used in the Companies Act, 2013.
- Winding-up : it means closing a company. The company ceases to carry on its business operations under winding-up. It also includes Liquidation.



# MODE OF WINDING-UP



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graph TD; A[MODE OF WINDING-UP] --> B[BY THE TRIBUNAL]; A --> C[VOLUNTARY WINDING-UP]
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BY THE TRIBUNAL

VOLUNTARY  
WINDING-UP



# WINDING-UP BY THE TRIBUNAL (COMPULSORY WINDING-UP)

## CIRCUMSTANCES:

- Company has resolved by a special resolution to be wound up by a Tribunal.
- Company has acted against the sovereignty, integrity and security of the nation.
- Company has not filed the financial statements or annual returns for preceding five consecutive years
- Company has undertaken fraudulent activities or any other unlawful business or any person or management connected with the formation of company is found guilty of fraud or any kind of misconduct.
- It is deemed just and equitable to the tribunal to wind up the company.



# VOLUNTARY WINDING-UP

## CIRCUMSTANCES:

- by passing of a special resolution
- as a result of expiry of its time period as fixed by the Articles of Association or the completion of the project or event for which it was constituted.



## **TOPICS TO BE COVERED:**

1. STATEMENT OF AFFAIRS
2. DEFICIENCY ACCOUNT
3. LIQUIDATOR'S FINAL STATEMENT OF ACCOUNT
4. PREFERENTIAL CREDITORS

# Statement of Affairs (Format)

## FORMAT OF STATEMENT OF AFFAIRS (as per form 57 of Companies (Court) Rule, 1959)

					Estimated Realisable Value ₹
Assets not specifically pledged (As per List A)					
Cash					xxx
Debtors					xxx
Stock					xxx
Call-in-arrears					xxx
Assets specifically pledged (As per List B)					
Asset	Estimated Realisable Value	Amount of Secured Creditors	Deficiency	Surplus	Surplus
Xxx	Xxx	xxx	xxx		
Xxx	Xxx	xxx		xxx	
	Xxx				
Summary					
Assets not specifically pledged			xxx		
Assets specifically pledged			xxx		
Gross Assets			xxx		

Total	xxx
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Book Value	Liabilities	
Xxx	Creditors having specific fixed charge	
	Balance	
Xxx	Preferential creditors (as per List C)	xxx
	Balance	
Xxx	Creditors having floating charge (as per List D)	xxx
	Balance	xxx
Xxx	Unsecured creditors (as per List E)	
	Deficiency/ Surplus as regards Creditors	xxx
	Issued and Called-up Capital	
	Preference Share Capital (as per List F)	
	Equity Share capital (as per List G)	
	(paid-up share capital +call-in-arrears realised)	
	Estimated Deficit/ Surplus as regards members (List H)	xxx



(brought forward)		<b>Liabilities</b>		.....
(e) Gross 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 [item (a) or (b) in preceding page, whichever is the less] (insert in 'Gross Liabilities' column only)			
	Preferential creditors (as per list 'C')	...	...	.....
	<i>Estimated balance of assets available for Debentureholders secured by a floating charge and unsecured creditors*</i>			
	Debentureholders secured by a floating charge (as per list 'D')	...	...	
	<i>Estimated Surplus / Deficiency as regard Debentureholders*</i>			
	Unsecured Creditors (as per list 'E'):			
	Estimated unsecured balance of claims of creditors			
	Estimated unsecured balance of claims of creditors partly secured on specific assets, brought from preceding page (c)			
	Trade Payables :			
	Trade Accounts			
	Bills Payable			
	Outstanding Expenses			
	.....			
	Contingent liabilities (state nature)			
₹	.....			
	<i>Estimated Surplus / Deficiency as regard Creditors*</i> [being difference between Gross Asset brought from preceding page (d) and Gross Liabilities as per column (c)]			
	<i>Issued and Called-up Capital :</i>			
	.....Preference shares of.....	....	....	...each
₹	.....called-up (as per list 'F')			
	.....Equity shares of.....	....	....	...each
₹	.....called-up (as per list 'G')			
	Estimated Surplus/Deficiency as regards Members* (as per list 'H')			₹

# Deficiency Account (Format)

**FORMAT OF DEFICIENCY/ SURPLUS ACCOUNT- List-H**

		₹
	<b>Items increasing Deficiency</b>	
1	Capital & liabilities in excess over assets as per Balance Sheet	
2	Declared net dividend & bonuses for the period	
3	Net trading losses for the period after charging depreciation, taxation, interest on debentures	
4	Losses other than trading losses written off or provided in the books over the period	
5	Estimated losses written off or for which provision was made to prepare the statement	
6	Other items increasing deficiency	
	<b>Items decreasing Deficiency</b>	
7	Assets in excess over capital and liabilities as per Balance Sheet	
8	Net trading profit during the period	
9	Profit & Incomes during the period other than trading profit	
10	Other items reducing deficit	
	<b>Deficiency/ Surplus as per the Statement of Affairs</b>	

(Companies (Court) Rule, 1959)

# Liquidator's Final Statement of Account (Format)

Liquidation Final Statement of Account					
<i>Receipts</i>		<i>Amount</i>	<i>Payments</i>		<i>Amount</i>
Cash in hand		₹	Legal charges		₹
Cash at Bank			Liquidator's Remuneration :		
Amount realised from the Sale of Assets :			(i) Fixed Amount (if any)	-----	
Land & Building	-----		(ii) % on amount realised		
Plant & Machinery	-----		from Assets	-----	
Furniture	-----		(iii) % on amount paid to		
Inventories	-----		trade payables	-----	
Trade Receivables	-----		(iv) % on amount paid to		
Surplus amount received from Secured			Shareholders	-----	
Creditors Calls from shareholders			Liquidation Expenses		
@ ..... ₹ ..... on ..... shares			or Cost of winding-up		
			Debentureholders or other Creditors		
			having a floating charge on the		
			assets of the company		
			Preferential Creditors		
			Unsecured Creditors		
			Preferential Shareholders (Refund of Capital)		
			Equity Shareholders (Refund of Capital)		



# PREFERENTIAL PAYMENTS

Preferential creditors are the part of Unsecured Creditors who have priority of claim over other unsecured creditors.

- All revenue, taxes, cesses and rates, whether payable to Government or to local authority, due and payable by the company within 12 months before the date of commencement of winding up.
- All wages or salaries ( including commission earned )
- All accrued holiday remuneration
- All sums due as compensation under Workmen's Compensation Act, 1923
- All sums due to an employee from provident fund, pension or any other fund maintained for the welfare of the employees