

**Dr CA Vishwanathan Iyer
of Vedanta College
Presents**

**Liquidator's Final Statement
of Accounts**



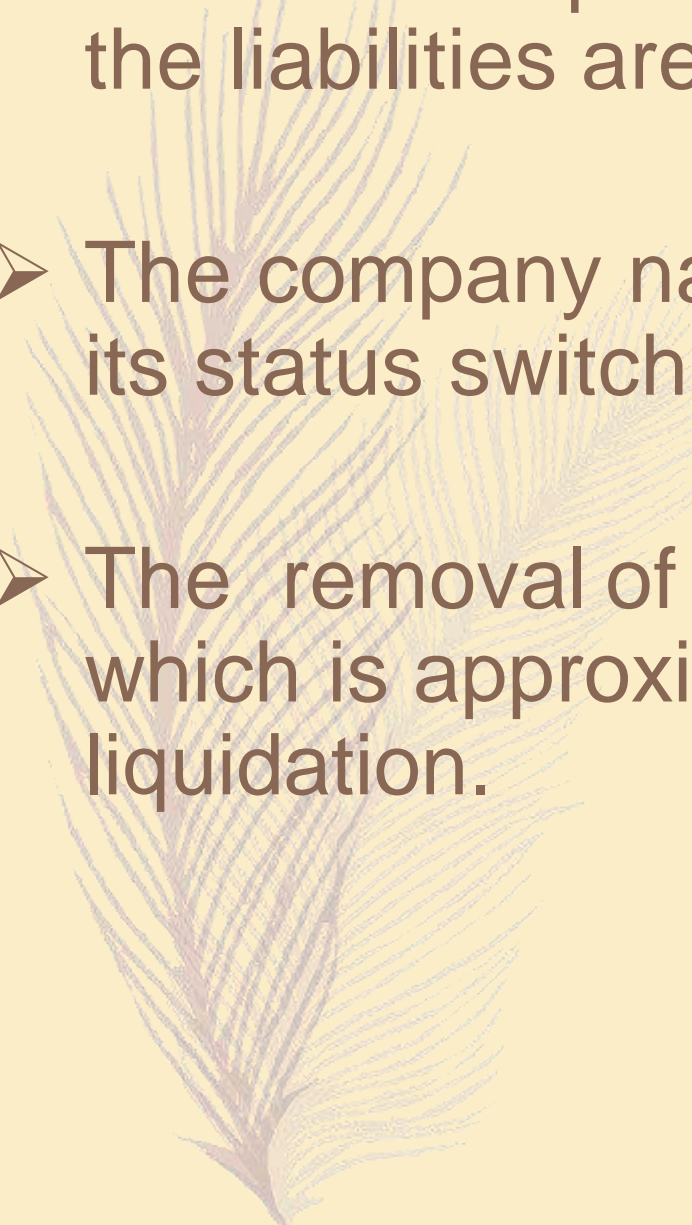
WHAT IS LIQUIDATION OF A COMPANY?

INTRODUCTION

Liquidation in finance and economics is the process of bringing a business to an end and distributing its assets to claimants.

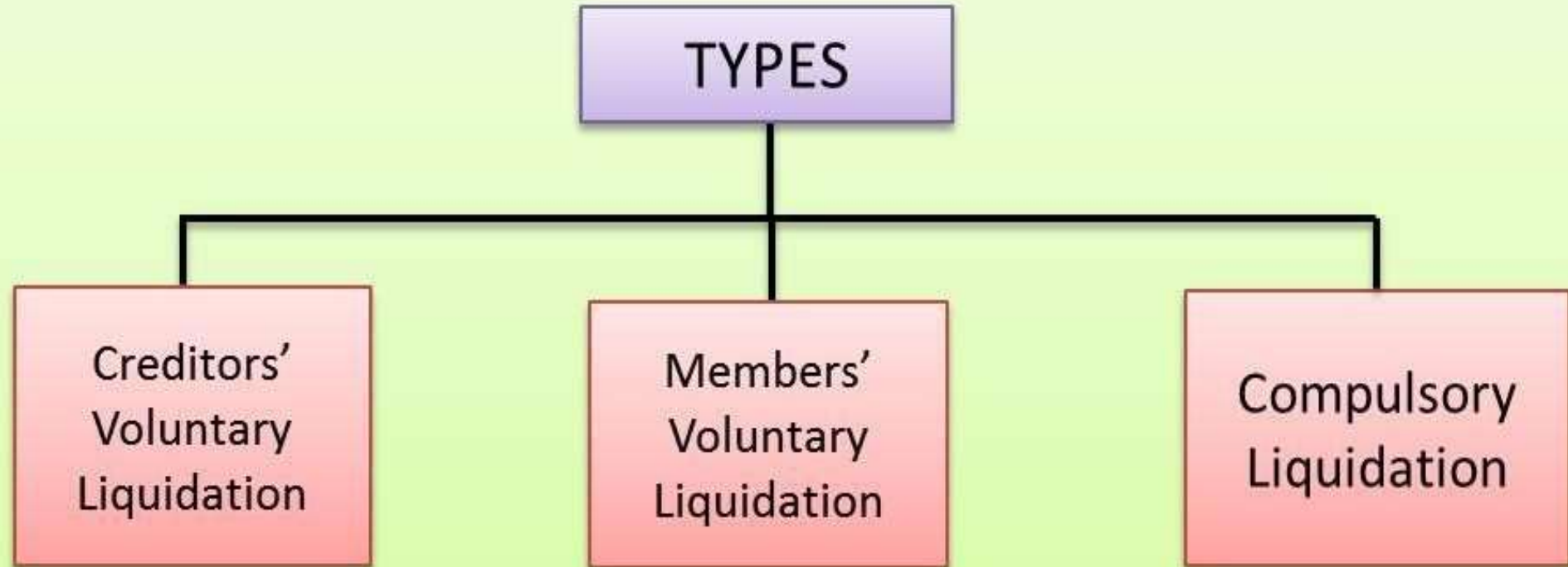
It is an event that usually occurs when a company is insolvent, meaning it cannot pay its obligations when they are due.

As company operations end, the remaining assets are used to pay creditors and shareholders, based on the priority of their claims.

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- A decorative graphic of a feather with many fine barbs, rendered in a light purple or lavender color. It is positioned on the left side of the slide, partially overlapping the text.
- When a company goes into liquidation its assets are sold, the liabilities are repaid and the business is closed down.
 - The company name remains live on Companies House but its status switches to 'Liquidation'.
 - The removal of the name only comes about on dissolution which is approximately three months after the closure of the liquidation.

LIQUIDATION

Liquidation occurs when a company is insolvent and unable to pay its overdue. The operations of the company are closed and division of the assets between shareholders and creditors take place as per the priority of their claims.



– Creditors Voluntary Liquidation (CVL):

- A Creditors Voluntary Liquidation service is used to close an insolvent company. “Creditors Voluntary” has specific meaning but can be slightly misleading. An Insolvent company is most regularly identified as one that cannot pay its creditors (those who it owes money to) as and when they are due for payment. Most often this position can be seen to be worsening from week to week and month to month. “Creditors Voluntary” distinguishes the fact that the Creditor Voluntary Liquidation Procedure is started by the Directors of the company not the creditors (those who are owed money). This is perhaps in contrast to the fact that it is called “creditors voluntary” not a director’s voluntary. To be clear a Creditors Voluntary Liquidation procedure is started by the Directors of the company.



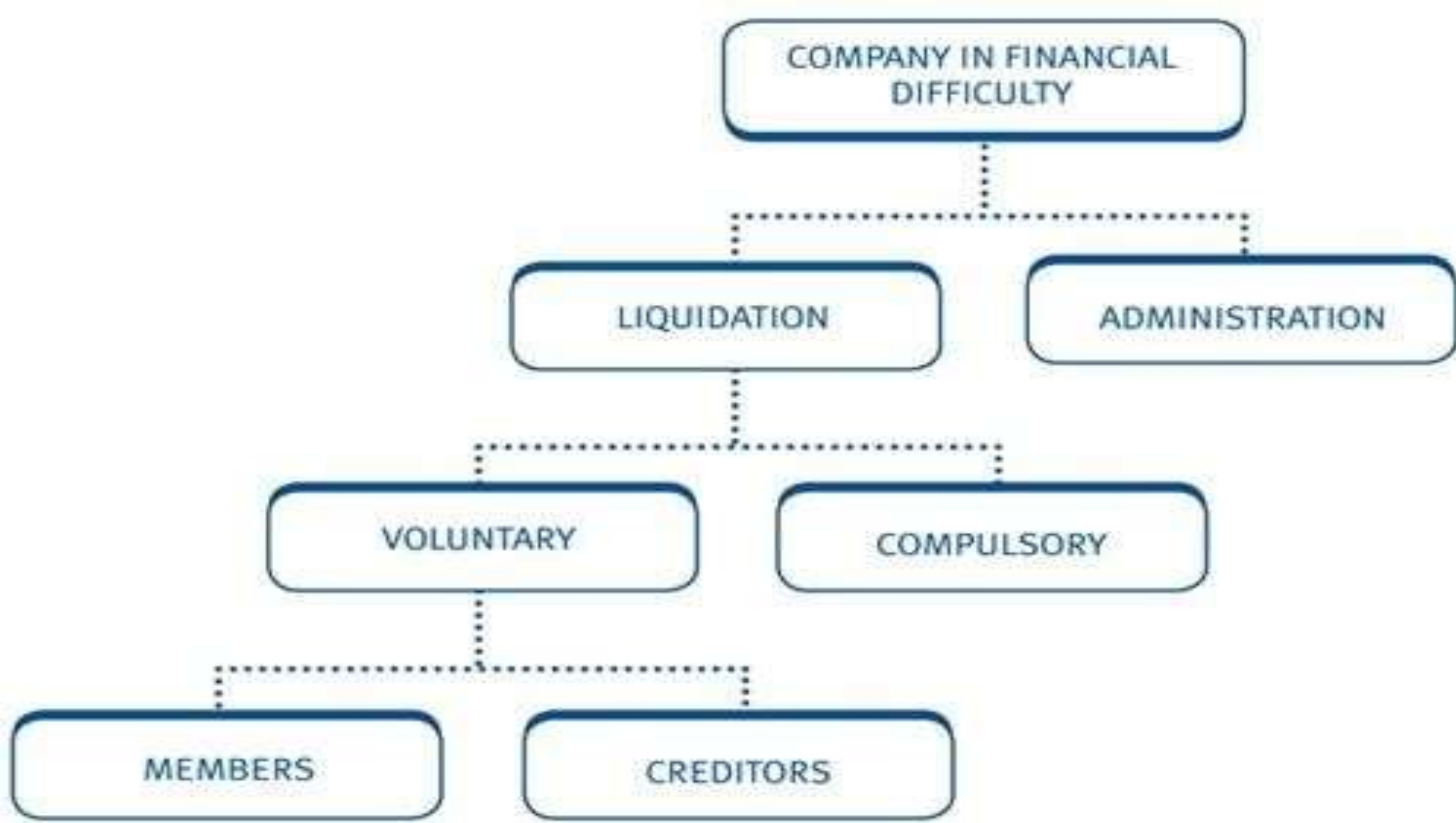
– Members Voluntary Liquidation:

– A Members Voluntary Liquidation procedure is in contrast to a Creditors Voluntary Liquidation. To undertake a Members Voluntary Liquidation a company must not be insolvent. The “Members Voluntary” description is more accurate than the “Creditors Voluntary” and reflects the fact the Members Voluntary Liquidation procedure is started by the Members of the company (the shareholders).



– Compulsory Liquidation:

– Compulsory Liquidation refers to the fact that in by far the majority of cases the creditors (those who are owed money) of the company force the company into Compulsory Liquidation. In many cases this is against the wish of the company directors. A Compulsory Liquidation is distinct also in that it is the only style of liquidation that involves the Courts.



Role of liquidator:

– The liquidator is empowered to :

verify the claims of all creditors;

take into his or her custody or control and sell all of the corporate debtor's assets;

Evaluate and take such measures to protect and preserve the assets and property of the corporate debtor;

Conduct the corporate debtor's business until liquidation;

Investigate the corporate debtor's financial affairs; and institute or defend any suits or legal proceedings.

Liquidators Statement of Affairs

| Receipts | Rupees | Payments | Rupees |
|--------------------------------|--------|---|--------|
| <u>Assets Realised:</u> | | Legal Expenses | xxx |
| Opening Cash & Bank balance | Xxx | Liquidators Remuneration | Xxx |
| _____ | Xxx | Liquidation Expenses | Xxx |
| _____ | Xxxx | Preferential Creditors | Xxx |
| _____ | Xxx | | |
| <u>Surplus from Mortgage:</u> | | <u>Payable to Debenture holders:</u> | |
| Amount realized xxxx | | Principal xxxx | |
| Less: Loan amount <u>(xxx)</u> | Xxx | Interest <u>xxx</u> | Xxx |
| | | Unsecured Creditors | Xxx |
| Calls Money (if any) | xxx | <u>Payable to Preference Shareholders</u> | |
| | | Preference Share Capital xxx | |
| | | Arrears of Dividend <u>xx</u> | Xxx |
| | | Payable to Equity Shareholders | xxx |
| | Xxx | | xxx |



| Particulars | Rupees | Rupees |
|---------------------------------|------------|--------------|
| <u>Assets Realised:</u> | | |
| Cash & Bank Balance | Xxxx | |
| _____ | Xxx | |
| _____ | Xxx | |
| _____ | <u>xxx</u> | Xxxx |
| Less: Legal Expenses | | <u>(Xxx)</u> |
| | | Xxx |
| Less: Liquidator's Remuneration | | <u>(Xxx)</u> |
| | | xxxx |
| Less: Liquidation Expenses | | <u>(Xxx)</u> |
| | | xxx |
| Less: Secured Loans | | <u>(xxx)</u> |
| | | Xxx |
| Less: Preferential Liabilities | | <u>(xx)</u> |
| | | xxx |

| Particulars | Rupees | Rupees |
|---|------------|--------------|
| <u>Less: Debenture holders' Claims:</u> | | |
| Principal | Xxx | |
| Interest | <u>Xxx</u> | <u>(xxx)</u> |
| | | Xxx |
| | | |
| Less: Other Unsecured Creditors | | <u>(xxx)</u> |
| | | Xxx |
| | | |
| <u>Less: Preference Shareholders' Claims:</u> | | |
| Preference Share Capital | Xxx | |
| Arrears of Dividend | <u>xx</u> | <u>(xx)</u> |
| | | |
| Amount available for Equity Shareholders | | <u>xxx</u> |