

INSOLVENCY ACCOUNTING

Insolvency Accounting

Insolvency is a financial stringency i.e. when an individual or an organization / company is no longer capable to pay the debts he/it owes. Insolvency usually leads to insolvency proceedings, in which legal action can be taken against the insolvent, and assets may be liquidated to pay off the outstanding debts.

When a person/ Entity can be Declared Insolvent

Before declaring an entity or a person as insolvent, a competent court defines two conditions -

- A person or entity should be debtor and
- He/It should had done any act of insolvency

Act of insolvency means, when a person (debtor) shows that he is not able to pay his liabilities.

Petition by the creditor may be filled only in following conditions :-

- debts should be atleast for Rs 500/- or more
- Within three months of petition, an act of insolvency should be done by debtors.

Insolvency Law

The Insolvency Act in India is based on English Bankruptcy Act and following two acts are applicable on the Indian Territory —

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- The Presidency Towns Insolvency Act, 1909 - Applicable to Mumbai, Kolkata and Chennai.
- The Provisional Insolvency Act, 1920 - Applicable to the rest of India except Mumbai, Kolkata and Chennai.

Insolvency Accounts

Under the Presidency Towns Insolvency Act, insolvent has to submit following documents to the court of law -

- Statement of Affairs as on date on order and
- Deficiency Account.

No provision, for the submission of a statement of Affairs under Provincial Insolvency Act. The form of statement of Affairs as prescribed by rule made under Presidency Towns Act.

Unsecured Creditors as per list A

egs Creditors, Bank overdraft, Bills Payable, Bills Discounted, Contingent Liability, Outstanding Expenses, Wife Loan

Wife Loan

Loan taken from wife is usually treated like any other loan taken and makes wife creditor of the insolvent. In case, it is proved that loan is paid by wife out of amount received from insolvent, then be treated as the capital of insolvent.

Interest

@ 6% will be paid to the creditors after the date of adjudication, if there is a sufficient balance left after the payments to creditors.

Fully Secured Creditors as per list B

The creditors who have sufficient securities against their claims will be included in this list and after paying these creditors, balance amount will be shown on the asset side of the statement of Affairs as available balance to distribute among other creditors.

→ Bank loan.

Partly Un-secured Creditors as per list C

Unpaid or unsatisfied amount of the partly secured creditors will be shown as expected to rank column as unsecured creditors, to be divided for unpaid amount.

Preferential Creditors as per list D

Following creditors comes under the category of preferential creditors and such creditors get preference over the unsecured creditors.

As per the law, following creditors come under category of the preferential creditors —

- Government and local Authority
- salary and wages for the service rendered for four months preceding the date of the presentation of the insolvency petition.
- Under Presidency Town Insolvency Act, one month rent comes under the category of preferential creditors, but rent is not at all comes under the preferential creditors category as per the Provincial Insolvency Act.

Property as per list E

Other than the Bills Receivable in hand and the assets as kept by creditors as fully and partly secured debts are comes under this list.

Property as per list F

Following are the three categories of book debts -

- Good
- Doubtful debts
- Bad

Assets as per list G

Bills of Exchange and other similar securities comes under this list.

Deficiency As per list H

As name suggest, deficiency account means the deficiency, which the insolvent debtor is not able to pay.

PRACTICAL QUESTIONS

17 Statement showing the Amount of Preferential Creditors

Particulars	Provisional Insolvency Act		Presidency Town Insolvency Act	
	Preb.	Unsec.	Preb.	Unsec.
Trade Creditors	-	50000	-	50000
Income Tax	500	-	500	-
Municipal Tax	400	-	400	-
Salaries of Clerk	80	1420	1200	300
Wages to Labourers	40	140	180	-
Private Creditors	-	4000	-	4000
Landlord's Rent	-	1200	600	600
	1020	56760	2880	54900

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2.7 Statement showing the Amount of Preferential Creditors

Particulars	Provisional Liquidation Act		Presidency Towns Liquidation Act	
	Prefer.	Unsecu.	Prefer.	Unsec.
(i) Salary of 4 clerks	2000	1200	3120	80
(ii) salary of 1 clerk	150	150	280	20
(iii) wages of labour	20	100	100	20
(iv) Salary of Manager	1000	-	1000	-
(v) Rent of Landlord	400	400	800	-
(vi) House Tax, water & Electricity dues	-	750	-	750
(vii) Amount payable under workmen's compensation	-	400	-	400
(viii) Interest on Loan	1000	-	1000	-
(ix) sales Tax and Income Tax dues	-	6300	-	6300
(x) Private Private Creditors	1500	500	1500	500
	6070	9800	7800	8070

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Statement of Affairs

(as at 31st March, 2016)

Goods liability	Liabilities (as stated and estimated by the debtor)	Expected to Rank for payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
82100	Unsecured Creditors as per list A	78600	Properties as per list E:	
			Cash at Bank	500
10100	Fully Secured Creditors as per list B 10100		Machinery 14000	11000
	- value of sec. 12000		Fixture 2000	1500
	surplus as per contra 1900		Debentures 6250	5000
			Stock 60000	43000
			Total of E	61000
40000	Partly Secured Creditors as per list D 40000	28000	Books debts as per list F:	
	- value of sec. 12000		Good	20000
			Doubtful 6000	2000
			Bad 1000	-
2900	Preferential Creditors as per list D 2900		Total of E + F	83000
	(deducted as per contra)		Bills of Exchange as per list G	
			1000	1000
			Total of E + F + G	84000
			+ surplus as per list contra	1900
				85900
			- Preferential Creditors as per contra	2900
				83000
			Deficiency as per list H (B/F)	23600
		106600		106600

Calculation of Unsecured Creditors :

	Gross	Expected to Rank for Payment
Sundry creditors	60000	60000
bills discounted	7000	3500
Rent	100	100
bills payable	15000	15000
	82100	78600

Deficiency Account

Excess assets over liabilities	50000	Loss from Business	9500
Net Profit	17500	Drawing	35850
Interest on Capital	12500	Loss on Assets :	
Deficiency as per list	23600	Book debts	5000
H		Stock	17000
		Machinery	3000
		Fixture	500
		Debentures	1250
		Building	3000
		Shares	8000
			37750
		Liability on bill discounted	3500
		Loss on Betting, stock Exchange and speculation (1000 + 11000 + 5000)	17000
	103600		103600

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Statement of Affairs

(as at 31st March, 2016)

Gross Liability	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
6000	Unsecured Creditors as per list A	6000	Properties as per list E:	
			Cash	115
	Fully Secured Creditors as per list B		Stock-in-trade	510 340
	1250		Fixtures	282 141
	<u>Less:- Estimated value of securities</u>		Shares	250
	1750		Total of E	846
	<u>Surplus as per contra</u>		Book debts as per list F:	
	500		Good	3490
Nil	Partly secured Creditors as per list C	—	Doubtful	900 300
			Bad	750 —
			Total of E + F	4636
95	Preferential Creditors as per list D: deducted as per Contra		Bill of Exchange as per list G	—
	95		Total of E + F + G	4636
			<u>Add:- surplus as per Contra</u>	500
				5136
			<u>Less:- Preferential Creditors as per Contra</u>	95
				5041
			Deficiency as per list H (B/F)	959
		6000		6000

Deficiency Account

Excess of Assets Over Liabilities	3175	Drawings	4500
Net Profit	2027	Loss on Assets:	
Deficiency as per L/H	959	Stock - in-trade	170
		Fixtures	241
		Bad debts	<u>1350</u>
	6161		2561
			<u>6161</u>

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G.7 Statement of Affairs of Mohanlal
(as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
16000	Unsecured Creditors as per list A	16000	Properties as per list E :-	
			Cash - in - Hand	40
2020	Fully secured Creditors as per list B		Machinery	3000 2400
	2020		Fixtures & Fittings	600 300
	Less :- value of securities		Furniture	700 600
			Life Insur. Policy	1000
	Surplus as per Contra		Total of E	4340
			Books Debts as per list F :-	
8000	Partly secured Creditors as per list C		Good	4000
	8000		Doubtful	800 400
	Less :- value of securities		Bad	1200 -
		4800	Total of E + F	8740
300	Preferential Creditors as per list D		Bills of Exchange as per list G	260
	deducted as per Contra		Total of E + F + G	9000
	300		Add: Surplus as per Contra	8180
				17180
			Less :- Preferential Creditors as per Contra	300
				16880
			Deficiency as per list H (B/F)	3920
		20800		20800

Working Notes :-

List A

Unsecured creditors	£ 15000
B/R discounted	700
Rent	300
	<u>£ 16000</u>

List D

creditors = £ 300

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over liabilities	4000	Loss from Business	140
Interest on Capital	240	Drawings	720
Deficiency as per list H	3920	Bad - Debts	1600
		Loss on Stock	4000
		Loss on Furniture	400
		Loss on Machinery	600
		Bill discounted and dishonoured	700
	<u>8160</u>		<u>8160</u>

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Statement of Affairs of A

(as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to rank for payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
68500	Unsecured creditors as per list A	60500	Properties as per list E:-	
			cash in Hand.	100
12600	Fully Secured Creditors as per list B		Stock	18000
	as per list B 12600		Fixtures & Fittings	2500
	value of sec. 15000		Goodwill	10000
	Surplus as per Contra 2400		Total of E	12900
Nil	Partly Secured Creditors as per list C	-	Book debts as per list F:-	
			Good	10000
			Doubtful	20000
			Bad	22000
800	Preferential Creditors as per list D		Total of E + F	32900
	deducted as per Contra 800		Bills of Exchange as per list G	
			Total of E + F + G	32900
			Add:- Surplus as per Contra	2400
				35300
			Less:- Preferential Creditors as per Contra	800
				34500
			Deficiency as per list H (B/A)	26000
				60500
		60500		

Calculation of Unsecured Creditors :-

	<u>Gross Liabilities</u>	<u>Expected to Rank</u>
Sundry Creditors	20000	20000
Less:- Pref. Creditors	500	500
	<u>19500</u>	<u>19500</u>
Bills Payable	22000	22000
Bank Overdraft	12000	12000
Bills Discounted	15000	7000
	<u>68500</u>	<u>60500</u>

Loan = 12000

$$\begin{aligned} \text{Add:- Interest } \left(12000 \times \frac{10}{100} \times \frac{6}{12} \right) &= 600 \\ &= 12000 + 600 \\ &= \text{£}12600 \end{aligned}$$

Preferential Creditor = 500 + 300 = 800

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over liabilities	26600	Loss on Assets :-	
Excess of Private Assets Over Private liabilities		Stock	6000
[15000 - (12000 + 600 + 300)]	2100	Fixtures	1700
Provision for debtors	2000	debtor	3200
Deficiency as per list H	26000	Goodwill	<u>10000</u>
	<u>56700</u>		49700
		Liabilities on Bill Discounted	7000
			<u>56700</u>

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Statement of Affairs of A

(as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
23200	Unsecured Creditors as per list A	23200	Properties as per list E :-	
			Fixtures 800	350
			Stock 8000	5550
			Plant & Machinery 8000	2000
4000	Fully Secured Creditors as per list B 4000		Total of E	7900
	value of Sec. 20000		Books Debts as per list F :-	
	Surplus as per contra 16000		Good	6000
	Partly secured as per list C 12000		Doubtful 2000	600
	Less:- value of Sec. 4000	8000	Bad 5000	-
480	Preferential Creditors as per list D		Total of E + F	14500
	deducted as per contra 480		Bills of Exchange as per list G	
			Total of E + F + G	14500
			Add:- Surplus as per Contra	16000
			Less:- Preferential Creditors as per Contra	480
				30020
			Deficiency as per list H (B/F)	1180
		31200		31200

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over liabilities	33600	Household Expenses	11000
		Bad debts	6400
Net Profit from Business (7000 + 4120 + 1800 + 1400 + 400)	14720	Loss on Assets :-	
		Machinery	6000
		Factory	20000
		Fixtures	450
		Stock	2450
Deficiency as per list H	1180	Bill discounted	<u>3200</u>
			32100
	<u>49500</u>		<u>49500</u>

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Statement of Affairs of A

(as at 31st March, 2016)

Gross liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for payment	Assets (as stated and estimated by the debtor)	Estimated to produce
£		£		£
8064	Unsecured Creditors as per list A	8064	Properties as per list E :- Cash in Hand Cash at Bank Furniture 248 Stock 1320 Plant & Machinery 2125 Total of E	7 23 120 830 1500 <hr/> 2480
Nil	Partly secured Creditors as per list C	-	Book debts as per list F :- Good - Doubtful 2737 Bad - Total of E + F	- - 2050 - <hr/> 4530
208	Preferential Creditors as per list D deducted as per contra 208		Bills of Exchange as per list G Total of E + F + G	- <hr/> 4530
			Add:- surplus as per contra	1000 <hr/> 5530
			Less:- Preferential Creditors as per contra	208 <hr/> 5322
			Deficiency as per list H (B/F)	2742 <hr/> 8064
		<hr/> 8064		<hr/> 8064

Working Note :-

Net Asset £ 5322 - Expenses £ 282 = £ 5040

$5040 \div 8064 = 62.5$ paise per rupee

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets over liabilities	4479	Loss on Trading Drawing	2930
Deficiency as per list H	2742	Loss on Assets :-	1861
		Furniture	128
		Stock	490
		Plant & Machinery	625
		Bad debts	687
		Freehold Property	500
			<u>2430</u>
	<u>7221</u>		<u>7221</u>

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Statement of Affairs of A

(as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
		£		£
8964	Unsecured Creditors as per list A	8974	Properties as per list E:-	8
20666	Fully secured Creditors as per list B 20666		Cash in Hand	308
	value of sec. 24630		Stock 1108	498
	surplus 3964		Machinery 1698	60
	less: carried to List C 2040		Life Insurance Policy	600
	Balance as per contra 1924		Furniture	<u>1474</u>
			Total of E	
3164	Partly Secured Creditors as per list C 3164		Books, debts as per list F:-	
	less: value of sec. 2040	1124	Good	78
			Doubtful 74	26
			Bad -	<u>1578</u>
			Total of E + F	
74	Preferential Creditors as per list D 74		Bills of Exchange as per list G	-
	deducted as per contra 74			
			Total of E + F + G	<u>1578</u>
			Add: ^{Cont} Surplus	
			Balance as per contra	1924
				<u>3502</u>
			less: Preferential Creditors as per contra	74
				<u>3428</u>
			Deficiency as per list H (B/E)	6670
		<u>10098</u>		<u>10098</u>

Working Notes :-

Net Assets £3428 - Expenses £28 = £3400

$3400 \div 10098 = 0.337$ paise per rupee

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets over liabilities	10000	Net losses	18000
Net Profit	2000	Drawings	8000
Excess of Private Assets over private liabilities (60+ 24630)	24690	Bad debts	48
Furniture transferred to daughter	600	Loss on Assets :-	
Deficiency as per list H	6670	Stock	800
		Machinery	1200
		Loss on speculation	<u>15912</u>
			17912
	<u>43960</u>		<u>43960</u>

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Statement of Affairs of A

(as at 31st March, 2016)

GROSS Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
98050	Unsecured creditors as per list A	98050	Properties as per list E:- Cash in Hand Cash at Bank	50 100
85700	Fully Secured Creditor as per list B value of sec.		Furniture Machinery Stock	7000 6500 6340
	<u>26300</u>		Total of E	<u>19990</u>
	Less:- carried to list C		Book debts as per list F:- Good Doubtful Bad	- - 14150 -
	<u>15000</u>		Total of E + F	<u>34140</u>
20000	Partly Secured Creditors as per list C Less:- value of sec.	5000	Bills of Exchange as per list G	-
	<u>15000</u>		Total of E + F + G	<u>34140</u>
9850	Preferential Creditors as per list D deducted as per contra (2650 + 500 + 6700 = 9850)		Add:- Surplus as per Contra	1300
			Less:- Preferential Creditors as per Contra	<u>9850</u>
			Deficiency as per list H (B/P)	77460
		<u>103050</u>		<u>103050</u>

Deficiency Account

Particulars	₹	Particulars	₹
Excess of Assets Over Liabilities	40580	Trading Loss	46450
Deficiency as per list H	77460	Drawings	15150
		Loss on Assets :-	
		Book debts	1850
		Furniture	3500
		Machinery	7500
		Stock	6590
		Household premises	30000
		Investment	3000
			52440
		Loss (B/F)	4000
	118040		118040

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Statement of Affairs of Richa (as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce	
£		£		£	
9	61140	61140	Properties as per list E:-		
	Unsecured Creditors as per list A			Cash at Bank	240
8	48000	24000	Stock	24000	
	Fully secured Creditors as per list B 48000			Typewriter	2400
	Value of sec. 60000			Vehicle	42000
	Surplus as per contra 12000			Total of E	23790
	36000		Book Debts as per list F:-		
	Partly secured Creditors as per list C 36000		Good	18000	
	less:- value of sec. 12000		Doubtful	6000	
			Bad	1500	
			Total of E + F	43590	
20	600		Bills of Exchange as per list G	-	
	Preferential Creditors as per list D		Total of E + F + G	43590	
	deducted as per Contra 600		Add:- Surplus as per Contra	12000	
9				55590	
			Less:- Pref. Creditors as per Contra	600	
				54990	
			Deficiency as per list H (B/F)	30150	
		85140		85140	

① Deficiency Account

Particulars	£	Particulars	£
Excess of Assets over liabilities	99000	Drawings	45000
Net Profit	21000	loss on Debtor	5700
Excess of Private Assets over Private liabilities	12000	loss on Assets :-	
Loan from Husband	9000	Stock	7500
Deficiency as per list H	30150	vehicle	36000
		Typewriter	1350
		Building	60000
			104850
		Unexplained loss (B/F)	15600
	17150		17150

Working Notes :-

- * Husband's Loan will be shown in the left side of the Deficiency Account.
- * Life Policy of £ 12000 will be also shown in the left side of Deficiency Account.
- * Drawings = $3000 \times 5 \text{ years} = \text{£ } 45000$
- * Fully Secured Creditors will be $\text{£ } 12000 + \text{£ } 36000 = \text{£ } 48000$, security of Building $\text{£ } 60000$, hence surplus is $\text{£ } 12000$.

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* Insolvency when Assets are more than liabilities :-

Important Points -

- Realisation value of Assets = liabilities - Deficiency
- Capital = Assets - Liabilities
- Some expenses which have omitted that will posted either in unsecured creditors or Preferential creditors, also that expenses will be shown in right side of Deficiency Account.
- Ignore Interest on Capital
- Ignore Personal Expenses
- Second way of Realisable value -

$$\text{Assets} = \text{Unsecured creditors} + \text{Part of Partly secured Creditors} \\ - (\text{Estimated deficiencies} + \text{surplus from Fully secured creditors})$$

Working Notes of Q. No-13 :-

Calculation of unsecured creditor :-

	<u>Gross liability</u>	<u>Expected to Rank for Payment</u>
Liability	44000	44000
Rent	300	300
Contingent liabilities	10000	2500
	<u>54300</u>	<u>46800</u>

Statement of Affairs

(as at 30th September, 2005)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£	Unsecured creditors as per list A	£	Properties as per list E: - (14000 - 30000)	£
54300		46800		14000
Nil	Fully secured Creditors as per list B value of sec. - surplus as per Contra -		Books debts as per list F: - Bills of Exchange as per list G -	-
			Total of E+F+G	24000
Nil	Partly secured Creditors as per list C	-	<u>Less:</u> Preferential Creditors as per Contra	1200
1200	preferential Creditors as per list D deducted as per Contra (300+700+100+100=1200)		Deficiency as per list H (B/F)	12800
		46800		34000
				46800

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities (56000-44000)	12000	Loss on Assets (56000-14000)	42000
Deficiency as per list H	34000	Expenses Expenses due (300+700+300+100+100)	1500
		Bill Discounted	2500
	46000		46000
			46000

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Statement of Affairs of Mr. Money (as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
20100	Unsecured Creditors as per list A	20100	Properties as per list E:- Assets 20000	5100
800	Fully secured Creditors as per list B 800 Value of sec. 900 Surplus as per contra 100		Book debts as per list F:- Bills of Exchange as per list G	-
			Total of E+F+G	5100
Nil	Partly Secured Creditors as per list C	-	<u>Add:-</u> surplus as per Contra	100
				5200
1900	Preferential Creditors as per list D Deducted as per contra (600+1300 = 1900)		<u>Less:-</u> preferential Creditors as per contra	1900
			Deficiency as per list H (B/P)	3300
				16800
		<u>20100</u>		<u>20100</u>

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities (22000-20400)	1600	Loss on Assets 20000 - 5100 = 14900	
Deficiency as per list H	16800	2000 - 900 = <u>1100</u>	16000
		Expenses Expenses (600+1300+500)	2400
	<u>18400</u>		<u>18400</u>

Working Notes :-

• Unsecured → Trade creditor	20400
<u>less:-</u> Fully sec. creditor	<u>800</u>
Unsecured creditor	19600
<u>Add:-</u> Rent	<u>500</u>
	<u><u>20100</u></u>

• Realisable Value of Assets :-

Total creditors	20400
<u>less:-</u> Fully sec. creditor	<u>800</u>
unsecured creditor	19600
<u>less:-</u> Estimated deficiency	<u>14400</u>
	5200
<u>less:-</u> Surplus from Fully sec. creditors	<u>100</u>
	<u><u>5100</u></u>

• Total Assets	22000	Value of sec. Fully =	
<u>less:-</u> Machinery	<u>2000</u>		$2000 \times \frac{45}{100} = 900$
For list £	<u>20000</u>		

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Statement of Affairs

(as at)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
14800	Unsecured creditors as per list A	14800	Properties as per list E; - Total Assets 20000	9200
10000	Fully secured creditors as per list B 10000 value of sec. 12000 surplus as per contra 2000		BOOK debts as per list F: - Bills of Exchange as per list G	-
Nil	Partly secured creditors as per list C	-	Total of E + F + G	9200
11200	Preferential creditors as per list D deducted as per contra (16000 - 4800 = 11200)		Add: - surplus as per Contra	2000
			Less: - preferential creditors as per contra	11200
			Deficiency as per list H (B/A)	Nil
		14800		14800

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over liabilities	4000	Losses	8000
Deficiency as per list H	14800	Loss on Realisation of Assets (20000 - 9200)	10800
	18800		18800

Working Notes :-

- Distribution of available amount = Ratio =
4000 : 6000 : 6000

$$\text{Tax} = 11200 \times \frac{2}{8} = 2800$$

$$\text{Salary} = 11200 \times \frac{3}{8} = 4200$$

$$\text{Wages} = 11200 \times \frac{3}{8} = 4200$$

Unpaid amount £16000 - £11200 = £4800 will be included in
Unsecured Creditors, so unsecured creditor = 10000 + 4800
= £14800

aml

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Statement of Affairs (as at 30th September, 2015)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
36740	Unsecured Creditors as per list A	36740	Properties as per list E :- Assets 46000	10000
Nil	Fully secured Creditors as per list B	-	BOOK debts as per list F :- Bills of Exchange as per list G.	-
Nil	Partly secured Creditors as per list C	-	Total of E + F + G	10000
1260	Preferential Creditors as per list D deducted as per Contra 1260	-	<u>Less:-</u> Preferential Creditors as per Contra	1260
			Deficiency as per list H (BIF)	8740
		36740		28000
				36740

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities	12000	Loss on Assets (14000 - 10000)	36000
Deficiency as per list H	28000	Expenses (250 + 750 + 340 + 260)	1600
		Contingent Liability	2400
	40000		40000

Working Notes :-

• Liability	34000
Rent	340
Bill discounted	2400
Total Unsecured =	36740
Creditor	

Wages	250
Salary	750
Rent	260
Total of Pref. =	1260
Creditor	

Liability - deficiency
34000 - 24000 = £10000

and

Q.No.17 :- Deficiency Account of Q.No- 17

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Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities	10000	Loss	2000
Profit	1600	Drawings	7000
Exemption of wife Loan	1000	Loss on Assets :	
		Building	2000
		Furniture	400
		Bad Debts	800
		Surplus as per list H	400
	12600		12600

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Statement of Affairs

(as at)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to produce
		£		£
9000	unsecured Creditors as per list A	9000	Properties as per list E:-	
			Cash in Hand	400
			Building	7000
			Furniture	2000
5000	Fully Secured Creditors as per list B		Total of E	9000
	Value of sec. <u>6000</u>		Book debts as per list F:-	
	Surplus as per Contra 1000		Good	1000
			Doubtful	100
2800	Partly secured Creditors as per list C		Bad	-
	2800		Total of E + F	10100
	Less:- value of sec. <u>1800</u>	1000	Bills of Exchange as per list G	-
	Surplus as per Contra 1000		Total of E + F + G	10100
700	Preferential Creditors as per list D		Add:- surplus as per Contra	1000
	Deducted as per Contra 700		Total	11100
			Less:- Preferential Creditors as per Contra	700
			Total	10400
	Surplus as per list H (B/A)	400		
		4000		10400

Please Turn Backward for deficiency A/c

aml

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Statement of Affairs of P of Bombay
(as at)

Cross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated Produce
₹		₹		₹
153967	Unsecured creditors as per list A	153967	Properties as per list E:- Cash in Hand	100
52000	Fully Secured creditors as per list B 52000 Value of sec. <u>95000</u> Transfer to C 43000		Plant & Machinery 40000 Stock 20000 Household Furniture 3600 Share 3000	30000 14000 3600 3750
54000	Partly Secured creditors as per list C 54000 less:- value of sec. <u>43000</u>	11000	Total of E Book debts as per list F:- Good 60000 Doubtful 5000 Bad 14000	51450 60000 2500 -
383	Preferential creditors as per list D deducted as per contra 383		Total of E + F Bills of Exchange as per list G	113950 -
			Total of E + F + G	113950
			less:- preferential creditors as per contra	383
			Deficiency as per list H (B/P)	113567 51400
		164967		164967

Working Notes :-

• Unsecured Creditors

Household debts	2900
Creditors	150000
Rent (250-83)	167
Salary	900
	<u>153967</u>

• Preferential Creditors

Rent	83 (250/3)
Salary	300
	<u>383</u>

and

19 → Statement of Affairs of A of Kolkata
(as at 30th June, 2015)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
202500	Unsecured creditors as per list A	99000	Properties as per list E:-	
			Cash at Bank	120
40000	Partly secured creditors as per list B		Stock	38800
	40000		Furniture	4000
	Value of sec. 76000		Shares	25000
	<u>36000</u>		Total of E	<u>48120</u>
	Less:- Transfer to C		Book debts as per list F:-	
	<u>30000</u>		Good	10000
	Surplus as per contra 6000		Doubtful	30500
35000	Partly secured creditors as per list C		Bad	10000
	35000		Total of E+F	<u>78120</u>
	Less:- value of sec. 30000	5000	Bills of Exchange as per list G	10000
	<u>5000</u>		Total of E+F+G	<u>85120</u>
2500	Preferential Creditors as per list D		Add:- Surplus as per contra	6000
	deducted as per contra 2500			<u>91120</u>
			Less:- Preferential Creditors as per contra	2500
				<u>88620</u>
			Deficiency as per list H (B/P)	15380
		<u>104000</u>		<u>104000</u>

Working Note:-

	Gross Liability	Expected to Rank for Payment
Creditors	90000	90000
Non-Preferential Creditors	500	500
Bills Payable	5000	5000
Bill Discounted	7000	3500
	<u>102500</u>	<u>99000</u>

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities	60000	Trading Loss	5000
Net Profit	17500	Drawings	26000
Interest on Capital (2000x3)	6000	Loss on Realisation of Assets:	
Salary (1000 x 3)	3000	Share M. Ltd.	10000
Deficiency as per list H	15380	Share T Ltd.	9000
		Stock	8800
		Furniture	1000
		Debtors	20500
		Bills Receivable	3000
			52380
		Liability on Bill Discounted	3500
		Loss through Gambling	15000
	101880		101880

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Statement of Affairs of A (as at 31st March, 2016)

Excess Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
27150	Unsecured Creditors as per list A	23400	Properties as per list E:- Assets	7000
Nil	Fully secured Creditors as per list B	-	Book debts as per list F:-	-
Nil	Partly secured Creditors as per list C	-	Bills of Exchange as per list G	-
600	Preferential Creditors as per list D deducted as per contra 600	-	Total of E+F+G	7000
			Less:- Preferential Creditors as per contra	600
				6400
			Deficiency as per list H (B/P)	17000
		23400		23400

Deficiency Account

Particulars	£	Particulars	£
Excess of Assets Over Liabilities	6000	Loss on Realisation of Assets	21000
Deficiency as per list H	17000	Expenses due (150+350+150+100)	750
		Bill discounted	1250
	23000		23000

Working Notes :-

- Calculation of Unsecured Creditors:

	<u>Gross Liability</u>	<u>Expected to Rank For Payment</u>
Liability	22000	22000
Rent	150	150
Bill discounted	5000	1250
	27150	23400

- Preferential Creditors = $150 + 350 + 100 = 600$
- Capital = $28000 - 22000 = 6000$
- Realisable Value of Assets = Liability - Deficiency
 $= 22000 - 15000$
 $= £ 7000$
- Loss on Assets = $28000 - 7000$
 $= £ 21000$

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Statement of Affairs of Shri Shyam Sundar of Mumbai

(as at 30th June, 2015)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
₹ 89200	Unsecured Creditors as per list A	₹ 89200	Properties as per list E:- Assets 130000	₹ 70000
Nil	Fully Secured Creditors as per list B	-	Book debts as per list F:-	-
Nil	Partly Secured Creditors as per list C	-	Bills of Exchange as per list G	-
3000	Preferential Creditors as per list D deducted as per contra 3000	-	Total of E+F+G	70000
			<u>Less:-</u> Preferential Creditors as per contra	3000
			Deficiency as per list H (BIF)	67000
		89200		22200
				89200

Deficiency Account

Particulars	₹	Particulars	₹
Excess As of Assets Over Liabilities	50000	Loss on Realisation of Assets	60000
Deficiency as per list H	22200	Loss in Bill Discounted	8000
	72200	Amount due Rent	3600
			600
			72200

Working Notes :-

Unsecured Creditors

Creditors	80000
Bill discounted	8000
Salaries	900
Rent	300
	<hr/>
	89200

Preferential Creditors

Salary of 5 clerk @ £300 =	1500
Wages	800
Taxes	400
Rent for one month	300
	<hr/>
	3000

• Realised Value of Assets :-

= Liabilities - Estimated Deficiency

= 80000 - 10000

= £ 70000

and

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Statement of Affairs of A of Chennai

(as at 31st March, 2016)

Gross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
₹		₹		₹
29900	Unsecured Creditors as per list A	29900	Properties as per list E:- Assets 34000	11700
2000	Fully secured Creditors as per list B. 2000 value of Sec. 3000 <u>Surplus as per contra 1000</u>		Books debts as per list F:- Bill of Exchange as per list G	-
			Total of E+F+G	<u>11700</u>
500	Partly secured Creditors as per list C 500 <u>less:- value of Sec. 300</u>	200	Add:- Surplus as per contra	<u>1000</u>
				12700
2600	preferential creditors as per list D deducted as per contra 2600		<u>less:- preferential creditors as per contra</u>	<u>2600</u>
			Deficiency as per list H (B/F)	<u>10100</u>
		<u>30100</u>		<u>20000</u>
				<u>30100</u>

Deficiency Account

Particulars	₹	Particulars	₹
Excess of Assets Over Liabilities (40000 - 30000)	10000	Loss on Assets Realisation of Assets	22300
Deficiency as per list H	20000	Loss on Machinery	2000
		Loss on Furniture	700
		Expenses due (1300 + 500 + 300 + 300 + 100 + 2000 + 400 + 100)	5000
	<u>30000</u>		<u>30000</u>

Working Notes :-

• Unsecured Creditors :

Total Creditors	30000
Less:- Secured against Machinery & Furniture	<u>2500</u>
Unsecured Creditors =	27500
Add:- Salary of Clerk	100
Wages of Labours	100
Landlord's Rent	200
Manager's Rent	<u>2000</u>
	<u>29900</u>

• Realisable Value of Assets :

Total Creditor	30000
Less:- Secured against Machinery & Furniture	<u>2500</u>
Unsecured Creditors =	27500

$$\begin{aligned}\therefore \text{Realisable Value of Assets} &= 27500 + 200 - (15000 + 1000) \\ &= 27700 - 16000 \\ &= \text{£ } 11700\end{aligned}$$

• Total Assets :

	40000
Less:- Machinery & Furniture Sec.	<u>6000</u>
For list E =	<u>34000</u>

• Preferential Creditors :

Salary of 4 Clerks	1200
Wages of 4 Labours	400
Landlord's Rent	100
Income Tax	300
Sale Tax	100
Workmen's compensation	400
House Tax	<u>100</u>
	<u>2600</u>

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Statement of Affairs of M of Kolkata (as at)

Gross liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£	Properties as per list E :-	£
82100	Unsecured Creditors as per list A	76100	Cash	500
			Furniture 3000	2000
			Machinery 60000	50000
Nil	Fully secured Creditors as per list B	-	Stock 5000	2000
			Household Assets (4000-300)	3700
100000	Partly secured Creditors as per list C 100000		Wife Ornaments	4000
	<u>Less:- value of sec. 40000</u>	60000	Total of E	<u>62200</u>
900	Preferential Creditors as per list D		Books Debts as per list F :- 20000	12000
	deducted as per contra 900		Total of E+F	<u>74200</u>
			Bills of Exchange as per list G	-
			Total of E+F+G	<u>74200</u>
			<u>Less:- Preferential Creditors as per contra</u>	<u>900</u>
				73300
			Deficiency as per list H (B/F)	62800
		<u>136100</u>		<u>136100</u>

① Deficiency Account

Particulars	£	Particulars	£
Capital	45000	Losses	49500
Wife's Ornament	4000	Loss on Assets:	
Deficiency as per list		Furniture	1000
H	62800	Machinery	10000
		Stock	3000
		Building	30000
		Debtor	8000
			52000
		Excess of Private Assets Over Private Liabilities (10000 - 3700)	6300
		Liability on Bill Discounted	4000
	111800		111800

Working Notes :-

• Unsecured Creditors:

	<u>Gross Liabilities</u>	<u>Expected to Rank for Payment</u>
Trade Creditors	60000	60000
Bill Discounted	10000	4000
Private Liabilities	10000	10000
Non-Prefer. Salary	600	600
Non-Prefer. Wages	400	400
Rent	200	200
Manager's Salary	900	900
	82100	76100

• Preferential Creditors:

$$600 + 100 + 200 = \text{£} 900$$

and

25 Statement of Affairs of A and B
(as at 30th June, 2016)

Cross Liabilities	Liabilities (as stated and estimated by the debtor)	Expected to Rank for Payment	Assets (as stated and estimated by the debtor)	Estimated to Produce
£		£		£
83500	Unsecured Creditors as per list A	78500	Properties as per list E :- Cash in Hand	100
			Furniture 5000	1200
			Investment 5000	2000
Nil	Fully Secured Creditors as per list B	-	Stock 15000	12000
			Goodwill 3000	Nil
			Total of E	15300
28000	Partly Secured Creditors as per list C 28000 Less:- value of sec. 20000	8000	Book debts as per list F :- Bad 6500 (36000 - 6500)	29500
1500	Preferential Creditors as per list D deducted as per contra 1500		Total of E + F	44800
			Bills of Exchange as per list G	-
			Total of E + F + G	44800
			Less:- Preferential Creditors as per contra	1500
				43300
			Deficiency as per list H (B/F)	43200
		86500		86500

Deficiency Account

Particulars	£	Particulars	£
Capital A	17000	Net loss	8000
Capital B	<u>10100</u>	Drawing of A and B	18000
	27100	Bad debts	6500
Claim against the firm not likely to arise	5000	Other Losses:	
Deficiency as per list H	43200	Furniture	3800
		Investment	3000
		Stock	3000
		Goodwill	3000
		Plant & Machinery	10000
		Loss on contract	<u>20000</u>
			42800
	<u>75300</u>		<u>75300</u>

Working Notes :-

Excess of loan Outstanding comes to £8000 so loan creditor will get

$\frac{\text{Net Assets } 43300}{\text{Total Creditors } 86500} \times 8000$ i.e., £4005 approx. Balance of amount

i.e., £8000 - £4005 = £3995 will be recovered from B's house of £4000.

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The End

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