

MATCON Inc

On April the 4th 2007, six friends (four lawyers and two financial experts), found MATCON Inc, a Company that renders legal services to other companies. The process chosen is the simultaneous one, through which they constitute a Share Capital formed by 25,000 shares of 40 €/share Par Value. They agree in issuing the shares at a 120% and outlaying a 30% on the date of subscription. The subscriptions consist in the following:

- Shareholders Arbulu, Barrena and Cos subscribe 7,000 shares each and make monetary contributions.
- Dufresne subscribes 2,000 shares contributing with furniture for the office valued by independent experts in 90,000€. The rest of her investment is contributed with a computer she will provide in 18 months.
- Echevarría subscribes 1,500 shares contributing in this moment with a vehicle valued in the amount of her investment
- The rest of shares are subscribed by Fernández contributing with cash under the same requirements as the rest of the cash contributors.

On September the 1st 2007 the Company calls for the outlaying of the amounts not yet paid. In a month's period everybody attends the payment.

Dufresne contributes on time with the computer as promised.

On September the 1st 2009, the Company acquires treasury stock by purchasing to Arbulu the maximum number of shares permitted by law, knowing the company is privately held. The acquisition is made for a 130%.

On December the 15 2009, MATCON's Equity is formed by the initial Share Capital and Premium, the minimum required in Legal Reserve and the bought back shares .

Rest of accounts:

Land: 500,000, NC Debts: 130,000, Buildings: 522,000, Furniture 90,000, Software: 125,000, Trade Receivables: 70,000, Acum. Depreciation PP&E: 120,000, IT Equipment: 6,000; Banks: 80,000, C Debts: 20,000, Acc.Depreciation Intangible assets: 5,000, P/L Period 50,000, Vehicles: 72,000.

On the January 28th 2010, the company sells its own shares to Echevarría for a price of 55 €/share.

On the basis of the previous balance sheet and after selling the own shares the Company approves, on the January 29th 2010, an increase in capital in the proportion of 2 x 5 partially covered, by capitalizing all reserves available for this purpose and contributing the owners with cash for the rest. The transaction will take place on February the 15th of 2010, through the issuing of new shares at same par value as the old ones.

Arbulu and Barrena decide not to subscribe new shares and sell their rights to Echevarría for a price equal to the theoretical value of the right. Cos and Dufresne take up their offer and subscribe the corresponding shares.

Once distributed the result of the previous period to the Legal Reserve, the company decides to distribute the rest of the benefits through dividends, paying the shareholders on June the 30th 2010.

The company decides on July the 1st 2010, from the basis of the previous Balance Sheet changed by the transactions described (increase in capital and distribution of benefits) to dissolve and liquidate, considering the next information:

- The depreciation of property, plant & equipment corresponds in the next proportion to the following assets:

- Half the amount of depreciation to buildings
 - The rest is distributed:
 - 5,000 corresponds to the IT Equipment
 - 27,500 to the Furniture
 - 27,500 to the Vehicle.
 - The software is considered lost.
 - They sell the piece of land and buildings for half their book's value.
 - The rest of the non-current assets are sold for 100,000 €
 - The liquidators manage to collect an 80% of the Trade Receivables.
 - Liabilities are paid with a 15% discount.
1. **Record the transactions described in a chronological order.**
 2. **Prepare the Balance Sheet of MATCON on December the 15th 2009.**
 3. **Record the selling of own shares**
 4. **Record the increase of capital**
 5. **Calculate the cost for the subscribers when purchasing the new shares in the increase of Share Capital.**
 6. **After these transactions, which combinations of shareholders will hold majority participation in the General Annual Meetings?**
 7. **Record the distribution of dividends and calculate the amount received by each shareholder.**
 8. **Prepare a Balance Sheet on July the 1st 2010.**
 9. **Journalize the liquidation process's entries.**
 10. **Calculate how much of the cash obtained at the end of the liquidation corresponds to each shareholder.**

SOLUTION

**The next template offered is not necessary. The student can choose whether to use it or not. It is only a guide that can help the student in the solution of the exercise.*

1. Record the transactions described in a chronological order.

Date Transaction(subscription, contributions)	Entry	Debit	Credit
		x	
			x
Date Transaction (outlayings called up)	Entry	Debit	Credit
		x	
			x
Date Transaction (attendance)	Entry	Debit	Credit
		x	
			x
Date Transaction (attendance)	Entry	Debit	Credit
		x	
			x
Date Transaction (Treasury stock)	Entry	Debit	Credit
		x	
			x
Date Transaction (Treasury stock)	Entry	Debit	Credit
		x	
			x
Date Transaction (Increase in Capital)	Entry	Debit	Credit
		x	
			x

2) Prepare the Balance Sheet of MATCON on the 15th December 2009.

ASSETS		EQUITY&LIABILITIES	
TOTAL		TOTAL	

3. Record the selling of own shares
4. Record the increase of capital

5. Calculate the cost for the subscribers when purchasing the new shares in the increase of Share Capital.

Shareholders	"A"	"B"	"C"	"D"	"E"	TOTAL
Number of Shares						
Rights Purchased						
Rights Sold						
Amount purchased						
Rights to execute						
Shares subscribed						
Amount paid						
Total cost						
Number of shares						
Total Nominal						

6. After these transactions, which combinations of shareholders will hold majority participation in the General Annual Meetings?

	“A”	“B”	“C”	“D”	“E”	TOTAL
Number of shares						
Total Nominal						

7. Record the distribution of dividends and calculate the amount received by each shareholder.

Date Transaction(Distribution of Dividends)	Entry	Debit	Credit

	“A”	“B”	“C”	“D”	“E”	TOTAL
Number of shares						
Total Dividend received						

8. Prepare a Balance Sheet on the 1st July 2010.

ASSETS	EQUITY & LIABILITIES
TOTAL	TOTAL

9. Journalize the liquidation process's entries.

Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit
Date Transaction	Entry	Debit	Credit

10. Calculate how much of the cash obtained at the end of the liquidation corresponds to each shareholder.

	"A"	"B"	"C"	"D"	"E"	TOTAL
Number of shares						
Total Cash received						