HELLO Inc

On January the 20th of 2014, "HELLO" Inc. is formed, by issuing 100,000 shares, 10€ Par Value/share, subscribed in the same proportion by four shareholders.
All of them go to the notary who charges 10,000 € for his services.
A, B and C, contribute a running business they owned, which at this moment is represented with the following Balance Sheet:

ASSETS		EQUITY & LIABILITIES	
NON CURRENT ASSETS		**OWNER`S EQUITY**	
(210) Land	550,000	(100) Share Capital	500,000
(211) Buildings	200,000	(110) Share Premium	60,000
(281) Accum.Deprec.Buil	(100,000)	(112) Legal Reserves	20,000
(216) Furniture	200,000	(129) P/L of the Period	20,000
(281) Accum.Deprec.Furnit.	(100,000)		
		NC LIABILITIES	
CURRENT ASSETS		(170) NC Debts financial institutions	100,000
(310) Raw Material	70,000		
(300) Merchandises	20,000		
(390) Impairm. merchand.	(10,000)	**C LIABILITIES**	
(430) Trade Receivables	5,000	(400) Suppliers	37,500
(570) Banks	25,000	(523) C. Suppliers Fixed Assets	22,500
		(521) C Debt Financial Institutions	100,000
TOTAL	**860,000**	**TOTAL**	**860,000**

An independent expert considers the contributing company has a real value of 675,000 € identifying undervalues for 30,000 € in lands and 20,000 € in buildings. At the beginning of next year this shareholders will complete their investment in the Company by contributing with merchandises.

D subscribes the rest of the shares contributing in cash for the amount called at this moment (the minimum the law stands). All the rest will be paid at the beginning of next year.
On February the 4th of the Company is registered.

1. **Record the transactions.**
2. **Prepare a Balance Sheet after all recordings.**

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	Entry	Debit	Credit
		x	
Transaction			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x

2. **Prepare the Balance Sheet**

ASSETS		EQUITY&LIABILITIES	
TOTAL		TOTAL	

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MUCHACOSA Inc.

MUCHACOSA Inc. Was founded three years ago by issuing 8.000 shares of 10 €/sh. Par Value. Issuing Price had been 130%. Shares were subscribed in equal parts among the 4 shareholders and totally outlaid. The Legal Reserve already reaches the minimum required by Law. It has also constituted a Voluntary Reserve of 23,000 €, and there haven`t been any other changes in the OE. The shareholders decide to increase Capital by issuing new shares same Par Value as old ones for the maximum possible by covering the increase with available reserves.

1. **Record the transaction.**
2. **Calculate the Book`s Value of the shares before the transaction.**
3. **If one shareholder wants to acquire all the new shares issued:**
    - **How much would be the cost for this shareholder?**
    - **How much will the rest of the shareholders receive?**

1. Record the transaction.

Date	Entry	Debit	Credit
Transaction		x	
			x

2. **Calculate the Book`s Value of the shares before the transaction.**
3. **If one shareholder wants to acquire all the new shares issued:**
    - **How much would be the cost for this shareholder?**
    - **How much will the rest of the shareholders receive?**

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PRICA Inc

PRICA Inc., has a Share Capital of 100,000€ (10,000 ordinary shares of 10€ PV), a Legal Reserve of 8,000 €; Uncalled Capital 5,000€ (1,000 shares that owe 5 €/each) and Voluntary Reserves 40,000 € . Once approved by the General Meeting they proceed to carry out the following transactions:

- As a consequence of the changing in the purpose of the Company owners of 2,000 shares decide to separate from the company. PRICA therefore decides to write off their shares (they must be fully paid out). They pay them 15 €/share in cash .This transaction generates a cost for the company of 200€ that will be paid in cash.
- The company also decides to condone the uncalled capital by decreasing its capital and its corresponding par value.
- Finally they decrease the Capital to increase the Legal Reserve in a 5%.

They will do what necessary to avoid creditor oppose to the transaction.

- **Record the transactions described**

<u>SOLUTION</u>

Date	Entry	Debit	Credit
		x	
Transaction			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x
Date	**Entry**	**Debit**	**Credit**
Transaction		x	
			x

MOUNTAIN, Inc. and BEACH Inc.

MOUNTAIN, Inc. and BEACH Inc., have agreed that MOUNTAIN will acquire BEACH. MOUNTAIN`s Share Capital is 4 million euros, totally outlaid, divided into 500,000 shares, same par value each. After considering the value in terms of acquisition, the book value of the shares is of 10 €/sh.
The Balance Sheet of BEACH before the acquisition is the following:

ASSETS		E & LIABILITIES	
(213) Machinery	2,800,000	(100) Share Capital	2,000,000
(218) Vehicles	500,000	*(200,000 shs, PV = 10 €)*	
(2813) Accum. Depr .machinery	(280,000)	(112) Legal Reserve	400,000
(2818) Accum. Depr. Vehicle	(60,000)	(113) Voluntary Reserve	300,000
(300) Merchandises	320,000	(171) NC Debt financ.instit.	700,000
(430) Trade Receivables	180,000	(520) C. Debt finance.instit.	60,000
(572) Banks	100,000	(400) Suppliers	100,000
TOTAL	**3,560,000**	**TOTAL**	**3,560,000**

ADDITIONAL INFORMATION (BEACH):

- The Machinery is considered to be overvalued in 120,000 €
- Once checked the inventory, merchandises are considered to be 240,000 € valued.

1. **Calculate the OE and Books Value of the shares in both Companies.**
2. **Record in MOUNTAIN`s accounting the reception of BEACH.**
3. **How many shares from MOUNTAIN will a shareholder, owner of 800 shares in BEACH, receive?**

SOLUTION

1. **Calculate the OE and Books Value of the shares in both Companies.**

COMPANY "BEACH"(Absorbed)	COMPANY "MOUNTAIN"(Absorbing)
Equity from balance	Equity from balance …………..
Adjustments in value (merger):	Adjustments in value (merger): •
Adjusted Equity……………………………	**Adjusted Equity…………………………………..**
Adjustments in participations ……………………	Adjustments participations:……………………………
EquityMerger E"BEACH"……………………………	**EquityMerger E"MOUNTAIN"………………………**
BV"MOUNTAIN" =	BV "BEACH"=

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2. Record in MOUNTAIN`s accounting the reception of BEACH.

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

3. How many shares from MOUNTAIN will a shareholder, owner of 800 shares in BEACH, receive?

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