UPV/EHU

OCW “Companies Accounting”

Solution to Exercises Part I & II

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2015

SOLUTION TO EXERCISES

EXERCISES PART I.

TOPIC II (A)

EXERCISE 1. ELCANO Inc.

The Share Capital is formed by: 10,000 shares x 10€/sh. par value = 100,000 €
Issuing Price = 120% x 10 = 12 €/sh. Share premium = 2 €/ sh., total: 120,000 €
Initial Outlay: 25% PV + IV = 2. 5 + 2 = 4. 5 €/sh.

Date **3/3/2013**	**Entry**	**Debit**	**Credit**
Issuing of shares	(190) Shares Issued *10,000 sh. x 12€/sh*	120,000	
	(194) Issued Capital *pending registration* *10,000 sh. x 12 € (IV)*		120,000
Date	**Entry**	**Debit**	**Credit**
Subscription	(572) Banks *10,000 sh. x (SP+25%PV)* (1034) Uncalled Capital *pending registration* *10,000 sh x (75%PV)*	45,000 75,000	
	(190) Shares Issued *10,000 sh. x 12€/sh*		120,000
Date	**Entry**	**Debit**	**Credit**
	(113) Voluntary Reserves	10,000	
Formal expenses	(572) Banks		10,000
Date	**Entry**	**Debit**	**Credit**
Start-up expenses	(627) Advertising, publicity and public relations (623) Independent professional services (472) Input VAT	1,000 800 378	
	(572) Banks		2,178
Date **1/4/2013**	**Entry**	**Debit**	**Credit**
Inscription in Mercantile Registry	(194) Issued Capital *pending registration* 10,000 sh. x 12 € (IV)	120,000	
	(100) Share Capital (110) Share Premium		100,000 20,000
	(103) Uncalled Capital 10,000 sh. x (75%PV)	75,000	
	(1034) Uncalled Capital *pending registration* 10,000 sh x (75%PV		75,000

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Date 3/5/2013	Entry	Debit	Credit
	(558) Receivable on called up capital. *10,000 sh. x (75%PV)*	75,000	
Unpaid Capital called	(103) Uncalled Capital *10,000 sh. x (75%PV)*		75,000
Date			
Called Capital Outlay	(572) Banks *10,000 sh. x (75%PV)*	75,000	
	(558) Receivable on called up capital. *10,000 sh. x (75%PV)*		75,000

EXERCISE 2 "CARPETS" Inc.

Share Capital 200,000 sh. x 10 €/sh = 2,000,000 €.
Issuing Price = 120% x 10 = 12 €. Share Premium = 2 €/ sh., total: 400,000 €
Each of the 4 stockholders subscribes 50,000 shares.
3 stockholders contribute with cash, outlaying 40% PV + SP = 4 + 2 = 6 €/sh.
Uncalled Capital 60% PV = 6 €/sh
    3 x 50,000 = 150,000 sh. x 6 €/sh. = 900,000 € Initial outlay
    3 x 50,000 = 150,000 sh. x 6 €/sh. = 900,000 € Uncalled Capital
1 stockholder contributes with non-monetary assets:
    Total investment = 50,000 sh x 12 €/sh. = 600,000 €.
    Initial contribution = Store 200,000 €
        5 carpets: 50,000 €.
    Pending contribution: 350,000 € in new carpets

3/2/2013	Entries	Debit	Credit
Issuing	(190) Issuing Shares *200,000 sh. x 12 € x IP*		
	(194) Issued Capital pending registration *200,000 sh x 12 € (PV)*		
Subscription (cash)	(572) Banks *150,000 sh. x (SP +40%PV)* (1034) Uncalled Capital pending registration *10,000 sh x (75%PV) 150,000 acc. x (60%VN)*		
	(190) Issuing Shares *150,000 sh. x 12 € (IP)*		
Subscription (non-monetary)	(211) Buildings (300) Merchandises (1044)Uncalled non-monetary contributions capital pending registration		
	(190) Issuing Shares *50,000 sh x 12 € (IP)*		

3/3/2013			
Registry Inscription	(194) Issued Capital pending registration *200,000 shs. x 12 €*		
	(100) Share Capital (110) Share Premium		
Formal costs	(113) Voluntary Reserves		
	(572) Banks		
	(103) Uncalled Capital. *150,000 sh x (60%PV)*		
	(1034) Uncalled Capital pending registration *150,000 sh.x(60%PV)*		
	(104) Uncalled non-monetary contributions		
	(1044) Uncalled non-monetary contributions capital pending registration		
3/10/2013			
Unpaid Capital Called up	(558) Receivable on called up capital. . *150,000 sh. x (60%PV)*		
	(103) Uncalled Capital		
Capital Outlay Cash	(572) Banks		
	(558) Receivable on called up capital		
Non-monetary contributions	(300) Merchandises		
	(104) Uncalled non-monetary contributions		

ASSETS		EQUITY&LIABILITIES	
NON-CURRENT ASSETS		**EQUITY**	
(211) Buildings		(100) Share Capital	
		(1109 Share Premium	
CURRENT ASSETS		(113) Voluntary Reserves	
(300) Merchandises			
(572) Banks			
TOTAL	**2,380,000**	**TOTAL**	**2,380,000**

EXERCISE 3 "HELLO" Inc.

Share Capital 1,000,000€ (100,000 sh. x PV (= 10€/sh)) PV
Stockholders: 3 from which, A, B & C contribute with a running business and D contributes with cash
<u>Business contributed by A, B and C:</u>

Share Capital 1,000,000 / 4 stockholders, correspond 250,000 €/each X 3 stockholders = 750,000€ (participation of A, B and C)

The value of the business:

Equity= 600,000 €.

Independent expert: 675,000 €.

750,000 participation – 675,000 contribution = 75,000 pending

<u>Cash contribution D:</u>

Share Capital 1,000,000 / 4 stockholders, corresponds 250,000 €/each X 1 stockholder = 250,000 €.

25% s/participation = 62,500 € cash; 187,500 € pending

DATE	TRANSACTION	DEBIT	CREDIT
04/02/2014			
02/01/2015			
02/02/2015			
01/01/2015			

Balance Sheet:

ASSETS		EQUITY&LIABILITIES	
NON-CURRENT ASSETS		**EQUITY**	
(203)		(100)	
(210) Land		(113)	
(211) Buildings			
(216)		**NC LIABILITIES**	
CURRENT ASSETS		(170) NC Debts	
(300) Merchandises			
(310)		**CURRENT LIABILITIES**	
(430) Trade Receivables		(400) Suppliers	
(572) Banks		(521) C. Debts	
		(523) C. Debts suppliers of fixed assets	
TOTAL	**1,250,000**	**TOTAL**	**1,250,000**

EXERCISE 4 "COMEBIEN" Inc.

DATE	TRANSACTION		DEBIT	CREDIT
	Issuing, subscription & outlay		4,500 48,000 14,000 7,500 22,000	
				80,000 16,000
	Formal Costs	(113) Voluntary Reserve	1,000	
		(572) Banks		1,000
02/03/2014	Unpaid Capital called(Cash)		7,500	
				7,00
	Outlay Capital called	Shareholder in arrears	7,500	
		(558)Receivable on called up capital		7,500
15/05/2014	Non- monetary contributions		22,000	
				22,000

ASSETS	EQUITY&LIABILITIES
NON-CURRENT ASSETS	**EQUITY**
(211) Buildings	(100) Share Capital
(218) Vehicles	(103) Uncalled Capital
	(104) Uncalled non-monetary contributions
CURRENT ASSETS	
(572) Banks	(110) Share Premium
	(113) Voluntary Reserve
TOTAL	**TOTAL**

EXERCISE 5 PASTASANA Pbl. Inc.

Balance Sheet 15/11/2013

ASSETS		EQUITY&LIABILITIES	
TOTAL	**58,000**	**TOTAL**	**58,000**

Journal entries

DATE	TRANSACTION	DEBIT	CREDIT
	Unpaid Capital called	22,500	
			22,500
	Outlay Capital Called	22,500	
			22,500
	Outlay Non-monetary contributions	17,500	
			17,500

EXERCISE 6 LAGO Inc.

Incorp. A: 150,000 shares. x 20x125% = 3,750,000 € total investment
Outlay: 150,000x (20x25% + 5) = 1,500,000 €.
Pending outlay: 2,250,000 €.

Incorp. B: 48,000 sh. x 25 €/sh. = 1,200,000 € Total Investment.
Contribution: Current debt securities = 550,000 €.
Receivables = 650,000 €.

Incorp. C: 2,000 sh. x 25 €/sh. = 50,000 €.
Outlay: 2,000x (20x25% + 5) = 20,000 €.
Pending outlay: 30,000 €.

15/01/2014	Entries	Debit	Credit
Issuing, subscribing &outlaying	(572) Banks 152,000 sh. (25%s/20+5) (103)Uncalled Capital (541) C. Debt securities (430) Trade Receivables		
	(100) Share capital (110) Share Premium		
15/01/2014			
Formal costs	(113) Voluntary Reserves		
	(572) Banks		
15/01/2015			
Unpaid Capital called	(558)Receivable on called up capital *152,000 sh. X(25%PV)*		
	(103) Uncalled Capital *152,000sh.X(25%PV)*		
Outlay Capital Called	(572) Banks *150,000 sh. +25%s/20* (X) Shareholders in arrears *(2,000 x 25% 20)*		
	(558) Receivable on called up capital		
Expenses	(X) Shareholders in arrears (472) Input VAT	1,500 315	
	(572) Banks		1,815
Outlay after Company`s claim	(572) Banks	17,500	
	(X) Shareholders in arrears (778) Exceptional Revenue		11,500 6,000

EXERCISE 7 "XY"

On the 4th May 2011 "XY" Inc. is founded, by the simultaneous process, with the following characteristics:

- Share Capital divided into 100,000 shares 10€/sh Par Value, issued with a Premium of 5€/sh.
- Shareholders contribute with the minimum established by law.

On the 6th February 2012 a 25% of the Par Value is called up to the shareholders. A month later they all attend to the payment except for one, owner of 3,000 shares.
The company, incurs in 1,500€ expenses trying to collect this owner`s debt.

- Record the entries that describe the next alternatives for the Company:
  - Sell the shareholders in arrears` shares for a 100%, charging the shareholder 500€ in terms of interests and damage, when liquidating the relationship.
  - Write the shares of.

SOLUTION

(5581) Shareholders in arrears= 2. 5€/share*3,000 shares

Date 06/03/2012	Entry	Debit	Credit
The company sells the shareholders in arrears` shares (Issuing duplicate)	(55811)Shareholder`s in arrears stocks/Duplicate	45,000	
	(55812)Cancelled stocks		45,000
Selling	(572) Banks *(3,000 sh.*10€/sh)* (103) Uncalled Capital *(3,000*5)*	30,000 15,000	
	(55811)Shareholder`s in arrears stocks/Duplicate		45,000
Liquidation	(55812)Cancelled stocks	45,000	
	(572) Banks *(3,000*7.5 paid)-(1,500+500)* (103) Uncalled Capital *(3,000*5)* (5581) Shareholders in arrears (778) Exceptional Revenues		20,500 15,000 9,000 500
Write off the shares	(100) Share Capital (110) Share Premium	30,000 15,000	
	(55812)Cancelled stocks		45,000

TOPIC II (B)

EXERCISE 8. FRUIT Inc

Share Capital: 850,000 €. Shares: 5 € PV. 850,000/5 = 170,000 shares outstanding

Increase 1n*4o 170,000 shares / 4 = 42,500 n

Increase 42,500 "n" shares x 11 €/sh. = 467,500€.

x

(572) Banks

(100) Share Capital

(110) Share Premium

x

EXERCISE 9. AUPA, Inc.

BV0 = Equity/number of shares

Equity before Increase= 1,300,000 + 195,000 + 104,000 + 50,000 =1,649,000

BV0 = 12. 68€/share

Increase in SC Increases in Equity = 572,000€

Total Shares=

BV1, after Increase =

Dilution = BV0 – BV1 =0. 48€/sh.

EXERCISE 10. BILBAINADA Inc.

DATE	TRANSACTION	DEBIT	CREDIT
	Unpaid Capital called		
	Outlay Capital Called		
	Increase in Capital *(Cash)*		
	Increase in Capital *(Non-Monetary)*		

EXERCISE 11. AMORTIGUADORES, Inc.

- Share Capital = (57,000 x 9/4)sh. x PV/sh = 1,282,500€
- Increase in Capital

57,000 new shares, that is 570,000 €

		Increase		
399,000	(113) Voluntary Reserves 57,000 x 70% x 10			
171,000	(572) Banks 57,000 x 30% x 10		(100) Share Capital 57,000 x 10	570,000
		x		

EXERCISE 12. VAYACO, Inc.

- Book Value; BV0:

Equity = Own Resources= Share Capital+ Share Premium+ Legal Reserve+ Voluntary Reserve + P/L Period = 6,000,000 €. BV0= 6,000,000/600,000 = 10 €/sh

- Available Reserves to increase Capital : Share Premium, Voluntary Reserve, Legal Reserve in the excess over 10% New Share Capital

New SC1= SC0 + $\triangle$SC = 3,000,000 + 480,000 + 600,000 + (1,200,000 - 10% SC');
SC1= 4,800,000 $\triangle$ SC = 1,800,000. It corresponds to 360,000 sh, that is, an increase in 3 new sh. against 5 old ones.
Legal reserve after Increase= 10 % CS1 = 480,000 €; we can use then: 1,200,000 – 480,000 = 720,000 € from the Legal Reserve.

		x		
480,000	(110) Share Premium			
600,000	(113) Voluntary Reserve			
720,000	(112) Legal reserve		(100) Share Capital (360,000sh. x 5 €)	1,800,000
		x		

- Economic Dilution:

No increase in Equity, but there has been an increase in shares from 600.000 to 960.000. New Book Value, BV1 = 6,000,000/960,000= 6. 25 €/sh

Dilution: BV0 – BV1 = 10 – 6. 25 = 3. 75 €/sh.

- Increase in Capital: 3n x 5o, we need 5/3 x 75 = 125 rights to acquire 75 new shares. Totally covered by reserves, shareholders do only have to pay for the rights.

One shareholder with 100 old shares will need to buy 125 - 100 = 25 rights, total amount: 25 x 3. 75 = 93, and 75 €

EXERCISE 13. VAMOS, Inc.

- Old shares= Share Capital/Par Value= 1,200,000€/20€/sh = 60,000 old sh.

New shares=old shares/5 =

Increase in Capital=

Available Reserves: Share Premium
Voluntary Reserves
Legal reserves

Total

Rest amount not covered: 240,000 – 192,000, to be outlaid in cash

	x	
120,000 24,000 48,000 48,000		240,000
	x	

- b) BV0= E0/old shares=

BV1 =

- D = N (BV0 –S)/ (1+ 5) =
- Balance Sheet

ASSETS		**E & LIABILITIES**	
(210) Land		(100) Share Capital (PV = 20€)	
(211) Buildings		(112) Leal Reserves	
(216) Furniture		(129) P/L Period	
(217) IT Equipment		(557) Interim Dividend	
(218) Vehicles			
(281)Acc.Depreciation Property.		(170) NC Debts financial institutions	
(300) Merchandises			
(430) Trade Receivables		(400) Suppliers	
(572) Banks		(410) Payables for rendering of services	
TOTAL	**1,824,000**	**TOTAL**	**1,824,000**

EXERCISE 14. MUCHACOSA Inc.

Increase in Capital

24,000
23,000
3,000 50,000

x

BV0 =

BV1=
Dilution = BV0 – BV1 = 6.875 €/sh.

The shareholder needs 6,000 rights. Cost of all rights: 6,000r x 6.875€/r = 41,250 €.
He acquires 5,000 new shares x 0 = 0 €.
Total outlay: 41,250 €.
Each shareholder receives 2,000 rights x 6.875 €/r = 13,750 €.

TOPIC II (C)

EXERCISE 15. MELPISA, Inc.

(103) Uncalled Capital belonging to shares Type B: 50%s/80 = 40 €/sh.
5,000 shares x 40€/sh =200,000 €.

Decrease in SC

200,000	(100) Share Capital *(5,000sh x 40 €)*	(103) Uncalled Capital	200,000
		x	

PV1=PV0-Decrease SC= 80-40= 40€/sh.

SC1= 1,000,000 (Type A) +200,000 (Type B) = 1,200,000 €.

Rest of Decrease
2,000 written off type A
2,000 s. *100€/sh.= 200,000 €.

Decrease in SC

200,000	(100) Share Capital *(2,000sh x 100 €)*	(572) Banks	200,000
		x	

Final Situation:

Type A: 8,000 sh. x 100 €/sh = 800,000 €.
Type B: 5,000 sh. x 40€/sh= 200,000 €.

SC2= 1,000,000 €.

EXERCISE 16. PER, Inc.

Equity = (100) + (103) + (112) + (129) + (121) + (130) = 1,200,000 – 200,000 + 120,000 – 180,000 -440,000 + 284,000 = 784,000

E < 2/3 SC = 800,000

Decrease Compulsory by Law

E = 2/3 SC

784,000 = 2/3 NCS; New SC = 1,176,000

Decrease = 1,200,000-1,176,000 = 24,000

Accounting: Reduction of SC

24,000	(100) Share Capital	(121) Prior period`s losses	24,000
		x	

EXERCISE 17. FOSA, Inc.

Clean up losses

	Reduction SC		
8,000,000	(100) Share Capital		
	x	(121) Prior Period´s Losses	8,000,000

Increase in SC

	Increase SC		
6,000,000	(572) Banks		
		(100) Share Capital 300,000 x 20€/sh	6,000,000

EXERCISE 18. FILMASA, Inc.

Decrease in Share Capital: 40,000

	Decrease in SC		
40,000	(100) Share Capital		
	x	(572) Banks	40,000

So that creditors cannot oppose to this transaction, the Company creates an unrestricted Reserve.

	Creation of the Reserve		
20,000	(129) P/L Period		
20,000	(113) Voluntary Reserves		
	x	(1142) Redeemed Capital Reserve	40,000

Equity 0 =
Equity 1= 116,000 € < E0

There is a decrease in Equity but the Restricted Resources do not vary: 100.000 that is why creditors cannot oppose to the decrease.

TOPIC II (D)

EXERCISE 20. ACCIPROP Inc.

SC = 840,000 €

PV = 10 €/acc.

Number of shares = 84,000 sh. Derivative acquisition of own shares. Publicly held, under 10% SC or sold in one year`s period.

10% s/ 840,000 = 84,000 €= 8,400 sh Maximum permitted*.

*Acquisition of 9,000 sh; 110% = 11 €/sh

x

99,000	(108) Own shares (9,000 sh.. x 11€/sh.)	(572) Banks	99,000

x

In one year`s period 600 shares must be sold or written off.

EXERCISE 21. EGUNON Inc.

27/10/2010

(108) Own shares	(572) Banks

x

Share Capital formed by 180,000 shares: 160,000 outstanding and 20,000 treasury stocks.

Total Dividend: 180,000 shares x 8% s/10 = 144,000 € to share among 160,000 outstanding shares, so, 144,000/160,000= 9% real profitability per share.

EXERCISE 22. ASPALDIKO Inc.

Acquisition

(108) Own shares	(572) Banks

x

Selling

1,980,000	(572) Banks	(108) Own shares	1,800,000
		(117) Voluntary Reserves	180,000

x

Decrease in SC

100,000	(100) Share Capital		
100,000	(117) Voluntary Reserves	(108) Own Shares *(10,000 shs. x 20€/acc.)*	200,000

x

TOPIC III

EXERCISE 23. NN, Inc.

Opening Entry "Liquidation" Process	(2xx) Property, plant & equip (300) Merchandises (430) Trade Receivables (572) Banks (121) Prior period`s losses	4,000,000 1,200,000 360,000 240,000 950,000	
	(100) Share Capital (113) Voluntary Reserves (17x) NC Debts financial instit (500) C. bonds & obligations (400) Suppliers (28x) Accum. depreciation (390) Impairment merchandise		6,000,000 120,000 120,000 153,000 80,000 1,282,000 120,000
Offsetting Contra-Accounts	(28X) Accum. depreciation.	1,282,000	
	(2xx) Property, plant & equip		1,282,000
	(390) Impairment merchandise	120,000	
	(300) Merchandises		120,000

Assets Disposal/Selling

- Property, plant & equip. Book`s Value = 4,000,000 – 1,282,000 = 2,718,000 €.
  - Selling Price 4,800,000
  - Results of Liquidation = 2,082,000 €.
- Merchandises Book`s Value = 1,200,000 – 120,000 = 1,080,000 €.
  - Selling Price = 360,000
  - Results of Liquidation = (720,000)
- Trade Receivables. Results of Liquidation (360,000)
- Compensation to employees (240,000)

Assets Disposal/Selling	(572) Banks	4,800,000	
	(2XX) Property, plant & equip (128) Results of Liquidation		2,718,000 2,082,000
	(572) Banks (128) Results of Liquidation	360,000 720,000	
	(300) Merchandises		1,080,000

	(128) Results of Liquidation	360,000	
	(430) Trade Receivables		360,000
	(128) Results of Liquidation	240,000	
	(572) Banks		240,000

Paying Liabilities: Discount of 40%

	(17) NC Debts financial instit (500) C. bonds & obligations (400) Suppliers	120,000 153,000 80,000	
	(572) Banks (128) Results. of Liquidation		211,800 141,200

Available Cash: Initial balance + collections-payments = 240,000 + 4,800,000 + 360,000-240,000-211,800 = 4,948,200

Final Balance:

ASSETS		EQUITY&LIABILITIES	
TOTAL	**4,948,200**	**TOTAL**	**4,948,200**

Closing Entry	(100) Share Capital (113) Voluntary Reserves (128) Results of Liquidation	6,000,000 120,000 903,200	
	(121) Prior Period`s Losses (551x)Current account with equity holders liquidation		2,075,000 4,948,200
Distribution of resulting cash among shareholders	(551x)Current account with equity holders liquidation	4,948,200	
	(572) Banks		4,948,200

EXERCISE 24. FINITE Inc.

		Debit	Credit
Opening Entry "Liquidation" Process	(201) Development (210) Land (211) Buildings (216) Furniture (300) Merchandises (436) Doubtful Trade Receivables (431) Trade Bill Receivables (572) Banks (121) Prior Period`s Losses	X	
	(100) Share Capital (112) Legal Reserve (170) NC Debt financial institutions (520) C Debt financial institutions (410) Other Payables (4751) Withholding tax payable (476) Social Security Payable (280) Accumul. Depreciation Intang.Assets (281) Ac. Deprec. Property, Plant & Eq. (390) Impairment of Merchandises (490) Impairment of receivables		X
		Debit	**Credit**
Offsetting Contra-Accounts	(280) Accumul. Depreciation Intang.Assets	x	
	(201) Development		x
	(28X) Ac. Deprec. Property, Plant & Eq.	x	
	(211) Buildings (216) Furniture		x
	(390) Impairment of Merchandises	x	
	(300) Merchandises		x
	(490) Impairment of receivables	x	
	(436) Doubtful trade receivables		x

Selling Assets:

- Property, Plant & Equipment:
  - Development BV = 18,000-3,200 =14,800 No value. Loss
  - Land: Selling Price 135,000, BV 123,200, Benefit 11,800
  - Buildings Selling Price 120,000; BV = 96,000-17,600=78,400; Benefit 41,600
  - Furniture Selling Price ½ BV = 16,800; Loss 16,800
- Merchandises BV = 92,000 – 10,000 = 82,000 €.; Selling Price ¼ BV ; Loss 61,500
- Receivables Loss 32,000

		Debit	Credit
Assets Disposal/Selling	(572) Banks (128) Results of Liquidation	 71,700	
	(201) Development (210) Land (211) Buildings (216) Furniture (300) Merchandises (431)Trade Bills Receivable		
		Debit	**Credit**
Paying Liabilities	(4751) Tax authorities withholding tax (476)Social Security Payable (170) NC Debts financial institutions (520) C Debts financial institutions (410) Other payables		
	(572) Banks (128) Results of Liquidation		123,100 53,900

Available Cash: Initial Balance + Collections- Payments = 20,000 + 135,000 + 120,000+16,800+20,500-43,000-121,100 - 2,000= 146,200

Final Balance:

ASSETS		EQUITY & LIABILITIES	
		EQUITY	
(572) Banks	146,200		360,000 34,000 (230,000) (17,800)
TOTAL	**146,200**	**TOTAL**	**146,200**

		Debit	Credit
Closing Accounting	(100) Share Capital (112) Legal Reserve		
	(121)Prior Period`s Losses (128) Results of. Liquidation (551x) Current account with equity holders liquidation		
		Debit	**Credit**
Distribution to shareholders	(551x) Current account with equity holders liquidation		
	(572) Banks		

EXERCISE 25."A"

First shares to receive their contribution: Type 1 = 100,000 x 20 = 2,000,000€

From the amount left: 5,000,000 – 2,000,000 = 3,000,000€:

- Type 2: 150,000 x 20 (100-50) = 1,500,000 Excess over Type 3

- Rest: 5,000,000-2,000,000-1,500,000 = 1,500,000 to share among 200,000 ordinary shares, this is 7. 5 €/sh value 20 Par Value.

    - Type 2: 7.5 €/sh x 150,000 shares = 1,125,000
    - Type 3: 7.5 €/sh. x 50,000 shares = 375,000

EXERCISE 26. WINTER, Inc. and SUMMER Inc.

	Book`s Value	SPIN-OFF PART Book`s Value	Adjustment	REAL VALUE SPIN-OFF
	2,320,000	1,740,000	(80,000)	1,660,000
Buildings	350,000	262,500		262,500
Furniture	340,000	255,000	(90,000)	165,000
Merchandises	160,000	120,000		120,000
Trade Receivables	100,000	75,000		75,000
Banks			100,000	100,000
Goodwill	600,000	450,000		450,000
Provision for taxes	70,000	52,500		52,500
Suppliers	100,000	75,000		75,000
Trade Provisions				
		1,875,000		1,805,000
Equity				

Transfer of Equity in SUMMER	(141) Provision for taxes (400) Suppliers (499) Trade Provisions (XXX) Company WINTER spin-off	450,000 52,500 75,000 1,875,000	
	(211) Buildings (218) Vehicles (300) Merchandises (430) Trade Receivables (572) Banks		1,740,000 262,500 255,000 120,000 75,000

SUMMER transfers its Equity worth 1,875,000€ which correspond to the 75% of its Total Equity:

1,875,000/2,500,000 = 0. 75.

- 75% of Share Capital : 1,500,000
- 75% Legal Reserve: 300,000
- 75% Voluntary Reserve: 75,000

Decrease Share Capital in SUMMER	(100) Share Capital (112) Legal Reserve (113) Voluntary Reserves	1,500,000 300,000 75,000	
	(XXX) Company WINTER spin-off.		1,875,000

EXERCISE 27. SPORTSA

SPORTSA

Amount	Debit	Date	Credit	Amount
300,000	(171) NC Debts			
230,000	(400) Suppliers		(206) Software	1,400
152,000	(521) C. Debts		(210) Land	350,000
781,400	(X)FRISA Company		(211) Buildings	320,000
			(217) IT Equipment	12,000
			(300) Merchandises	400,000
			(572) Banks	40,000
			(430) Trade Receivables	340,000

781,400/1,160,000 = 0. 67 67% is the part of the company split-off:

- 67% of Share Capital (1,000,000€)= 670,000
- 67% Reserves:
  - Legal (80,000)=53,600
  - Voluntary(80,000)=53,600

Amount	Debit	Date	Credit	Amount
670,000	(100) Share Capital			
53,600	(112) Legal Reserve			
53,600	(113) Voluntary Reserve			
			(X)FRISA Company	781,400

FRISA

Amount	Debit	Date	Credit	Amount
1,500	(206) Software			
10,000	(217) IT Equipment			
420,000	(300) Merchandises			
40,000	(572) Banks			
330,000	(430) Trade Receivables			
400,000	(210) Land			
510,000	(211) Buildings			
			(171) NC Debts	300,000
			(400) Suppliers	230,000
			(521) C. Debts	152,000
			(5532). Equity holders of the spin-off SPORTSA	1,029,500

Shares issued= 1,029,500€/118 €/sh=8,724sh.

Amount	Debit	Date	Credit	Amount
1,029,500	(190). Shares issued			
			(100) Share Capital	872,400
			(110) Share Premium	157,032

Amount	Debit	Date	Credit	Amount
1,029,500	(5532). Equity holders of the spin-off SPORTSA			
			(190). Shares issued	1,029,500

EXERCISE 28. "X" & "Y"

COMPANY"Y" (absorbed):

Equity from balance	32,000,000 €
Adjustments in value (merger)	0 €
Rectified Equity	32,000,000 €
Adjustments in participations	0 €
Equity Merger E_Y	32,000,000 €

Book`s Value (merger)
BV_Y= 32,000,000/2,000,000 =16 €/sh

COMPANY "X" (absorbing)

Equity from balance	112,000,000 €
Adjustments in value (merger)	0 €
Rectified Equity	112,000,000 €
Adjustments in participations	0 €
Equity Merger E_X	112,000,000 €

Book`s Value (merger)
BV_X= 112,000,000/4,000,000 = 28 €/sh

Old Shareholders in "Y" transfer Equity worth 32,000,000 € in Exchange they will receive "N" shares issued by "X" that will have to increase Capital

N = 32,000,000/28 = 1,142,857 new shares issued by "X".

BV_X= 28 €/sh. PV = 10 €/sh. and Share Premium = 18 €/sh.

Exchange Rate: Number of shares that "X" gives/Number of shares "Y" shareholders give= 1,142,857/2,000,000; that is, 4 shares of "X" for every 7 of "Y" plus cash.

Accounting:

COMPANY "Y"

Opening of new process	(21X) Property, Plant & Equip.	40,000,000	
	(300) Merchandises	12,000,000	
	(430) Trade Receivables	8,000,000	
	(572) Banks	8,000,000	
	(100) Share Capital		20,000,000
	(11X) Reserves		4,000,000
	(129) P/L Period		8,000,000
	(170) NC Debts		16,000,000
	(28X) Ac.Deprec. PPE		20,000,000

	Entry	Debit	Credit
Offsetting contra-accounts Accounts	(281) Acc .Deprec. PPE	20,000,000	
	(21X) Property, Plant & Equip		20,000,000
	Entry	**Debit**	**Credit**
Adjustments in value (None)			
Absorbed Equity Transferred to Absorbing Company	(170) NC Debts (5531). Equity holders, merger account	16,000,000 32,000,000	
	(21X) Property, Plant & Equipment (300) Merchandises (430) Trade Receivables (572) Banks		20,000,000 12,000,000 8,000,000 8,000,000
	Entry	**Debit**	**Credit**
Closing of the Accounting, Dissolution, Reception of "X" shares	(100) Share Capital (11X) Reserves (129) P/L Period	20,000,000 4,000,000 8,000,000	
	(5531). Equity holders, merger account		32,000,000

COMPANY "X" ABSORBING.

	Entry	Debit	Credit
Increase In Share Capital	(190) Shares Issued	31,999,996	
	(100) Share Capital (110) Share Premium		11,428,571 20,571,425
Reception of Company´s "Y" Equity	(21X) Property, Plant & Equip. (300) Merchandises (430) Trade Receivables (572) Banks	20,000,000 12,000,000 8,000,000 8,000,000	
	(17) NC Debts (5530) Equity holders of the dissolved company		16,000,000 32,000,000
Exchange of shares	(5530) Equity holders of the dissolved company	32,000,000	
	(190) Shares Issued (57) Cash		31,999,996 4

EXERCISE 30. "DAY" & "NIGHT"

COMPANY "DAY"(Absorbed)	**COMPANY "NIGHT"**
Equity from balance	Equity from balance
Adjustments in value (merger): • Cash • Depreciation	Adjustments in value (merger): • Prov. other liabilities • Investigation • Cash (exchange rate) • Goodwill
Adjusted Equity	Adjusted Equity
Adjustments in participations	Adjustments in participations: • BV Investment in "DAY" Merging Value investment in "DAY"
Equity Merger E"DAY"	EquityMerger E"NIGHT"
BV = 6,000,000/100,000 = 60 €/sh	**BV = 24,000,000/200,000 = 120 €/sh**

NIGHT will issue "N" shares:

"N" x 120€/sh =100,000 * 60 – 40,000 * 60 = 3,600,000 €. Debt "NIGHT" has with "DAY`s" shareholders

"N"= 3,600,000 / 120 = 30,000 shares

Exchange Rate

NIGHT issues 30,000 shares BV. = 120 €/sh.

SC: 30,000 * 90 = increase in SC 2,700,000 €
SP: 30,000 * 30 = increase in SP 900,000 €

DAY has 100,000 shares. 40,000 are in NIGHT`s property (absorbing). DAY`s shareholders give their 60,000 shares

NIGHT gives:	30,000 sh. * BV_{NIGHT} = 120	3,600,000 €
NIGHT receives:	60,000 sh. * BV_{DAY} = 60	3,600,000 €

Exchange Rate 60,000/30,000 = 2 sh DAY for 1 NIGHT
After the Merging: NIGHT
Equity´ = Equity + Increase. SC + SP = 24,000,000 +2,700,000 +900,000 = 27,600,000 €
BV´= 27,600,000/230,000 = 120 €/sh.

EXERCISE 31. "MOUNTAIN & BEACH"

COMPANY "BEACH"(Absorbed)
Equity from balance
Adjustments in value (merger): • Machinery • Merchandises
Adjusted Equity
Adjustments in participations No
Equity Merger E"BEACH"
BV = 2,500,000/200,000 = 12.5 €/sh

	Entry	Debit	Credit
Reception of BEACH`s Equity	(213) Machinery (218) Vehicles (300) Merchandises (430) Trade Receivables (572) Banks		
	(171) NC Debts financ.institutions (520) C Debts financ.institutions (400) Suppliers (5530) Equity holders of the dissolved company		

Exchange Rate:5 sh of MOUNTAIN for every 4 of BEACH, this shareholder will receive 800/4 x 5 = 1,000 shares of MOUNTAIN

EXERCISE 32. "YOU" & "ME"

COMPANY "YOU"(Absorbed)	**COMPANY "ME"**
Equity from balance	Equity from balance
Adjustments in value (merger): • Land • Buildings	Adjustments in value (merger): • Buildings • Technical Installation
Adjusted Equity	Adjusted Equity
Adjustments in participations No	Adjustments in participations:……………No
Equity Merger E"DAY"	Equity Merger E"NIGHT"
BV"YOU" =	**BV =**

Number of shares "WE" will issue

N x 10 = 169,500+164,000 =333,500€.
Shares 33,350 sh

Exchange Rate

For "ME", S.A, 16,000 shs and 9,500 €. This way 16,000/4,000, Exchange rate 4nx1o.
For "YOU", S.A, 16,000 shs and 4,000 €. This way 16,000/10,000, Exchange rate 8nx5o.

Accounting in "WE"

	Entry	**Debit**	**Credit**
Share Capital	(190) Issuing of Shares		
			320,000
	Entry	**Debit**	**Credit**
Reception of Equity	(200) Investigation (210) Land (211) Buildings (213) Machinery (216) Furniture (212) Technical Installations (300) Merchandises (430) Trade Receivables (485) Prepaid Expenses (572) Banks		
			44,000 24,000 22,000 3,000 18,000 500 333,500
	Entry	**Debit**	**Credit**
Sharing of shares	(5530) Equity holders of the dissolved companies	333,500	
	(190) Issuing of Shares (572) Banks		320,000 13,500

EXERCISES PART II.
TOPIC IV

EXERCISE 1 AMASA

DATE	INITIAL VALUE	ACCRUED INTEREST	FACE INTEREST	IMPLICIT INTEREST	PAYMENTS	AMORTIZED COST
01/01/2011	1,488,000*					1,488,000
01/01/1012		58,464.06	45,000.00	13,464.06	45,000	1,501,464.06
01/01/2013	1,501,464.06	58,993.07	45,000.00	13,993.07	45,000	1,515,457.13
01/01/2014	1,515,457.13	59,542.86	45,000.00	14,542.86	1,575,000	0,00

Date 01/01/2011	**Entry**	**Debit**	**Credit**
	(572) Banks	1,488,000	
Issuing of bonds	(177)NC bonds & obligations		1,488,000
Date 31/12/2011	**Entry**	**Debit**	**Credit**
	(661) Interest Bonds & Obligations	58,464.06	
Accrued interests	(177)NC bonds & obligations (506) Current interest on debentures and similar issues		13,464.06 45,000.00
Payment	(506) Current interest on debentures and similar issues	45,000.00	
	572) Banks		45,000.00
Date 31/12/2012	**Entry**	**Debit**	**Credit**
	(661) Interest Bonds &Obligations	58,993.07	
Accrued interests	(177)NC bonds & obligations (506) Current interest on debentures and similar issues		13,993.07 45,000.00
Payment	(506) Current interest on debentures and similar issues	45,000.00	
	572) Banks		45,000.00
Reclassification	(177)NC bonds & obligations	1,575,000	
	(500) C bonds & obligations		1,575,000

Date 31/12/2013	**Entry**	**Debit**	**Credit**
Accrued interests	(661) Interest Bonds & Obligations	59,542.86	
	(500)C bonds & obligations (506) Current interest on debentures and similar issues		14,542.86 45,000.00
Payment	(506) Current interest on debentures and similar issues	45,000.00	
	(572) Banks		45,000.00
Amortization	(500)C bonds & obligations	1,575,000	
	(572) Banks		1,575,000
Accrued interests	(500) C bonds & obligations (506) Current interest on debentures and similar issues		42,173.28 140,000.00
Payment	(506) Current interest on debentures and similar issues	210,000	
	(572) banks		210,000
Reclassification	(177)NC bonds & obligations	4,936,740.077	
	(500) NC bonds & obligations		4,936,740.077
Date 31/12/2015	**Entry**	**Debit**	**Credit**
Accrued interests	(661) Interest Bonds & Obligations	182,173.2785	
	(177)NC bonds & obligations (506) Current interest on debentures and similar issues		19,980.66 140,000.00
Date 30/04/2016	**Entry**	**Debit**	**Credit**
Accrued interests	(661) Interest Bonds & Obligations	91,086.63925	
	(500)C bonds & obligations (506) Current interest on debentures and similar issues		21,086.64 70,000.00
Payment	(506) Current interest on debentures and similar issues	210,000	
	(572) banks		210,000
Amortization	(500) C bonds&obligations	5,210,000	
	(5090) Redeemed bonds & obligations		5,210,000
	(5090) Redeemed bonds & obligations	5,210,000	
	(572) Banks		5,210,000

EXERCISE 2. BONOSOY

DATE	NUMBER OF BONDS	AMORTIZED BONDS	FACE INTEREST	AMORTIZATION	TOTAL PAYMENT
30/04/2013	10,000				
31/12/2013	10,000		140,000.00		
30/04/2014	10,000		70,000.00		210,000
31/12/2014	10,000		140,000.00		
30/04/2015	10,000		70,000.00		210,000
31/12/2015	10,000		140,000.00		
30/04/2016		10,000	70,000.00	5,210,000	5,210,000

DATE	INITIAL VALUE	ACCRUED INTEREST	FACE INTEREST	IMPLICIT INTEREST	PAYMENTS	AMORTIZED COST
30/04/2013	4,820,000					4,820,000
31/12/2013		177,865.3907	140,000.00	37,865.39		4,997,865.391
30/04/2014		88,932.69533	70,000.00	18,932.70	210,000	4,876,798.086
31/12/2014		179,961.3271	140,000.00	39,961.33		5,056,759.413
30/04/2015		89,980.66357	70,000.00	19,980.66	210,000	4,936,740.077
31/12/2015		182,173.2785	140,000.00	42,173.28		5,118,913.355
30/04/2016		91,086.63925	70,000.00	21,086.64	5,210,000	

Date 30/04/2013	**Entry**	**Debit**	**Credit**
Issuing of bonds			
Date 31/12/2013		**Debit**	**Credit**
Accrued interests			
Date 30/04/2014		**Debit**	**Credit**
Accrued interests			
Payment			
Date 31/12/2014		**Debit**	**Credit**
Accrued interests		179,961.3271	
			39,961.33 140,000.00

Date 30/04/2015		**Debit**	**Credit**
Accrued interests		89,980.66357	
			42,173.28 140,000.00
Payment		210,000	
			210,000
Reclassification			
Date 31/12/2015		**Debit**	**Credit**
Accrued interests			
Date 30/04/2016		**Debit**	**Credit**
Accrued interests			
Payment			
Amortization			

EXERCISE 3. DEUDA Inc.

- Calculate the premiums of the obligations.

Issuing Premium = Par Value-Issuing Price	
Redemption Premium= Redemption Value-Par Value	

- Prepare the financial table.

DATE	NUMBER OF BONDS	AMORTIZED BONDS	FACE INTEREST	AMORTIZATION	TOTAL PAYMENT	BONDS ISUED
01/01/2010						6,000
01/01/2011	6,000	2,000	210,000	2,060,000	2,270,000	
01/01/2012	4,000	2,000	140,000.00	2,060,000	2,200,000	
01/01/2013	2,000	2,000	70,000.00	2,060,000	2,130,000	

DATE	INITIAL VALUE	ACCRUED INTEREST	FACE INTEREST	IMPLICIT INTEREST	PAYMENTS	AMORTIZED COST
01/01/2010	5,871,000.00					5,871,000.00
01/01/2011		361,484.72	210,000.00	151,484.72	2,270,000.00	3,962,484.72
01/01/2012		243,975.08	140,000.00	103,975.08	2,200,000.00	2,006,459.79
01/01/2013		123,540.21	70,000.00	53,540.21	2,130,000.00	

- Post all transactions until the 31st December 2012

Date 01/01/2010	Entry	Debit	Credit
Transaction	(572)Banks		
Issuing B&O	(177) NC Bonds & Obligations (500) C Bonds & Obligations		
Date 31/12/2010	**Entry**	**Debit**	**Credit**
Accrued Interests	(661)Interests of bonds & obligations		
	(506) Current interest on debentures and similar issues (177) NC Bonds & Obligations (500) C Bonds & Obligations		
Payments	(506) Current interest on debentures and similar issues (500) C Bonds & Obligations		
	(572)Banks		
01/01/2011 Reclassification	(176)NC bonds &obligations		
	(500) C bonds &obligations		

Date 31/12/2011	**Entry**	**Debit**	**Credit**
Accrued Interests	(661)Interests of bonds & obligations		
	(506) Current interest on debentures and similar issues (177) NC Bonds & Obligations (500) C Bonds & Obligations		
Payments	(506) Current interest on debentures and similar issues (500) C Bonds & Obligations		
	(572) Banks		
Date 01/01/2012 Reclassification	(177) NC Bonds & Obligations		
	(500) C Bonds & Obligations		
Date 31/12/12 Accrued Interests	(661)Interests of bonds & obligations		
	(506) Current interest on debentures and similar issues (500) C Bonds & Obligations		
Payments	(506) Current interest on debentures and similar issues (500) C Bonds & Obligations		
	(572) Banks		

EXERCISE 4. AKI Inc.

DATE	NUMBER OF BONDS	AMORTIZED BONDS	FACE INTEREST	AMORTIZATION	TOTAL PAYMENT
31/12/2010	10,000	2,000	10,000	40,000	50,000
31/12/2011	8,000	2,000	8,000	40,000	48,000
31/12/2012	6,000	2,000	6,000	40,000	46,000
31/12/2013	4,000	2,000	4,000	40,000	44,000
31/12/2014	2,000	2,000	2,000	40,000	42,000

DATE	EFFECTIVE INTEREST	FACED INTEREST	IMPLIC INT	AMORTIZATION	AMORTIZED COST
01/01/2010					192,000.00
31/12/2010	12,558.77	10,000.00	2,558.7718	40,000.00	154,558.77
31/12/2011	10,109.73	8,000.00	2,109.73096	40,000.00	116,668.50
31/12/2012	7,631.32	6,000.00	1,631.31824	40,000.00	78,299.82
31/12/2013	5,121.61	4,000.00	1,121.61241	40,000.00	39,421.43
31/12/2014	2,578.57	2,000.00	578.566594	40,000.00	-

Date 1st/January/2010	**Entry**	**Debit**	**Credit**
Issuing of bonds	(572) Banks		
	(177)NC bonds&obligations (500) C Bonds & Obligations		
Date 31st/December/2010	**Entry**	**Debit**	**Credit**
Accrued interests	(661) Interest Bonds&Obligations	12,558.77	
	(500) C Bonds & Obligations (506) Current interest on debentures and similar issues		2,558.7718 10,000
Payments	(506) Current interest on debentures and similar issues	10,000	
	(572) Banks		10,000
Amortization bonds	(500) C Bonds & Obligations		
	(5090) Redeemed bonds & obligations		
	(5090) Redeemed bonds & obligations		
	(572) Banks		
	Entry	**Debit**	**Credit**
Reclassification of the debt	(177)NC bonds & obligations		
	(500) C Bonds & Obligations		

Date 31st/December/2011	Entry	Debit	Credit
Accrued interests			
Payments			
Amortization of bonds			
Reclassification			

**The rest of the years, 2012 and 2013, would be similar to the previous entries.
On the 01/July/2014, the company acquires own bonds in the stock exchange: 500 bonds at 96% (20*0. 96= 19. 2€/bond) = 9,600 €.

On the 31st December 2013: 39,421.43 (2,000 bonds):

- 500 bonds = 39,421.43 * 500/2,000 = 9,855.36
- 1,500 bonds = 39,421.43 *1,500/2,000 =29,566.07

On the 1st July 2014: 39,421. 43*(1+0. 06541027)$^{6/12}$=40,690.29:

- 500 bonds= 40,690.29 *500/2,000 =10,172.57
- 1,500 bonds = 40,690.29*1,00/2,00=30,517.72

Date 1st/July/2014	Entry	Debit	Credit
	(XXX) Own Bonds (661) Interests bonds *(500bonds*0.05*20*6/12)*	9,350 250	
Acquisition bonds	(572) Banks		9,600
Accrued interests 500 bonds acquired	(661) Interest Bonds&Obligations (10,172.57- 9,855.36-250)	67.21	
	(500) C Bonds & Obligations (67.21 +9,855.36)	9,922.57	
	(XXX) Own Bonds (775) *Gains on transactions with own bonds*		9,350 572.57

Accrued interests 1.500 bonds that remain	(661) Interest Bonds&Obligations (30,517.72-29,566.07)	951.65	
	(500) C Bonds & Obligations (506) Current interest on debentures and similar issues *(1,500*0.05*20*6/12)*		201.65 750

30,517.72 = (1,500+30,000)/ (1+i) ^6/12

i = 0.065410357 i2=0.03218717

DATE	ACCRUED INTEREST	FACE INTEREST	IMPLICIT INTEREST	PAYMENTS	AMORTIZED COST
01/07/2014					30,517.72
31/12/2014	982.279082	750	232.279082	30,750	

Date 31/12/2014 Accrued interests 1,500 bonds that remain	(661) Interest Bonds&Obligations	982.279082	
	(500) C Bonds & Obligations (506) Current interest on debentures and similar issues *(1,500*0.05*20*6/12)*		232.279082 750
Payments Interests & Amortization rest of bonds	(506) Current interest on debentures and similar issues	750	
	(500) C Bonds & Obligations		30,750

EXERCISE 5. CONVER Inc.

DATE	NUMBER OF BONDS	AMORTIZED BONDS	FACE INTEREST	AMORTIZATION	TOTAL PAYMENT
1/1/2013	40,000		8,000		8,000
1/1/2014	40,000		8,000		8,000
1/1/2015	40,000	40,000	8,000	400,000	408,000

DATE	EFFECTIVE INTERESTS	FACE INTERESTS	IMPLICIT INTERETS	IMPLICIT INT. DEBT	IMPLICIT INT.EQUITY	AMORTIZATION	AMORTIZATION COST
01/01/2013							391,000.00
01/01/2014	12,429.59	8,000.00	4,429.59	4,344.83	84.76		395,429.59
01/01/2015	12,570.41	8,000.00	4,570.41	4,482.95	87.45	400,000	0.00

Equity: (400,000-392,346.12) = 7,653.88
Liability: 392,346.12
Costs Equity: (9,000/400,000) *7,653.88=172.2123
Costs Liability: (9,000/400,000)*392,346.12=8,827.7877

Date 1st January 2013	**Entry**	**Debit**	**Credit**
Issuing convertible bonds	(572) Banks	391,000	
	(178) NC Convertible bonds and obligations (1110) Equity from issue of compound financial instruments		383,518.33 7,481.67
Date 1st January 2014	**Entry**	**Debit**	**Credit**
Accrued interests	(661)Interest bonds	12,429.59	
	(178) NC Convertible bonds and obligations (1110) Equity from issue of compound financial instruments (506)Current interest on debentures and similar issues		4,344.83 84.76 8,000
Explicit Interest Paid	(506)Current interest on debentures and similar issues	8,000	
	(572) Banks		8,000
Reclassification of debt	(178)NC Convertible bonds and obligations	387,863.16	
	(501)C Convertible bonds and obligations		387,863.16
Date 1st January 2015	Entry	Debit	Credit

Accrued interests	(661)Interest bonds	12,570.41	
	(501) C Convertible bonds and obligations (1110) Equity from issue of compound financial instruments (506)Current interest on debentures and similar issues		4,482.95 87.45 8,000
Convertible bonds	(501) Current convertible bonds and obligations (1110) Equity from issue of compound financial instruments (675) Losses on transactions with own bonds	392,346.11 7,653.88 40,000	
	(5091) Redeemed convertible bonds & obligations (40,000*11)		440,000

40,000 obligations * Value for the exchange at a price of 11 exchange for 40,000 shares * Value 10.5

Date 1st January 2015	Entry	Debit	Credit
Issuing of shares	(190) Shares Issued (40,000 * 10.5)	420,000	
	(100) Share Capital (110) Share Premium		400,000 20,000
Exchange	(5091) Redeemed convertible bonds & obligations	440,000	
	(190) Shares Issued (572) Banks		420,000 20,000

EXERCISE 6. ELKANO Inc.

ASSETS		EQUITY&LIABILITY	
NON CURRENT ASSETS		**EQUITY**	
Intangible Assets		**Own Resources**	
(203) Goodwill			
		NC LIABILITIES	
Property, Plant & Equipment		(142) Provision other responsibilities	
NC Financial Investments			
(250) NC Investments in Equity Instr.		**CURRENT LIABILITIES**	
		(400) Suppliers	
		(410) Payables for rendering of services	
CURRENT ASSETS		(477) Output VAT	
(300) Merchandises		(520) Debts with financial instit.	
(430) Trade Receivables		(5208) Payables discounted bills	
(4311)Discounted Trade Bills		(499) Trade Provisions	
(436) Doubtful Receivables			
(472) Input VAT			
(490) Impairment of Trade Receivables			
(540) C. Investments in Equity Inst			
(570) Cash			
(572) Banks			
TOTAL	**439,700**	**TOTAL**	**439,700**

(+) NET OPERATING ACTIVITIES		350.000
Sales (Net of discounts, sale returns..) Services rendered		
(–) SUPPLIES		
Purchases Returns on Purchases Changes in inventories…(+)Debit balance	112,000 -2,500 25,000	
(+) OTHER OPERATING INCOMES		19,000
Operating Grants	19,000	
(–) OTHER OPERATING EXPENSES		-214,350

Salaries & wages Lease expenses Utilities Social security charged to the company Insurance Premium Depreciation fixed assets		
RESULTS OF THE OPERATING ACTIVITIES		20,150
(+) FINANCE INCOMES		26,700
Other Finance Incomes	26,700	
(–) FINANCE EXPENSES		-1,200
Interests on discounted bills	1,200	
RESULTS OF THE FINANCE ACTIVITIES		45,650
PROFIT & LOSS BEFORE TAXES		
Income Tax		-12,000
PROFIT & LOSS OF THE PERIOD		

EXERCISE 7. FINAL Inc.

ASSETS			EQUITY & LIABILITIES		
	NC ASSETS			EQUITY	
(204)			(100)	Share Capital	
(220)			(104)	Uncalled Capital.	
(221)			(112)	Legal Reserve	
(213)			(113)	Voluntary Reserves	40,000.00
(218)			(1143)		5,000.00
(281)			(108)		-30,000.00
	CURRENT ASSETS		(129)		25,000.00
(300)	Merchandises				
(310)	Raw Materials			NON CURRENT LIABILITIES	
(430)	Trade Receivables		(141)		20,000.00
(572)	Banks		(171)		110,000.00
				CURRENT LIABILITIES	
			(521)	C.Debts	75,000.00
			(400)	Suppliers	55,000.00
	TOTAL	565,000.00		TOTAL	565,000.00

EXERCISE 8. SINDOC Inc.

ASSETS		EQUITY & LIABILITIES	
NC ASSETS		EQUITY	
CURRENT ASSETS			
		NON CURRENT LIABILITIES	
		NC Debts	
		CURRENT LIABILITIES	
		C.Debts	
		Suppliers	
TOTAL	919,500.00	TOTAL	919,500.00

EXERCISE 9. CASH Inc.

CASH Inc. Presents the following accounts in two consecutive years, in order to report the Statement of Cash-flow of the year 2014: (expressed in euro thousands)

Assets	Year 2014	Year 2013	Equity & Liabilities	Year 2014	Year 2013
Land	250	150	Share Capital	1,200	1,000
Buildings	1,300	850	Reserves	390	300
Machinery	500	500	P/L Period	800	450
- Accumulated Depreciation	- 300	- 200	NC Debts	710	400
Merchandises	500	350	Suppliers	300	200
Receivables	800	550	-----		
Cash	350	150	-----	--	--
Total Assets	3,400	2,350	Total Equity & Liabilities	3,400	2,350

Additional Information:

Distribution of benefits from year 2013: 90 have increased the Reserves and the rest have been distributed as dividends.

Changes in Cash: Increase: 200

A) OPERATING ACTIVITIES

P/L Period:………………………………………………………………800

Adjustments……………………………………………………………… (50)

+ Amortization: (300– 200) ……………………………… + 100

+ Changes in inventories: (350 – 500) = ……………………(150)

Changes in working capital ……………………………………………… (150)

– Increases in receivables (800-550) =………………………(250)

+Increases in payables (300 – 200) =………………………… +100

= **CASH FLOWS FROM OPERATING ACTIVITIES** ………………………… 600

B) INVESTING ACTIVITIES

– **Payments for investments** ……………………………………………… (550)

Land: (250 – 150) =……………………………………………… 100

Buildings: (1.300 – 850)………………………………………… 450

= **CASH FLOWS FROM INVESTING ACTIVITIES** ……………………… (550)

C) FINANCING ACTIVITIES ……………………………………………………………

+ **Proceeds from and payments for equity instruments**…………..460

Increase in NC Debts (710-450) ……………………… 260

Increase in Capital…………………………………………… 200

– **Dividends and interest on other equity instruments paid** ………… (310)

Dividends: (400-90)……………………………… (310)

= **CASH FLOWS FROM FINANCING ACTIVITIES** ……………………… 150

NET INCREASE/DECREASE IN CASH……………………………………………… 200

EXERCISE 10. FIS Inc.

FIS Inc. presents the following accounts in two consecutive years, in order to report the Statement of Cash flow of the year 2013: (expressed in euro thousands)

Assets	Year 2013	Year 2012	Equity & Liabilities	Year 2013	Year 2012
Land	30	25	Share Capital	260	200
Buildings	140	60	Reserves	70	80
Buildings under construction	60	80	P/L Period	110	40
- Accumulated Depreciation	-40	-20	Interim Dividend	- 5	--
Supplies	150	100	NC Debts	40	70
Receivables	130	55	C. Debts	25	--
Cash	150	100	C. Suppliers fixed assets	30	--
	-----	-----	Suppliers	90	10
Total Assets	620	400	Total Equity & Liabilities	620	400

Additional Information:

- *20 have been a transferred from Buildings to Buildings under construction.*
  Neither the decrease in 20 "*Buildings under construction*" nor the increase in 20 in *Buildings* affects the investing activities cash flows
  Net Increase in Buildings :(140- 20) – 60 = 60
- *There has been an increase in Share Capital of 60: net contributions 25 and the rest covered by Reserves.*
  Net proceeds of 25 in Financing Activities.
- *Distribution of Benefit from 2012: 25 to Reserves and the rest as dividends.*
  Dividends paid from 2012 results: 40 – 25 = 15 in Financing Activities.
- *10 from long term debts have been paid in advanced and 20 have been reclassified from non-current to current.*
  Payments 10: Financing Activities
  Reclassification of 20: No payment-
- *The Company has obtained 5 as a short term debt.* Financing Activities.

Changes in cash: Increase: 50

A) OPERATING ACTIVITIES

P/L Period..110
Adjustments..
+ Amortization: (40 – 20) = ...
Changes in working Capital...+ 5
– Increase in receivables = ...
....+ 80
= **CASH FLOWS FROM OPERATING ACTIVITIES** 85

B) INVESTING ACTIVITIES

– **Payments for investments** ....– 35

+ **Proceeds from sale of investments**.................................––
= **CASH FLOWS FROM INVESTING ACTIVITIES** ....– 35

C) FINANCING ACTIVITIES ....

+ **Proceeds from and payments for equity instruments** 30
+ Increase in Capital 25

+ Increase in NC Debts.. 5
–**Payments for financial liability instruments** – 10
– Decrease in NC Debt (70 – 20) – 40 = ... – 10
– **Dividends and interest on other equity instruments paid** .... – 20
P/L 2012(40 – 25) =..15
P/L 2013 : 5
= **CASH FLOWS FROM FINANCING ACTIVITIES** 0

NET INCREASE/DECREASE IN CASH 50

EXERCISE 11. PRO Inc.

PRO Inc. presents the following accounts in two consecutive years, in order to report the Statement of Cash-flow of the year 2013: (expressed in euro thousands)

Assets	Year 2013	Year 2012	Equity & Liabilities	Year 2013	Year 2012
Property, Plant & Equipment	402	372	Share Capital	500	500
- Accumulated Depreciation	-123	-120	Reserves	114	82
Inventories	346	538	P/L Period	135	120
Trade Receivables	449	290	- Interim Dividend	- 30	- 38
C. investments in equity instruments	136	200	Grants & Donations	6	
Cash	225	38	NC Debts	300	100
	-----	-----	Suppliers	410	554
Total Assets	1,435	1,318	Total Equity & Liabilities	1,435	1,318

Additional Information:

- Distribution of Benefit from 2012: 32 to Reserves and the rest as dividends
- A Machine has been sold: acquisition price 50; accumulated depreciation 30 and selling price23.
- Some investments in equity instruments have been sold: carrying value 64; selling price 55.
- The long term debts have been settled and the Company has incurred in new debts for the same term for 300.
- At the beginning year 2013 a grant for 8 has been received with a view to acquire a machine depreciable in a 25%/year.

Changes in cash: Increase: 187

A) OPERATING ACTIVITIES

P/L Period:

Adjustments 223

= **CASH FLOWS FROM OPERATING ACTIVITIES** 61

B) INVESTING ACTIVITIES

– **Payments for investments** ....– 80

+ **Proceeds from sale of investments**.................................. 78

= **CASH FLOWS FROM INVESTING ACTIVITIES** ....– 2

C) FINANCING ACTIVITIES ....

+ **Proceeds from and payments for equity instruments** 308

– **Payments for financial liability instruments** .... – 100

– **Dividends and interest on other equity instruments paid** ....– 80

= **CASH FLOWS FROM FINANCING ACTIVITIES** 128

NET INCREASE/DECREASE IN CASH...187

EXERCISE 9. "VASCO, INC."

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 200X

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED 200X

	X	X-1
A) Profit/(loss) for the period	175,000	190,000
Income and expense recognized directly in equity		
I. Measurement of financial instruments		
1.Available-for-sale financial assets		
2.Other incomes/expenses		
I. Cash flow hedges		
III. Grants, donations and bequests received		36,000
IV. Actuarial gains and losses and other adjustments		
V. Tax effect		
B) Total income and expense recognized directly in equity (I+II+III+IV+V)	-	36,000
Amounts transferred to the income statement		
I. Measurement of financial instruments		
1. Available-for-sale financial assets		
2. Other income/expenses		
II. Cash flow hedges		
III. Grants, donations and bequests received	(3,600)	(3,600)
IV. Actuarial gains and losses and other adjustments		
C)Total amounts transferred to the income statement	(3,600)	(3,600)
TOTAL RECOGNISED INCOME AND EXPENSE	**171,400**	**222,400**

	Share Capital		Share Premium	Reserves	Own Shares	P/L Period	(Interim dividend)	Grants & Donations	TOTAL
	Total	Uncalled							
A. BALANCE AT END X-2	600,000	-	120,000	425,000	(30,000)	160,000	(40,000)	-	**1,235,000**
I.Adj. for changes in criteria 200X-2 and prior period									**-**
II.Adj.errors 200X-2 and prior periods				(4,000)					**(4,000)**
B. ADJUSTED BALANCE AT BEGINNING 200X-1	600,000	-	120,000	421,000	(30,000)	160,000	(40,000)	-	**1,231,000**
I. Total recognized income and expense						190,000		32,400	**222,400**
II. Transactions with equity holders or owners									**-**
1. Capital increases									**-**
2. (-) Capital reductions									**-**
3. Convers. of financial liabilities into equity									**-**
4. (-) Distribution of dividends						(90,000)	40,000		**(50,000)**
5. Transac. with own shares and equity holdings (net)				7,000	30,000				**37,000**
6. Increase (decrease) equity from bus. combination									**-**
7. Other transactions with equity holders or owners							(50,000)		**(50,000)**
III. Other changes in equity				70,000		(70,000)			**-**
C. BALANCE AT END 200X-1	600,000	-	120,000	498,000	-	190,000	(50,000)	32,400	**1,390,400**
I.Adjustments for changes in 200X-1 criteria									**-**
II. Adjustments for 200X-1 errors									**-**
D. D. ADJUSTED BALANCE AT BEGINNING 200X	600,000	-	120,000	498,000	-	190,000	(50,000)	32,400	**1,390,400**
I. Total recognized income and expense						175,000		(3,600)	**171,400**
II. Transactions with equity holders or owners									**-**
1. Capital increases	200,000		60,000						**260,000**
2. (-) Capital reductions									**-**
3. Conversion of financial liabilities into equity									**-**
4. (-) Distribution of dividends						(80,000)	50,000		**(30,000)**
5. Transactions with own shares and equity holdings									**-**
6. Increase (decrease) equity from bus. combination									**-**
7. Other transactions with equity holders or owners							(60,000)		**(60,000)**
E. BALANCE END 200X				110,000		(110,000)			**-**
A. BALANCE AT END X-2	**800,000**	**-**	**180,000**	**608,000**	**-**	**175,000**	**(60,000)**	**28,800**	**1,731,800**

EXERCISE 10. GOON Inc.

	Share Capital	Share Premium	Reserves	P/L Period	Total
A. BALANCE AT END 2010					
I.Adj. for changes in criteria 200X-2 and prior period					
II.Adj.errors 200X-2 and prior periods					
B. ADJUSTED BALANCE AT BEGINNING 2011					
I. Total recognized income and expense					
II. Transactions with equity holders or owners					
1. Capital increases					
2. (-) Capital reductions					
3. Convers. of financial liabilities into equity					
4. (-) Distribution of dividends					
5. Transac. with own shares and equity holdings (net)					
6. Increase (decrease) equity bus. combination					
7. Other transactions with equity holders or owners					
III. Other changes in equity					
C. BALANCE AT END 2011					
I.Adjustments for changes in 200X-1					
II. Adjustments for 200X-1 errors					
D. D. ADJUSTED BALANCE AT BEGINNING					
I. Total recognized income and expense					
II. Transactions with equity holders or					
1. Capital increases					
2. (-) Capital reductions					
3. Conversion of financial liabilities into					
4. (-) Distribution of dividends					
5. Transactions with own shares and					
6. Increase (decrease) equity					
II.Other changes in Equity					
E. BALANCE END 2012	**600,000**	**150,000**	**525,000**	**165,000**	

EXERCISE 11.SEMOS Inc.

Distribution of benefits:

2009

Distribution Basis	
P/L Period	150,000
	150,000
Distribution	
Legal Reserve	15,000
Other Reserves	20,000
Dividends	115,000
	150,000

2010

Distribution Basis	
P/L Period	180,000
	180,000
Distribution	
Legal reserve	18,000
Other Reserves	60,000
Dividend	102,000
	180,000

B) TOTAL STATEMENT OF EQUITY 2011

	Share Capital		Share Premium	Reserves	P/L Period	TOTAL
	Subscribed	Uncalled				
A. BALANCE AT END 2009						
I.Adj. for changes in criteria 200X-2 and prior period II.Adj.errors 200X-2 and prior periods						
B. ADJUSTED BALANCE AT BEGINNING 2010						
I. Total recognized income and expense II. Transactions with equity holders or owners 1. Capital increases 2. (-) Capital reductions 3. Convers. of financial liabilities into equity 4. (-) Distribution of dividends 5. Transac. with own shares and equity holdings (net) 6. Increase (decrease) equity bus. combination 7. Other transactions with equity holders or owners III. Other changes in equity						
C. BALANCE AT END 2010						
I.Adjustments for changes in 200X-1 criteria II. Adjustments for 200X-1 errors						
D. D. ADJUSTED BALANCE AT BEGINNING 2011						
I. Total recognized income and expense II. Transactions with equity holders or owners 1. Capital increases 2. (-) Capital reductions 3. Conversion of financial liabilities into equity 4. (-) Distribution of dividends 5. Transactions with own shares and equity holdings 6. Increase (decrease) equity bus.combination II.Other changes in Equity II.Other changes in Equity						
A. BALANCE AT END 2011						

EXERCISE 12. ANALISTA, Inc.

- The Working Capital.

	FORMULA	TOTAL
WORKING CAPITAL 1	CURRENT ASSETS-CURRENT LIABILITIES	42,556*-13,739=28,817
WORKING CAPITAL 2	BASIC FINANCING –NON CURRENT ASSETS	

- Calculate the different ratios to analyze the situation of the Company

LIQUIDITY			
Cash Ratio	Cash/Current Liabilities	10,966/13,739	0.8 >0.3
Current Ratio	C. Assets/C.Liabilities	40,556/13,739	2.95 >1.5;2
Quick Ratio (Acid)	C.Assets-Inventories/C.Liabilities.	25,220/13,739	1.8 >1
FINANCING			
Debt to Equity	Total Liabilities/Equity	21,379/83,048	0.25
Total Debt to Asset	Total Liabilities /Assets	21,379/ 104,427	0.20<0.4 & 0.6
Long-term debt to assets	Long-term liabilities/Assets	7,640 /104,427	0.07
Short-term debt to assets	Short-term liabilities/Assets	13,739/104,427	0.13
Equity Ratio	Equity/Assets	85,048/104,427	0.8
PROFITABILITY			
Economic Profitability	P/L Period/Assets	3,048/106,427	0.028<0.03
Financing Profitability	P/L Period/Equity	3,048/83,048	0.037<0.06

EXERCISE 13. ABRIL, Inc.,

The Working Capital.

	FORMULA	TOTAL
WORKING CAPITAL 1		
WORKING CAPITAL 2		

Calculate the different ratios to analyze the situation of the Company

LIQUIDITY			
Cash Ratio			
Current Ratio			
Quick Ratio			
FINANCING			
Debt to Equity			
Total Debt to Asset			
Long-term debt to assets			
Short-term debt to assets			
Equity Ratio			
PROFITABILITY			
Economic Profitability			
Financing Profitability			

EXERCISE 14. PARABAL, Inc.:

- Present the vertical and horizontal analysis

		%		%		
ASSETS	2011	VERTICAL	2010	VERTICAL	ABSOLUT VARIATION	RELATIVE VARIATION
NC ASSET	540,000	85.85%	403,600	86.31%		
Intangible Assets						
Goodwill	100,000	15.90%			100,000	
Property, Plant & Equipment	340,000	54%	268,600	57.,4%		26.5%
Buildings	225,000	35.77%	230,000	49.19%		-2.17%
Furniture	50,000	3.97%	24,000	5.,13%		58.3%%
Vehicles	95,000	15.10%	45,000	9.62%		111.11%
Acc.depreciation	-30,000	-4.77%	-30,400	-6.50%		-1.32%
NC Investments	100,000		64,000			
NC Inv.Equity instruments	100,000	15.90%	135,000	28.87%		
C ASSETS	89,000	14.15%	64,000	13.69%	25,000	
Inventories						
Merchandises	39,000	6.20%	25,000	5.35%	14,000	
Receivables						
Trade Receivables	40,000	6.36%	32,000	6.84%	8,000	
Cash						
Banks	10,000	1.59%	7,000	1.50%	3,000	
TOTAL ASSETS	629,000	100.00%	467,600	100.00%	161,400	34.52%
OE & LIABILITIES						
OE	398,800	63.40%	198,000	42.34%		
Share Capital	325,000	51.67%	200,000	42.77%		
Uncalled Capital	-60,000	-9.54%	-60,000	-12.83%		
Legal Reserve	26,000	4.13%	23,400	5.00%		
Voluntary Reserve	40,000	6.36%	38,000	8.13%		
Res. Goodwill	5,000	0.79%				
Own Shares	-30,000	-4.77%	-29,400	-6.29%	-600	2.04%
P/L period	92,800	14.75%	26,000	5.56%	66,800	256.92%
NC.LIABILITIES	125,000	19.87%	177,000	37.85%	-52,000	-29.38%
Provision for taxes	15,000	2.38%			15,000	
NC Debt financial institutions	110,000	17.49%	177,000	37.85%	-67,000	-37.85%
C.LIABILITIES	105,200	16.72%	92,600	19.80%	12,600	13.61%
C. Debts financial institutions	70,200	11.16%	78,000	16.68%	-7,800	-10.00%
Suppliers	35,000	5.56%	14,600	3.12%	20,400	139.73%
TOTAL OE&LIABILITIES	629,000	100.00%	467,600	100.00%	161,400	34.52%

EXERCISE 15. ALABANZA, Inc.

- Present the vertical & horizontal Analysis.

ASSETS	2011	2010	Vertical 2011	Vertical 2010	Absolut 2011-2010	Relative Variation
NC ASSETS	362,000	225,600	62.96%	69.72%	136,400	60.46
Intangible Assets	93,000	0				
Property, Plant & Equipment	298,000	253,000				
Acc.Depreciation	-37,000	-32,400				
NC Investments	8,000	5,000				
C ASSETS	213,000	98,000	37.04%	30.28%	115,000	85.71
Inventories	27,000	10,000				
Receivables	151,000	83,000				
Cash	35,000	5,000				
TOTAL ASSETS	575,000	323,600			251,400	117.35
OWNER`S EQUITY & LIABILITIES						
OWNER`S EQUITY	385,800	243,400	67.10%	75.22%	142,400	58.50
Share Capital	325,000	200,000				
Reserves	60,800	43,400				
NC LIABILITIES	154,800	65,800	26.92%	20.33%	89,000	135.26
C LIABILITIES	34,400	14,400	5.98%	4.45%	20,000	138.89
TOTAL OE&LIABILITIES	575,000	323,600			251,400	77.69