

“THE WALL” Inc.

On April the 24th 2008, “THE WALL” Inc., a newly formed Joint Stock Company is formed with a Share Capital of 1,000,000 €, divided into 20,000 shares same Par Value each issued at a par value and subscribed by 4 shareholders. Its main activity is the commercialization of building materials. Shareholders Adler, Biritxinaga and Ciutti subscribed 6,000 shares/each contributing cash and outlaying at this moment a 30% of the Par Value. Dilarah subscribed the rest contributing with Furniture valued by the independent experts in half the value of her investment. She got the compromise to contribute with a brick's lot to cover the rest of her investment on November the 24th of.

The costs the company incurred in when forming the company where the following:

- Property Transfer and Certified Legal Documents Tax (1% of Share Capital)
- Issuing stocks costs 2,000€
- Lawyers, notary public and registry 1,000€.
- Publicity 500€.

On October the 2nd of 2008 a 20% of the par value of the monetary shares is called up. A month later all shareholders had attended the payment.

On November the 2nd 2009 the rest of the par value is called up, and all shareholders attend the payment in one month. Dilarah contributes with the bricks promised on time.

From 2009 onwards the company starts generating profits shown in the following table:

2009	2010	2011
600,000	670,000	860,000

They decide to distribute, each of the years an 80% of the profit in dividends, allocate what required in the Legal Reserve and put the rest to the Voluntary Reserves

On December the 31st 2012, and after these profitable periods, the Results of 2012 turn to be negative in 20,000€.

The accounts that form the Equity of this company are the following apart of the Share Capital, Voluntary Reserves and Legal Reserve already describe: Statutory Reserve 10,000, Land: 148,000, NC Debts: 110,000, Buildings: 700,000, Software 130,000; Furniture 120,000, Merchandises: 175,000, Suppliers: 93,000, Accumulated Depreciation of Intangible Assets 20,000; Trade Receivables: 70,000, Accumulated Depreciation of Property, Plant and Equipment: 100,000, Machinery: 150,000, Banks: 110,000, C Debts: 75,000, Impairments of merchandises: 5,000, Vehicles: 210,000.

Having this Balance Sheet as a reference, on January the 15th 2013, the company decides to increase its Share Capital by capitalizing all available reserves.

Adler and Biritxinaga decide not to take up the offer, so they sell their pre-emptive rights to Ciutti for a selling price that equals the theoretical value of the pre-emptive right. Dilarah maintains her rights. On this date, the shareholder that decide to take up their offers subscribe and contribute what established in the increase's conditions.

1. Record all transactions described.
2. Prepare the Balance Sheet of “THE WALL” Inc. on April the 24th 2008.
3. Record the distribution of benefits during the periods 2009 to 2011.
4. Prepare the Balance Sheet of “THE WALL” Inc. on December the 31 2012.
5. Journalize the increase in Capital.
6. Calculate the Pre-emptive right value.
7. Consider how much each of the shareholders must pay for the subscription.

Irene Barainca Vicinay, Antonio Cardona Rodríguez, Valeriano Sánchez-Famoso

8. After the transaction, which combinations of shareholders will hold majority participation's in the General Annual Meetings?

SOLUTION

1. Record all transactions described.

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

2. Prepare the Balance Sheet of "THE WALL" Inc. on the 24th April 2008.

ASSETS	EQUITY & LIABILITIES

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TOTAL	TOTAL
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3. Record the distribution of benefits during periods 2009 to 2011.

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

4. Prepare the Balance Sheet of "THE WALL" Inc. on the 31 December 2012.

ASSETS	EQUITY & LIABILITIES
TOTAL	TOTAL

5. Journalize the increase in Capital.

Date Transaction	Entry	Debit	Credit

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6. Calculate the Pre-emptive right value.

7. Consider how much each of the shareholders must pay for the subscription.

	Adler	Birtxinaga	Ciutti	Dilarah
Cost of shares subscribed				

8. After the transaction, which combinations of shareholders will hold majority participation`s in the General Annual Meetings?

	"A"	"B"	"C"	"D"	"E"	TOTAL
Number of shares						
Total Nominal						