

	Dr \$	Cr \$
Capital reduction and reorganisation a/c		102,000
Equity shareholders	42,000	
Preference shareholders		25,000
11% Loan note holders	85,000	
Closing the share and loan accounts		

Capital Reorganisation and Reconstruction Account

	\$		\$
Assets transferred in	1,167,000	Liabilities transferred in	525,000
Retained earnings deficit	513,000	7% debentures	135,000
Consideration issued to:		11% Debentures	405,000
7% Deb holders	160,000	Equity shares	675,000
11% Deb holders	320,000	Total consideration from sale	540,000
Equity holders	60,000		
	<u>2,280,000</u>		<u>2,280,000</u>

Consideration paid to providers of capital:

		13% debenture	Aztec (Europe) Equity shares @ \$0.10	Total
Aztec plc	\$	\$	\$	\$
Equity shares @ \$1	675,000		60,000	60,000
7% Debenture	135,000	70,000	90,000	160,000
11% Debenture	405,000	200,000	120,000	320,000

(ii) For information only – Journal entries to open books of Aztec (Europe)

	Dr \$	Cr \$
Leasehold premises	360,000	
Vehicles and equipment	85,000	
Machinery	225,000	
Inventory	285,000	
Receivables	110,000	
Hire-purchase liability		25,000
Payables		288,000
Wages and related taxation		80,000
Hire-purchase liability		20,000
Bank overdraft		112,000
Aztec		580,000
Goodwill	40,000	
Introducing assets and liabilities		
Aztec	580,000	
Equity shares		270,000
13% Loan notes		270,000
Cost of reorganisation		40,000
Settlement of the purchase consideration		
Costs of reorganisation	40,000	
Bank		40,000
Payment of reorganisation costs		