

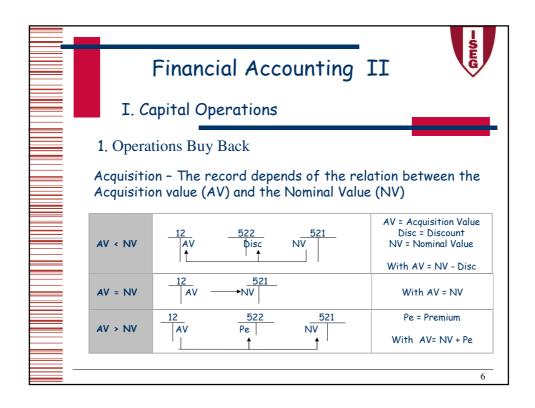
Financial Accounting II I. Capital operations 1. Operations with Buy back shares (Own Shares) S.A. and Lda firms can repurchase and after resell their own shares. However, they cannot subscribe! Regulation: - CSC art° 220, 316 to 325 Limit: de 10% of Paid-in capital Conditions to meet: Free Reserves with a value of at least the double of the shares to repurchase; Retain free reserves with amount equal to the repurchase/acquisition of own shares.

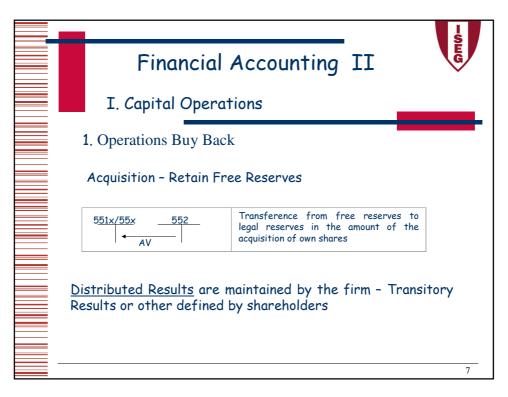
Repurchase of Shares

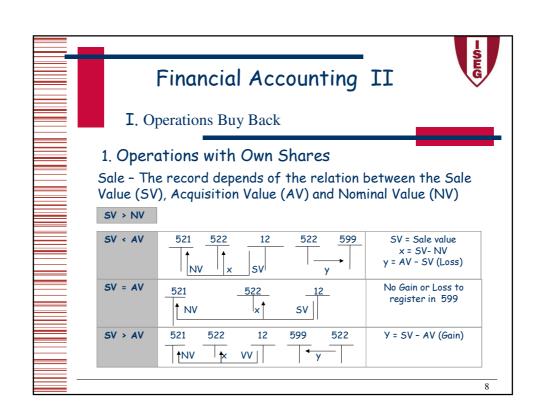


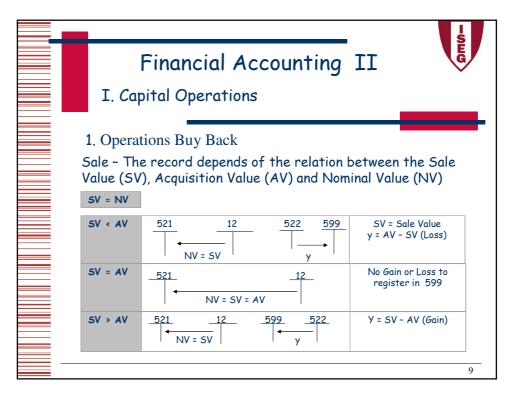
- Companies repurchase shares because they:
 - Want to retire the stock
 - Think the stock is undervalued by the market
 - Want to change to proportion of debt and equity in the company
 - Need shares to distribute in a stock option plan
 - Want to return cash to shareholders without creating expectations for permanent increases in dividends
- Repurchased shares also increases EPS

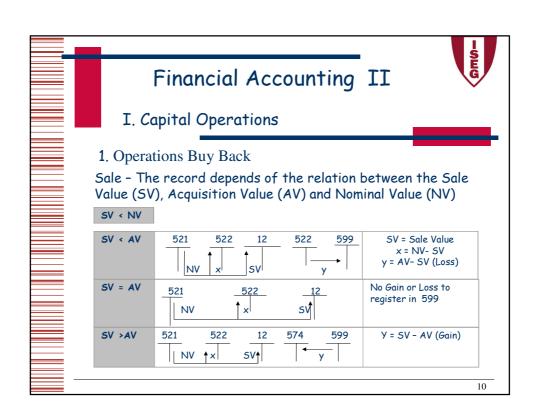
Financial Accounting II I. Capital operations 1. Operations Buy Back Buy Backs (Own shares) appear in Owners Equity in debit (amount: acquisition value) because it is an obligation to shareholders that extinguishes! When the firm sells own shares we obtain a variation in reserves equal to the gain or loss obtained! Accounts used: 521 - Own shares - Nominal Value 522 - Own shares - Discounts and Premiums 55x - Reserves to Own Shares or 551x - Legal Reserves to Own Shares

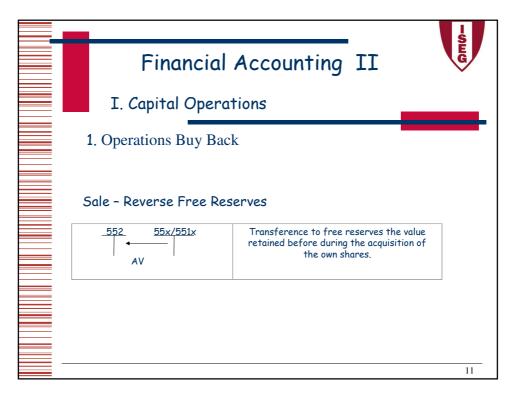


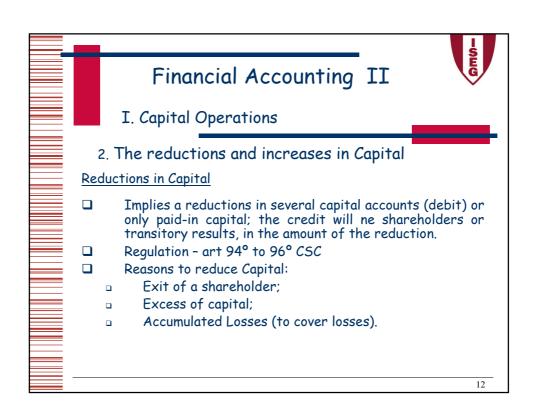


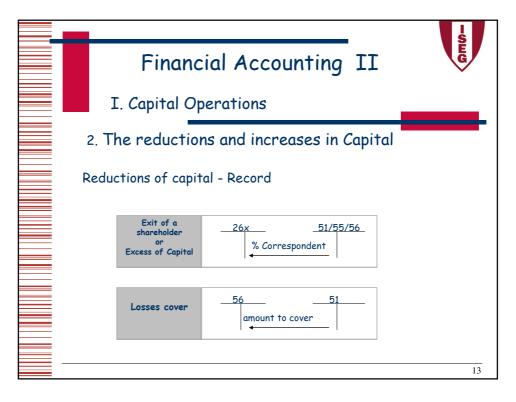


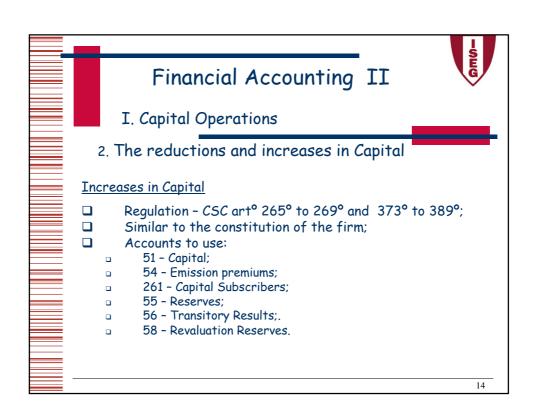




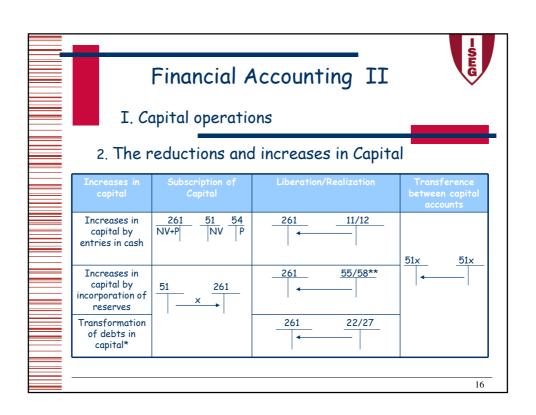








Financial Accounting II I. Capital Operations 2. The reductions and increases in Capital Increases in Capital Emission Value (EV) = Nominal Value (NV) + Emission premium (EP) Ways to increase capital: New Entries EV is: i) determined by the market or by the management; or, ii) to assure that the new shareholders are not harmed/beneficiated in relation to the old ones it is needed to verify: VE = BV shares/number shares before the increasing of capital; EP = BV (old) - NV Transformations of debts in capital Reserves Incorporation 15



Financial Accounting II



I. Capital Operations

2. The reductions and increases in Capital

- * Eventually can include a premium besides de nominal value;
- ** The incorporation of revaluation reserves can be made when the firm meets a set of criteria.

17

Financial Accounting II



- I. Capital Operations
- 2. The reductions and increases in Capital

Ration of shares

- \cdot It is necessary when the number of subscribed shares > number of issued shares
- •The ration makes the proportional division of subscribed shares by the number of issued shares, according to criteria defined a priori.
- •During subscription it can be immediately delivered one percentage od the emission value. In these cases, a posterior and with ration, it need to be returned the excess part!

261x1 - Capital Subscribers

261x2 - Capital Subscribers- excess

18

