

FINANCIAL ACCOUNTING SS2 3RD TERM 2019-2020 SCHEME OF WORK

1. Revision of 2nd term's work
2. Acquisition and purchase of business
3. Purchase of business
4. Company Amalgamation
5. Company formation
6. Nigeria Financial system
7. Types of shares, issue of shares
8. Preparation of accounts for issue of shares at par, discount and bonus
9. Loan capital
10. Capital market
11. Revision
- 12-13 Examination

WEEK ONE: PURCHASE OF BUSINESS

PURCHASE OF BUSINESS

This is acquisition/purchase of old business by a new/existing company. The person who sells the business is called **VENDOR** while the buyer of the business is called **PURCHASER**.

The money paid by the purchaser of the business is called **PURCHASE PRICE/PURCHASE CONSIDERATION**.

The assets name and connection of the business will be taken over by the business purchaser. The excess of the purchase price over the net value of the assets is called GOODWILL. But if the purchase price is lower than net assets it is called CAPITAL RESERVE.

PROCEDURES OF PURCHASE OF BUSINESS WITH CASH

I. PURCHASE CONSIDERATION:

DEBIT: business purchase account with the purchase consideration

CREDIT: Vendor account

II. AGREED VALUATION OF EACH ASSET ACQUIRED:

DEBIT: Assets account

CREDIT: business purchase account

III. AGREED VALUATION OF LIABILITIES TAKEN OVER

DEBIT: business purchase account

CREDIT: liabilities account

IV. BALANCE OF THE BUSINESS PURCHASE ACCOUNT [excess of consideration over assets]

DEBIT: Goodwill account

CREDIT: business purchase account

V. Balance of the business purchase account [excess of assets over consideration]

DEBIT: capital reserve

CREDIT: business purchase account

VI. ON SETTLEMENT OF THE VENDOR ACCOUNT

DEBIT: vendor account

CREDIT: bank account

VII. ON SETTLEMENT OF VENDOR ACCOUNT WITH SHARES

DEBIT: vendor account

CREDIT: shares capital account

FORMAT OF BUSINESS PURCHASE ACCOUNT

Liabilities taken	xx	Assets taken over xxx
Purchase consideration	<u>xx</u>	Goodwill <u>xx</u>
<u>Xxx</u>		<u>xxxx</u>

