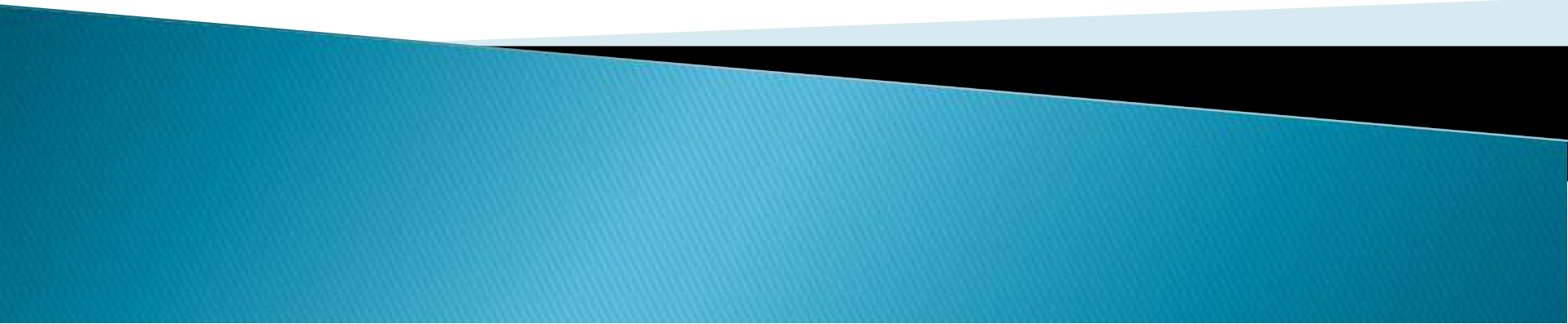
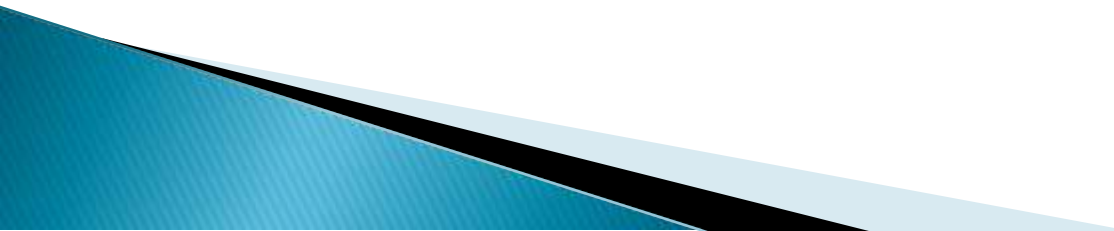


# INTERNAL RECONSTRUCTION



# RECONSTRUCION

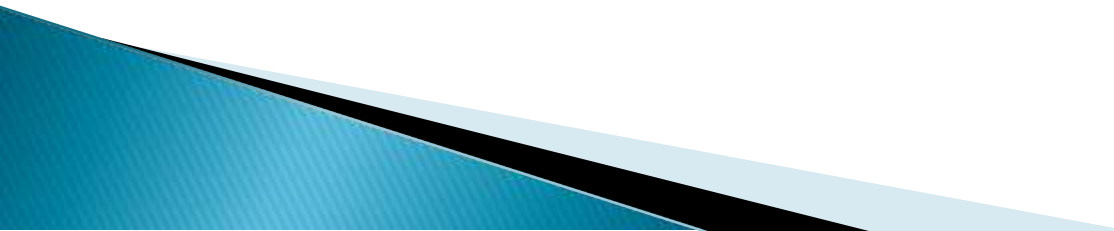
–reorganisation of the financial structure of a company.

- i. Internal reconstruction: neither liquidation nor formation of a new company.
  - ii. External reconstruction: the existing company has to be liquidated for the purpose of forming another new company.
- 

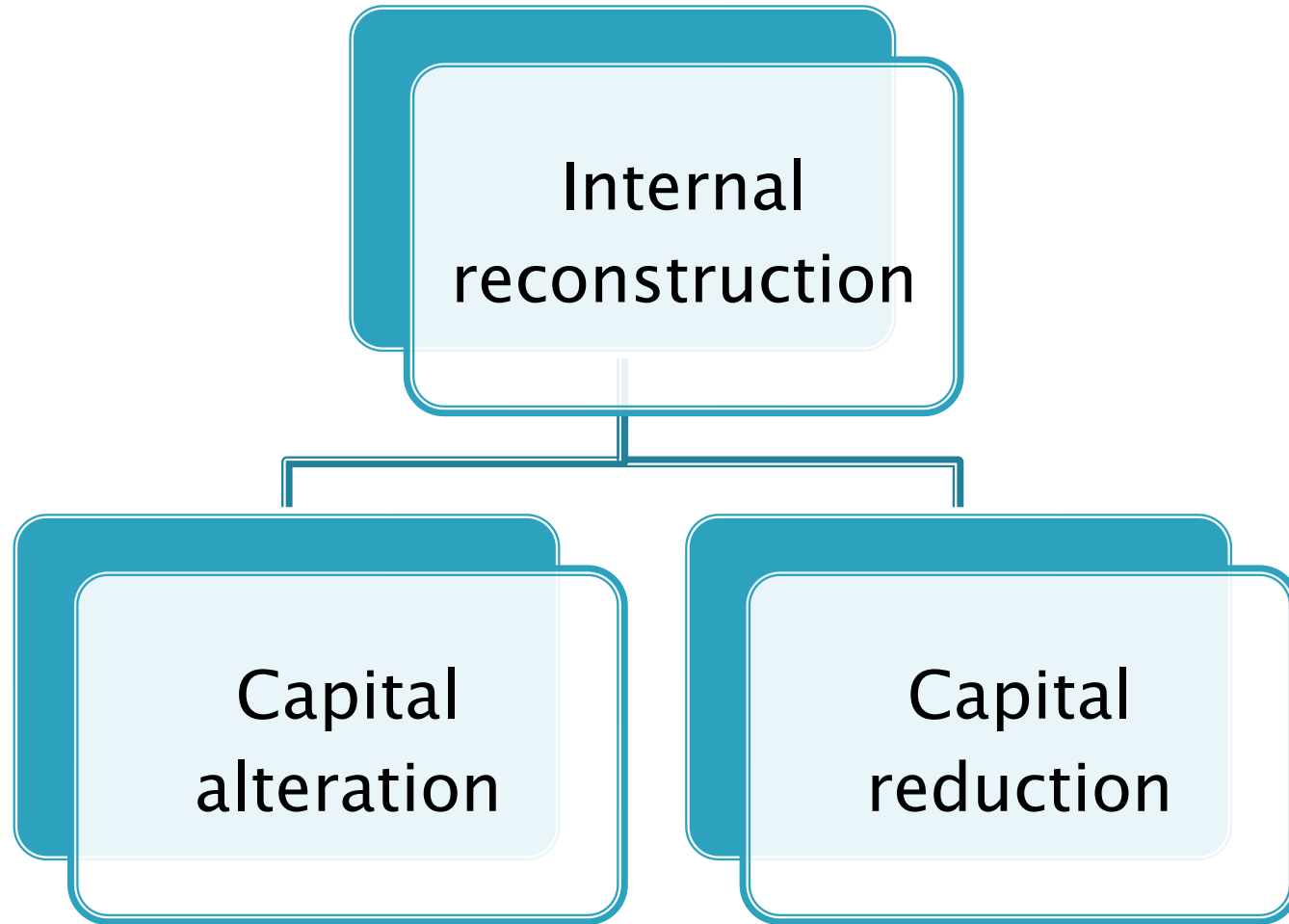
# INTERNAL RECONSTRUCTION

- ▶ Reorganisation of the existing financial structure of a company.

# OBJECTIVES


- ▶ To write off past accumulated losses.
  - ▶ To reduce their face value of shares to real value.
  - ▶ To present true and fair value of the firm.
  - ▶ To assure fair return on investment.
  - ▶ To enhance goodwill.
  - ▶ To ascertain real value of net assets
- 

# METHODS



# ❖ CAPITAL ALTERATION

Changing the composition of share capital of a company. Does not require approval of the court.

- Methods:
    - a. Increase share capital by issue of new shares.
    - b. Consolidation of shares
    - c. Sub-division of shares
    - d. Convert shares to stock or stock to shares
    - e. Cancel the unissued shares
- 

# ❖ CAPITAL REDUCTION

Cancellation of any paid up share capital to write off the past accumulated losses and intangible assets of the company. Require approval of the court.

# INTERNAL RECONSTRUCTION V/S EXTERNAL RECONSTRUCTION

Basis	INTERNAL RECONSTRUCTION	EXTERNAL RECONSTRUCTION
Meaning	Reorganisation of the existing financial structure of a company.	When one company goes into liquidation and a new company is formed in that place.
Liquidation	No liquidation	Liquidation of one company
Formation	No new company is formed	A new company is formed
Objective	To write off the accumulated losses	To increase the competitive strength
Approval of the court	Court approval is required	Court approval is not required