**Equity Transactions In Class Assignments Student Version Wild 7e**

**QS 11-2**

Issuance of no-par common stock P1

Prepare the journal entry to record Autumn Company's issuance of 63,000 shares of no-par value common stock assuming the shares:

1. Sell for $29 cash per share.
2. Are exchanged for land valued at $1,827,000.

**QS 11-3**

Issuance of common stock P1

Prepare the journal entry to record Zende Company's issuance of 75,000 shares of $5 par value common stock assuming the shares sell for:

1. $5 cash per share.
2. $6 cash per share.

**QS 11-4**

Issuance of par and stated value common stock P1

Prepare the journal entry to record Jevonte Company's issuance of 36,000 shares of its common stock assuming the shares have a:

1. $2 par value and sell for $18 cash per share.
2. $2 stated value and sell for $18 cash per share.

**QS 11-5**

Issuance of common stock P1

Prepare the issuer's journal entry for each separate transaction. (*a*) On March 1, Atlantic Co. issues 42,500 shares of $4 par value common stock for $297,500 cash. (*b*) On April 1, OP Co. issues no-par value common stock for $70,000 cash. (*c*) On April 6, MPG issues 2,000 shares of $25 par value common stock for $45,000 of inventory, $145,000 of machinery, and acceptance of an $94,000 note payable.

**QS 11-6**

Preferred stock issuance and dividends C2

1. Prepare the journal entry to record Tamasine Company's issuance of 5,000 shares of $100 par value 7% cumulative preferred stock for $102 cash per share.
2. Assuming the facts in part 1, if Tamasine declares a year-end cash dividend, what is the amount of dividend paid to preferred shareholders? (Assume no dividends in arrears.

**QS 11-7**

Accounting for dividends P2

Which of the following statements are true regarding dividends?

1. Cash and stock dividends reduce retained earnings.
2. Dividends payable is recorded at the time a cash dividend is declared.
3. The date of record refers to the date a cash dividend is paid to stockholders.
4. Stock dividends are a mechanism to keep the market price of stock affordable.

**QS 11-8**

Accounting for cash dividends P2

Prepare journal entries to record the following transactions for Emerson Corporation.

|  |  |
| --- | --- |
| July 15 | Declared a cash dividend payable to common stockholders of $165,000. |
| August 15 | Date of record is August 15 for the cash dividend declared on July 15. |
| August 31 | Paid the dividend declared on July 15. |

**QS 11-9**

Accounting for small stock dividend P2

The stockholders' equity section of Jun Company's balance sheet as of April 1 follows. On April 2, Jun declares and distributes a 10% stock dividend. The stock's per share market value on April 2 is $20 (prior to the dividend). Prepare the stockholders' equity section immediately after the stock dividend.

|  |  |
| --- | --- |
| Common stock—$5 par value, 375,000 shares authorized, 200,000 shares issued and outstanding | $1,000,000 |
| Paid-in capital in excess of par value, common stock | 600,000 |
| Retained earnings | 833,000 |
| Total stockholders' equity | $2,433,000 |

**QS 11-10**

Dividend allocation between classes of shareholders C2 http://textflow.mheducation.com/figures/0077844033/Chess.png

Stockholders' equity of Ernst Company consists of 80,000 shares of $5 par value, 8% cumulative preferred stock and 250,000 shares of $1 par value common stock. Both classes of stock have been outstanding since the company's inception. Ernst did not declare any dividends in the prior year, but it now declares and pays a $110,000 cash dividend at the current year-end. Determine the amount distributed to each class of stockholders for this two-year-old company.

**Exercise 11-8**

Dividends on common and noncumulative preferred stock C2

York's outstanding stock consists of 80,000 shares of *noncumulative* 7.5% preferred stock with a $5 par value and also 200,000 shares of common stock with a $1 par value. During its first four years of operation, the corporation declared and paid the following total cash dividends:

Determine the amount of dividends paid each year to each of the two classes of stockholders: preferred and common. Also compute the total dividends paid to each class for the four years combined.

**Check**

4-year total paid to preferred, $108,000

**Exercise 11-9**

Dividends on common and cumulative preferred stock C2

Use the data in Exercise 11-8 to determine the amount of dividends paid each year to each of the two classes of stockholders assuming that the preferred stock is *cumulative*. Also determine the total dividends paid to each class for the four years combined.

**QS 11-11**

Purchase and sale of treasury stock P3

On May 3, Zirbal Corporation purchased 4,000 shares of its own stock for $36,000 cash. On November 4, Zirbal reissued 850 shares of this treasury stock for $8,500. Prepare the May 3 and November 4 journal entries to record Zirbal's purchase and reissuance of treasury stock.

**QS 11-12**

Impacts of stock issuances, dividends, splits and treasury transactions P1 P2 P3

Listed below are various transactions that a company incurred during the current year. Indicate the impact on total stockholders' equity for each scenario. Specifically state whether stockholders' equity would ‘Increase’, ‘Decrease’, or have ‘No Effect’ as a result of each transaction listed below. Consider each transaction independently.

1. A stock dividend equal to 30% of the previously outstanding shares is declared.
2. New shares of common stock are issued for cash.
3. Treasury shares of common stock are purchased (assume the cost method).
4. Cash dividends are paid to shareholders.

**Exercise 11-6**

Stock dividends and splits P2http://textflow.mheducation.com/figures/0077844033/Chess.png

On June 30, 2013, Sharper Corporation's common stock is priced at $62 per share before any stock dividend or split, and the stockholders' equity section of its balance sheet appears as follows.

|  |  |
| --- | --- |
| Common stock—$10 par value, 120,000 shares authorized, 50,000 shares issued and outstanding | $ 500,000 |
| Paid-in capital in excess of par value, common stock | 200,000 |
| Retained earnings | 660,000 |
| Total stockholders' equity | $1,360,000 |

1. Assume that the company declares and immediately distributes a 50% stock dividend. This event is recorded by capitalizing retained earnings equal to the stock's par value. Answer these questions about stockholders' equity as it exists *after* issuing the new shares.
   1. What is the retained earnings balance?
   2. What is the amount of total stockholders' equity?
   3. How many shares are outstanding?
2. Assume that the company implements a 3-for-2 stock split instead of the stock dividend in part 1. Answer these questions about stockholders' equity as it exists *after* issuing the new shares.
   1. What is the retained earnings balance?
   2. What is the amount of total stockholders' equity?
   3. How many shares are outstanding?
3. Explain the difference, if any, to a stockholder from receiving new shares distributed under a large stock dividend versus a stock split.

**Check**

(1*b*) $1,360,000

(2*a*) $660,000

**Exercise 11-11**

Preparing a statement of retained earnings C3

The following information is available for Amos Company for the year ended December 31, 2013.

1. Balance of retained earnings, December 31, 2012, prior to discovery of error, $1,375,000.
2. Cash dividends declared and paid during 2013, $43,000.
3. It neglected to record 2011 depreciation expense of $55,500, which is net of $4,500 in income taxes.
4. The company earned $126,000 in 2013 net income.

Prepare a 2013 statement of retained earnings for Amos Company.