Josie inc charter authorizes 1000 shares of stock with no par value

Short-Answer Questions ➢ Cite's main benefits in corporate forms of business organizations and indicates why each is considered an advantage. ➢ What does it mean that corporate income is subject to double taxation? To quote several other flaws in the corporate organization form. ➢ Why isn't your organization's expenses a good name for an account that records the costs of organizing a corporation? Could you justify leaving the balance of the organization's cost account intact throughout the life of the corporation? ➢ Are the fundamental rights associated with the share capital where there is only one category of outstanding shares? ➢ Explain for what purpose or functions: (a) the general ledger of the stock holders, (b) the minute book, (c) the share transfer agent and (d) the stock registrar. ➢ What are the differences between value and items with no-par value? ➢ Capital of companies is rarely issued at less than face value. Give two reasons why this statement is true. ➢ the liquidation value and redemption value of the contract. ➢ What is the meaning of term stocks that favour dividends and the value of shares in respect of assets? ➢ What does the terms cumulative and non-cumulative mean, what does the desired item mean? ➢ What are overdue dividends and how should they be disclosed in the financial statements? ➢ A corporation has 1,000 shares at 8 percent, $200 on the value of cumulative, preferred shares outstanding. Dividends for this stock have not been declared for three years. Is the corporation legally responsible for its best shareholders for these dividends? How should this fact be shown in the balance sheet, if at all? ➢ explain why a company would issue the desired stock, which is both convertible into a common stock and callable. ➢ explain the nature of the account called Paid Capital above face value. Under what conditions is this account credited? ➢ are the two main elements of the equity company of the cussuers? Explain the difference between them. ➢ to name several sources of paid-up capital. Is it enough to maintain one account called Paid Capital for all sources of paid-up capital? Why and why not? ➢ Is treasury stock accounting a matter of active accounting? Is cash inventory active? If not, where is it correctly shown in the balance sheet? ➢ Are there some possible reasons why a corporation can unlock its capital as treasury shares? ➢ What are overdue dividends and how should they be disclosed in the financial statements? ➢ A corporation has 1,000 shares at 8 percent, $200 on the value of cumulative, preferred shares outstanding. Dividends for this stock have not been declared for three years. Is the corporation legally responsible for its best shareholders for these dividends? How should this fact be shown in the balance sheet, if at all? ➢ or two main elements of the equity company of the cussuers? Explain the difference between them. ➢ to name several sources of paid-up capital. Is it enough to maintain one account called Paid Capital for all sources of paid-up capital? Why and why not? ➢ Is treasury stock accounting a matter of active accounting? Is cash inventory active? If not, where is it correctly shown in the balance sheet? ➢ Are there some possible reasons why a corporation can unlock its capital as treasury shares? ➢ is the underlying objective of the statutes, which is to limit retained earnings to the extent of the cash costs? Are such statutes in favour of shareholders, management or creditors? ➢ What is the impact of each of these activities on the company's total shareholders' equity: (a) the declaration of cash dividends, (b) the payment of a cash dividend already declared, (c) the declaration of dividends on shares and (d) the issue of a dividend on shares already declared? ➢ Dates are linked to a cash dividend of $80,000: July 15, July 31 and August 15. Specify each of the three dates and specify the journal entry required on each date, if any. ➢ How should the declared but outstanding cash dividend be shown in the balance sheet? How should the declared but non-issue share dividend be presented? ➢, on 8 May, the Board of Park Corporation declared a dividend to the record holders on 5 June. On May 10, James sold his capital to Park Corporation directly to Benton for $20,000, securing his stock certificate and giving it to Benton. Benton put the stock certificate in his safe. On May 30, Benton sent a certificate to Park Corporation's transfer agent for transfer. Who received the dividends? Why? ➢ Are the possible reasons why a company declares a share dividend? ➢ Why does the dividend consist of the total distribution of additional shares of the declaring company, which is not considered to be the holders of the acquiring shares? ➢ What is the difference between a small share dividend and a large share dividend? ➢ is the purpose of the unallocated profit appropriation? ➢ what is the statement of shareholders' equity? Exercises Exercise Gordon Company issued 10,000 shares of total shares for $1,120,000 in cash. The total stock has a face value of $100 per share. Specify journal entry for inventory picking. Exercise B Thore Company issues 30,000 shares at $20 on the value of the total stock at $680,000. What is the journal entry for this transaction? What would a journal entry be if total items had no value no. or a specified value? Exercise C Li & Tu, Inc., need a land plant instead. It issued 100 shares at $480 on the value of the total shares of their corporation company in exchange for land that cost $56,000 a year ago. valued at a recent valuation of $72,000. What diary entry would be suitable for recording the purchase of land? D Smart Corporation owes the trading vendor $30,000 in an open account that the corporation does not have enough money to pay. A trading creditor suggests that Smart Corporation issued him 750 shares out of $24 for the value of the total stock, which is currently selling on the market for $40. Submit entries or entries to be made to Smart Corporation Books. Exercise E Why would a law firm ever consider accepting a stock of a new company with a total face value of $320,000 as a payment for a full $480,000 bill for legal services resused? If such an operation has taken place, indicate the journal entry that the issuing company would carry out in its accounting journal. Exercise F Kelly Company had an outstanding $50,000 share of $20, the announced value of the total share, all issued at $24 per share, and had an undivided profit of $800,000. The company recovered 2,000 of its shares in cash at the carrying amount of the deceased shareholder's widow. Specify a record to register inventory accumulation. Give a record to record a subsequent rerun of this stock at $50 per share. Provide the required entry if the stock is instead reused for $30 per share and there were no prior treasury stock transactions. Exercise G Winters Corporation has outstanding 1,000 shares of noncumulative preferred shares and 2,000 shares of total shares. The preferred share is entitled to an annual dividend of $100 per share before dividends are declared for the total share. What are the total dividends received by each class of shares when Winters Corporation distributes $280,000 in dividends in 2010? Exercise H Zeff Corporation has 2,000 shares outstanding cumulative preferred shares and 6,000 shares of total shares. The preferred share is entitled to an annual dividend of $18 per share before dividends are declared for the total share. No preferred dividends were paid for the last year and the current year. What are the total dividends received by each class of shares if Zeff Corporation distributes $108,000 in dividends? Measure I December 31 pilot balance Yamey Corporation had the following account balances: Common stock (no-about value; 200,000 shares allowed, issued, and outstanding; stated value $20 per share) $4,000,000 Notes payable (12% term May 1 next year) 500,000 Retained earnings, unappropriated 2,500,000 Dividends payable in cash (declared December 15, per preferred share) 12,000 Preferred shares (6%, nominal value $200; 2,000 shares authorized , issued and outstanding) 400,000 Paid capital , in excess of the determined value — Total 300 000 Paid-in capital above par value — Preferred 40 000 right shareholdings. Exercise J Fogg Company has issued all of its permitted 5,000 shares at $400 face value Stock. On February 1, the board announced dividends of $12 per share payable on March 15 to shareholders on a record march 1. Specify the required journal entries. A K exercise in Jay Company's equity section of the Company's balance sheet on December 31 shows the total value of the $100,000 allowed and issued $20, of which 9,000 shares are held in the cash. On that date, on 21 January, the Board of Directors declared a cash dividend of USD 2 per share payable to record shareholders on 10 January. Dot dated journal entries for these. Exercise L Kevin Company has outstanding 75,000 shares of total shares with no nominal value or specified value, which were issued at an average price of $80 per share, and an unallocated profit of $3,200,000. The current market price for the total stock is $120 per share. The total authorized share consists of 500,000 shares. Enter the required record to register a 10 percent share dividend declaration. If a company or declared a 30 percent share dividend, what additional information would you need before the journal entry to record dividends? Exercise M Grant Corporation's equity holders consisted of $30 per share of $30 per share, of which 30,000 shares were issued at face value, and an unallocated profit of $750,000. The company then splits its shares, two for one, changing the face value of the old stock and issuing a new $15 per share. Specify the required journal entry to register the item allocation. Suppose that the company declared and subsequently issued a 10 percent dividend. Specify the required journal entries, assuming the market value on the declaration date was $40 per share. Exercise N on Willis's balance sheet includes: Appropriation for a loan agreement of $900,000 Give a journal entry to create this account. Explain the reason for the existence of the appropriation and the way in which it is shown in the balance sheet. Exercise O Evan Company received 200 shares of its $200 announced value of the total share as of December 1, 2009 as a donation from shareholders. On December 15, 2009, it re-stocked $62,400 in cash. Specify the journal entry or entries required for these transactions. Exercise P Vista Company has revenue of $80 million, expenses of $64 million, tax deductible earthquake losses (its first such loss) $4 million, and a tax deductible loss of $6 million resulting from voluntary early discharge (retirement) debt. The adopted income tax rate is 40 percent. The company's start-of-the-year retained earnings were $30 million, and dividends of $2 million were declared. Prepare the annual profit or loss account. Prepare an annual retained earnings report. Q Conner Company had a retained earnings of $56,000 as of January 1. During the year , Conner had $160,000, $96,000 in sales and other operating expenses excluding taxes, $32,000. The Conner Company revealed that it had, by mistake, depreciated land over the past three years resulting in a balance of accumulated depreciation accounts of $40,000. The tax rate adopted by conner company is 40 per cent. Submit in an appropriate manner a statement of retained earnings for the year ended 31 December. R Implementation The following information applies to Perry Corporation for the year ended December 31: Total share outstanding 75,000 shares Income from continuing operations of $1,523,200 Losses on discontinued operations (net of taxes) 240,000 Extraordinary earnings (no tax) 144,000 Calculate EPS for the year ended December 31, 2009. Displays information in the same format as the corporation's profit or loss account. The average number of shares in Exercise S Dean Company was 200 000 in 2009 and 215 000 in 2010. Net income for these two years was as follows: 2,2009 $2,208,000 for 2010, 2,304,000 Calculate EPS for the years ended December 31, 2009, and 2010. What could be the figures obtained for the shareholder or potential investor? Problems Problem A outstanding equity fund Robbins Corporation consisted of 3,000 shares of 10% preferred shares, $250 per value, and 30,000 shares of no-about-total shares with a stated value of $250. The preferred one was issued at $412, totaling $480 per share. As of January 1, the company's retained earnings were $250,000. After five years net income was as follows: Year 1 $767,500 Year 2 510,000 Year 3 48,000 Year 4 160,000 Year 5 662,500 No dividends were missed from January 1, and within five years, the board announced dividends each year equal to net income for the year. Prepare a schedule showing the dividends declared annually for each class of shares, assuming that the desired stock is: Cumulative. Noncumulative. Problem B The only items of jody company equity on June 30 are: shareholders' equity: Paid capital: Total shares – $200 for value, 10,000 shares allowed, 6,000 shares issued and unpaid $1,200,000 Paid-in capital, in excess of the nominal value of 480,000 Total Paid Capital $1,680,000 Retained Earnings 480,000 Total Share Holders Equity $2,160,000 On August 4, 4 percent dividend cash was announced to be payable on September 3. On 16 November, a dividend of 10% of the shares was declared. The shares were issued on 1 December. The market value of the total stock was $360 per share as of November 16 and $354 per share on December 1. Prepare journal entries for these dividend transactions. C Problem After Being Selected Transactions at White Corporation: Jan. 2015 2 Purchased a new plant instead for money, $ 100,000. March 29 entered into a contract for the construction of a new building, payment must be made 30 days after (hint: no magazine entry required when signing contracts) on February 10, 2016 After final inspection and approval of the new building, Dyer Construction Company was paid in full, $500,000. April 2 5% share dividend of $50 per 100,000 shares on the value of the total share outstanding was declared. The market price on that date was $55 per share. Prepare journal entries for all these transactions. D problem After Being selected data Kane Corporation on December 31st: Net income for the year $512,000 Dividends declared in preferred shares 72,000 Dividends declared for a total of 64,000 retained earnings, January 1,200,000 Prepare a statement of retained earnings for the year ended December 31. The problem for E Equity Holders of Equity, Sayers Company on January 1, is as follows: Common stock - a no-par value set in value of $20; 100,000 shares allowed, 60,000 shares issued $1,200,000 Paid Capital, above the stated value of 200,000 retained earnings of 499.20 Treasury shares (3000 shares for each of US$24) (72 000) The following transactions were made in the yearly order: 10,000 shares issued for $368,000. Sold 1,000 shares to a cash ing stock for $43,200. Bought 2,000 shares in a treasury stock for $67,200. Prepare journal entries if necessary for these transactions. Problem F share-holder equity briar company on December 31, 2008, consisted of 1,000 authorized, issued, and outstanding shares of $72 cumulative preferred shares, indicated at $240 per share, which was originally issued at $1,192 per share; 100,000 shares authorized, issued, and outstanding no-for, $160 announced the value of the total shares, which were originally issued at $160; and a retained profit of $1,120,000. The following are selected transactions and other data relating to 2009. There were no previous financial asset stock transactions. The company backed 2,000 shares to its total stock of $336. One thousand Treasury shares were re-issued for $288. Five hundred cash shares were re-issued for $340. Prepare journal entries for previous transactions. Problem G The following share holders' equity section is from Bell Company's January 1 balance sheet: Share holders equity: Paid capital: Preferred shares - $60 on a value of 6%; 1000 shares; 350 shares issued and outstanding $21,000 Total shares - $6 face value; 100 000 eligible shares; 40 000 shares issued and outstanding 240 000 Paid-up capital, in excess of the nominal value of the total share of 15,000 Total paid capital of $276,000 Retained earnings of 45,300 Total Share Holders equity of $321,300 During the period that follows the financial year, Bell Company entered into the following transactions: The company issued 2,000 shares of total shares for $20 per share. The company acquired 1,000 of its total shares in May for $9. On June 30, it re-500 of shares at $7.20. The dividends declared and and during the year was 6% of the expected stocks and 18 cents per share per share. Both dividends were declared on 1 September and paid on 30 September. For the financial year, the company had a net income after income tax of $11,400. Prepare journal entries for previous numbered transactions. Prepare a statement of retained earnings for the year ended 31 December. Prepare the equity section of the shareholders' balance sheet on 31 December. H problem Selected data For Brinks Company 2009 is given below: Common stock - $20 for the value of $2,000,000 Sales, net 1,740,000 Sales and administrative expenses 320,000 Declared and paid cash dividends 120,000 Cost of goods sold 800,000 Depreciation expenses 120,000 Interest income 20,000 Losses on outdated stocks write-offs 40,000 retained earnings (from 2008/12/31) 2000,000 Operations less Candy Division to the point of sale 20 40,000 Losses from destruction Candy Division 200,000 Earthquake loss 96,000 Cumulative negative impact on previous year's income, changing from linear to accelerated method of computational depreciation. 64,000 Let's say the applicable federal income tax rate is 40 percent. All items of expenses, income and losses are included in the calculation of taxable income. The damage caused by the first earthquake, which has destroyed the company's location. In addition, the company found that in 2008 it had erroneously paid out an expense of $160,000 in the cost of a tract purchased that year and had made the same mistake in its tax return for 2008. Prepare a profit or loss account for the year ended 31 December 2009. Prepare a statement of retained earnings for the year ended 31 December 2009. I problem Hart Company's accountant has prepared the following incorrect statement of the equity of the equity holders for the year ended December 31: Equity holders: Paid Capital: Preferred-In Capital - 6%, cumulative (8,000 shares) $1,003,200 Total shares - 50,000 shares 2,856,000 Total paid capital $3,859,200 Retained earnings 1,636,800 Total Equity of $5,496,000 Authorized Shares consists of 12,000 shares with $120 per value and 75,000 shares, $48 per value. The preferred shares were issued in two cases: (1) 5,000 shares at face value, and (2) 3,000 shares at $134.40 per share. 50,000 shares of total shares were issued at $62.40 per share. Five thousand shares in the treasury's total stock were bought for $264,000. The accounting officer deducted the cost of treasury stocks from the total inventory account. Prepare the correct journal entries for each issue and purchase of cash items in advance. Prepare the correct share of the shareholders' equity on 31 December. Problem J On December 27, Glade Company was allowed to issue 250,000 shares for $24 for the total share. It then completed the Deals Next Year: Jan. 14 Issued 45,000 shares total stock of $30 per share per share per share per share. 29 Gave the promoters of the company 25,000 shares in total shares for their services by organizing the company. The Board of Directors valued these services at $744,000. 19 Exchanged 50,000 shares of total stocks for the following assets at the specified fair market values: Land $216,000 Building 528,000 Machinery 720,000 Prepare general journal entries to record transactions. The K problem in the Corporate Charter, which it received on 1 May 2009, allowed Norris Company to issue 15,000 shares of the total share. The company immediately issued 1,000 shares for $82 per share in cash. On July 2, the company issued 100 shares to a lawyer to meet an $8,400 bill for legal services provided through the organizing of the corporation. On 5 July, the company issued 1,000 shares to the company's main promoter in exchange for a patent. Another 200 shares were issued to the same person for the costs and services provided through the introduction of the company. The market value of the stock was $84 per share. Set up T-accounts and post these transactions. Then prepare a balance sheet for Norris Company from July 5, 2009, assuming the allowed stock face value of $75 per share. Repeat part a for the equity accounts of the shareholders and prepare the equity of the shareholders of the 5 July balance sheet, assuming that the allowed stock has no nominal value but has a indicated value of $30 per share. Repeat (a) part (a) (a) (a) of the equity accounts of the holders, assuming that the permitted stock shall have neither a nominal value nor a given value. Prepare the equity of the shareholders in the balance sheet. Problem L On May 1, 2009, the Farmington Company received a charter authoring it to issue: 4,000 shares of the no-per-preferred share, to which the value of $12 per share is granted. The stock is entitled to a cumulative dividend of $9.60 per share, convertible into two shares of common shares, callable for $208, and the right to one share in liquidated. 1,500 shares $400 on the value of $20 cumulative preferred stock, which is claimed for $420 and entitled to a $412 liquidation. 60,000 shares of the no-par total share, to which a value of $40 is awarded. May 1 All no-on cumulative preferred was issued for $204 per share. 2 All of the $400 on the preferred one was exchanged for merchandise inventory, land and buildings valued at $128,000, $160,000, and $425,000, respectively. 3 Cash of $15,000 was paid to compensate promoters for costs incurred in accounting, legal and printing services. In addition, 1000 shares were issued to the promoters of their services. The value of all services (including those paid in cash) was $55,000. Prepare journal entries for these transactions. Suppose that retained earnings Prepare the equity of the shareholders of the balance sheet on 31 May. Problem M received a charter on 2 January 2008. It issues all of its authorized shares a no-$104 per preferred share and all of its 12,000 authorized shares no-$40 per common share. The preferred share has a fixed value of $50 per share, is entitled to a basic cumulative dividend of $6 per share, has rings for $106 starting in 2010, and is eligible for $100 per share plus cumulative dividends in the event of liquidation. The total stock has a fixed value of $10 per share. As at 31 December 2009, at the end of the second year of operations, the retained earnings were USD 90 000. No dividends have been declared or paid to any of the categories of stocks. Prepare the capital of the shareholders of the king company as at 31 December 2009. Alternate problems Alternate problem on January 1, 2005, the retained profit for the Quigley Company was $432,000. Net income for the next five years was as follows: 2005 $288,000 in 2006 216,000 2007 4800 2008 48000 2009 264,000 The company's outstanding capital consisted of 2000 shares with a nominal value of 480 US$ per share, which pays dividends of US$19.20 per year and 8,000 shares in a total share with a stated value of $240 per share. As of 1 January 2005, no dividends were overdue. Prepare graphs showing how these five-year net income was divided into two classes, where in each year all current net income was distributed as dividends and the desired stock was: Cumulative. Noncumulative. Alternate problem B in the equity section of Carson Company's on December 31, 2008, balance sheet as follows: stock holder equity: Paid-In Capital: Common stock - $120 per value; allowed, 2000 shares; issued and outstanding, 1000 shares $120,000 Paid capital in excess of face value of 6000 Total paid capital $126,000 Retained earnings 48,000 Equity of shareholders $174,000 in 2009. In July 2009, the board announced a cash dividend of $12 per share, which was paid on August 1, 2009, the board announced a 10% share dividend and the shares were issued on December 15, 2009. The market value of the stock was $144 on December 1 and $168 on December 15. Prepare journal entries for these dividend transactions. Alternate problem in book C Falcone Company includes the following account balances for September 30, 2009: Appropriations for an unexpected $210,000 Appropriation factory expansion of 392,000 unallocated profits, unresourced 700,000 during October 2009, the company took steps to: Increase appropriations for unseparable issues by $60,000. Reduce appropriations for factory expansion by $160,000. Create an appropriation per loan contract, with an annual increase of $48,000. cash dividends of $140,000. Prepare journal entries to record these Falcone Company transactions. Alternate problem D After being selected data as shown at Taylor Corporation: on Dec 31, 2004 With the conduct of the Board of Directors, $450,000 in unallocated profits were appropriated to ensure the future expansion of the company's main building. (The same activity was carried out on the last day of each of the following four years. You don't need to make records for these years.) 2009 January 3 Acquires, costing $4,500, building permit to build a new wing on the main plant building. July 30 Paid $1,800,000 to Starke Construction Company for completion of the new wing. August 4 the Board of Directors authorized the release of the amount applied to the expansion of the plant building. 4 Board of Directors announced a 10 percent share dividend of $500 per 25,000 shares on the value of the total shares outstanding. The market price on that date was $660 per share. Prepare journal entries to record all of these transactions. Alternate problem E The following information applies to Dahl Corporation for 2009: Net income per year $1,680,000 Dividends declared in total shares of 235,000 Dividends declared preferred shares 134,000 Unsegregated earnings, January 1, umb won 5,040,000 Appropriation retirement bonds 672,000 Balance Sheet appropriation for possible loss lawsuit, no longer required on December 31, because a favorable court decision , (on the order of the directors) returns unappropriated retained earnings 840 000 Uncoasted profit report preparation for the year , which ended on 31 December 2009. Alternate problem F Acorn Company was after the selected deal in the first year of operation: Jan 1 Issued 20,000 shares $50 on the value of the total share for $1,240,000 in cash. May 1 Acquired 3,000 shares of its total stock for $100 per share. June 1 Reissued 500 shares for $120. 30 Reissued 700 shares for $90. Net income for the year was $480,000. No other transactions affecting retained earnings have been carried out during the year. Prepare general journal entries for these transactions. Prepare the equity share of shareholders on the balance sheet sheet as at 31 December. Alternate problem G share holder equity section of Sager Company's on December 31, 2008, balance sheet as follows: stock holder equity: Paid-In Capital: Preferred stock - $60 for a value of 5%; allowed, 5000 shares; issued and outstanding, 2500 shares $ 150,000 Common stock - no nominal value or specified value; allowed, 50,000 shares; issued, 25 000 shares, of which 500 are held in the treasury 225 000 Paid capital above face value – desired 3000 total paid capital $378,000 Retained earnings: Eligible: Factory expansion $15,000 Unreserved (limited to dividends up to $6,000, Treasury stock cost) 126,000 Total retained 141,000 Total Paid Capital and Retained Earnings $519,000 Less: Treasury Shares, Total, Cost (500 Shares) 6,000 Total Share Holders Equity $513,000 After Selected Transactions Held in 2009: Jan. 13 Cash was received for $13.20 of 550 shares of previously unemitated total shares. The February 4 plot was taken as payment in full for 500 shares of the total stock, and the stock was issued. The closing market price of the total stock on that date was $12 per share. March 24 All Treasury shares were reused at $14.40 per share. 23 June Ordinary half-yearly dividends on preferred share were declared. 30 The desired dividend was paid. July 3 A 10 percent share dividend was declared per share. The market price on that date was $16.80. October 4 The company atres 105 shares at its total stock of $14.40. December 18 Regular half-yearly dividends per preferred share and $0.24 per share per share were declared. 31 Both dividends were paid. 31 An additional appropriation of USD 3000 of unallocated profits for the expansion of the plant was allowed. Prepare journal entries to record 2009 transactions. Prepare a statement of retained earnings for 2009, assuming that net income for the year was $25,800. Prepare the equity section of the shareholders' equity section on the balance sheet as at 31 December 2009. Alternate problem H Selected data Ace Company for the year ended December 31, 2009 is: Sales, net $1,000,000 Interest expense 90,000 cash dividend on total stocks 150 000 Sales and administrative expenses 245 000 cash dividends per preferred share 70 000 Rental income 400 000 Cost of goods sold 6 200 0 0000 Interest income 90 000 Other revenue 150 000 Depreciation and maintenance of rental equipment 270 000 Share dividends on ordinary share reserves 300 000 Operating income of the Plastics Division up to In 2009, 50,000 Profits from plastics division 25,000 litigation losses (never happened) 400,000 Cumulative positive impact on previous years' income, changing to another depreciation method 80,000 Let's say the applicable federal income tax rate is 40 percent. All past items of expenses, income and losses are included in the calculation of taxable income. The damages in the proceedings stemmed from a court awarding damages for patent infringement in respect of a product manufactured and sold by the company in 2005 and 2006 but discontinued in 2006. In addition, the company found that in 2005 it had erroneously charged out an expense of $250,000 in costs for a tract purchased that year and had made the same mistake in its tax return for 2008. The retained earnings on January 1, 2009 were $5,600,000. Let's say there were 10,000 shares and 5,000 outstanding shares throughout the year. Prepare income statement and 2009 retained earnings statement. Alternate problem I trial balance Dex Corporation from December 31, 2009 contains the following selected balances: Notes payable (17% since May 1, 2011) $4,000,000 Allowance for unchargeable accounts 60,000 Total shares (no face value, $20 stated value; 300,000 shares authorized, issued, and outstanding) 6,000,000 Retained earnings, unappropriated 500,000 Dividends paid out (in cash, declared December 15 on preferred share) 14,000 Appropriation for upcoming litigation 600,000 Preferred shares (6% , $200 face value; 3000 shares authorised, issued and outstanding) 600 000 Paid-in capital – Donations 400 000 Paid-in capital above Par par – Preferred 10 000 Shows the shareholding's equity share from the balance sheet as at 31 December 2009. Alternate problem J On June 1, Cowling Company was allowed to issue 500,000 shares at $5 per value for the total stock. It then completed the following transactions: Jan. 14 Issued 90,000 shares total stock for $24 per share per share. 29 Gave out the company's promoters 50,000 shares of total shares for their services by organizing the company. The Board of Directors valued these services at $620,000. February 19 Exchanged 100,000 shares of total shares on the following assets at the specified fair market value: Equipment $180,000 Building 440,000 Land 600,000 Prepare general journal entries to record transactions using $5 per value. Prepare a January 14 journal entry assuming that the stock was issued with a specified value of $8 per share. Prepare a February 19 record assuming that stocks were issued were a no-on value for the stock. The problem of change K on July 3, 2009, Barr Company was allowed to issue 15,000 shares of the total stock; 3000 shares were immediately issued by the company's joint stock company's shares for USD 320 per share. On 5 July 2005, a further 300 shares were issued to the joint stock companies provided in the organisation of the company. The board valued these services at $96,000. On July 6, 2009, legal and printing costs of $12,000 were paid. These costs were related to the provision of corporate chartering and share bonds. Set up T-accounts and post these transactions. Then prepare the balance sheet of Barr Company from the end of July 10, 2009, assuming a value of $160 for the allowed stock. Repeat (a) T-accounts involving shareholders' equity, assuming that the shares are no-par shares with a value of $240. Prepare the equity of the shareholders in the balance sheet. Repeat (a) T-accounts involving shareholders' equity, assuming that the shares are at no nominal value. Prepare the equity of the shareholders in the balance sheet. Alternate problem L Tempo Company received a charter on April 1, 2009 to issue: (1) 10,000 shares $400 on value, $32 32 convertible preferred stock; (2) 10,000 shares $12 cumulative no-for preferred share with a stated value of $20 per share and a liquidation value of $100 per share; and (3) 100,000 shares no-par in a total share without a fixed value. On April 2, incorporators of the company purchased 50,000 shares of total shares for $80 per share, and 200 shares were issued to a lawyer for services provided by organizing the company. On April 3, the company issued all of its authorized shares at $32 convertible preferred stock land worth $1,600,000 and the building's value at $4,800,000. On April 8, the company issued 5,000 shares of $12 preferred shares in exchange for a patent valued at $1,040,000. On April 10, the company issued 1,000 shares with a total stock of $80 per share. Prepare general journal entries for these transactions. Prepare the equity shares of shareholders on 30 April 2009 in the balance sheet. Let's say the retained earnings were $80,000. Let's say that each part of the $32 convertible preferred share is convertible into six shares and that half of the preferred shares are converted on September 1, 2009. Specify the journal entry that you want. Alternate problem M Kane Company issued all of its 5,000 shares authorized for preferred shares on January 1, 2008, at $100 per share. The desired stock is a no-per-share, has a fixed value of $5 per share, is entitled to a cumulative basic preference dividend of $6 per share, is callable for $110 starting in 2009, and is eligible for a per share liquidated plus cumulative dividend of $100. On the same day, Kane also issued 10,000 authorized shares of no-par total shares with $10 announced worth $50 per share. As at 31 December 2009, when the company's year of operation was the end of the second year, the company's retained earnings were USD 160 000. No dividends have been declared or paid for any class of shares since the date of issue. Prepare the kane company's share of the shareholders' balance sheet as at 31 December 2009. Beyond the numbers critical thinking business decision event, the Rudd Company and Clay Company have very stable net income amounts to $4,800,000 and $3,200,000, respectively. The two companies distribute all net income as dividends each year. Rudd Company has 100,000 shares at $80 on the value of 6 percent of preferred shares, and 500,000 shares at $8 on the value of the total share outstanding. Clay Company has 50,000 shares of $40 on the value of 8 percent of preferred shares, and 400,000 shares at $8 on the value of the total stock outstanding. Both preferred stocks are cumulative. Calculates annual dividends per preferred share and each company's share. Based solely on previous information, what total stocks would you anticipate that it would have a higher market price per share? Why? Which company are you buying? Why? In the business decision case, B Jesse Waltrip recently inherited $480,000 in cash that he wants to invest in a total stock of either West Corporation or East Corporation. Both corporations have been producing the same type of products for five years. The equity sections of the last two shareholders of the companies' last balance sheets are followed by: equity of west corporation shareholders: Paid capital: ordinary stocks – $125 per value, 30,000 shares allowed, issued and outstanding $3,750,000 Retained earnings 3,450,000 Total shareholding equity $7,200,000 EAST CORPORATION shareholding equity: Paid capital: Preferred capital-8%, $500 per value, cumulative 4,000 shares allowed, issued and outstanding $2,000,000 Total share -$125 per value The 40,000 shares authorized, issued and unpaid $5,000,000 in unseparated earnings of 560,000 total shareholders' equity of $7,560,000 West Corporation has paid cash dividends of $6 per share each year since its creation; its total stock is currently selling for $590 per share. East Corporation's total stock is currently selling for $480 per share. Current year dividends and three previous year dividends for the desired stock are overdue. The desired stock has a liquidation value of $600 per share. What is the carrying amount of west Corporation shares and East Corporation shares? Is the carrying amount the main determinant of the market value of stocks? Based solely on previous information, what contribution would you recommend to Waltrip? Why? Business decisions in the case of C share holders in the equity section of Bates Corporation's balance sheet on June 30, 2009, as follows: share-holders equity: Paid capital: Common stock - $20 per value; 200 000 shares authorised; 80 000 shares issued and outstanding $1 600 000 Paid capital, in excess of the nominal value of 960,000 Total paid capital of $2,560,000 Retained earnings of 1,520,000 total shareholders' equity of $4,080,000 in July 2009, the directors of the company announced on 2 August 2009 a 10 % share dividend that can be distributed to record holders. On November 1, 2009, directors voted $2.40 per share for annual cash dividends payable on November 16, 2009. Four years before 2009, the company had paid an annual cash dividend of $2.52. As of July 1, 2009, Bob Jones owned 8,000 shares of Bates Corporation's total stock, which he had purchased four years earlier. The market value of his stock was $48 per share on July 1, 2009, and $43.64 per share on July 16, 2009. What amount of cash dividends will Jones receive in 2009? How does this amount differ from the amount of cash dividends Jones received in the previous four years? Jones has asked you, his CPA, to explain why the stock price fell from $48 to $43.64 on July 16, 2009. note jones explains your answer. Do you think Jones is better off leading stock dividends and $2.40 cash dividends than he would have been if he just received $2.52 cash dividends? Write a note to Jones explaining his answer. In the case of business decisions, D Keel Corporation has the following log entries: 1. Retained earnings 12 000 Retained earnings reserve 12 000 To record the corrective entry for the accounts to be inecoable. 2. Retained earnings 48 000 Depreciation reserve 48 000 To record depreciation expenses. 3. Retained earnings 120 000 net income 120 000 To record annual net income. 4. Retained earnings 8,000 Share dividends distributable – Total 8,000 To register a 10% share dividend declaration (100 shares to be distributed - $80 for the value of $120 market value). 5. Share dividends to be distributed – Total 8000 Total shares 8000 To register the distribution of dividends of the shares. 6. Treasury Stock 32,000 Cash 32,000 To record the purchase of 200 shares at $80 per value total stock at $160 per share. 7. Cash 17,600 Treasury Stock 17,600 To record a sale of 100 cash shares for $176 per share. 8. Cash 6800 Treasury shares 6800 To register the sale of 50 Treasury shares for $136 per share. 9. Ordinary stocks 16 000 Dividends payable 16 000 To register a cash dividend declaration. 10. Dividends payable 16 000 cash 16 000 To register the payment of cash dividends. Keel Corporation management has asked you, CPA, to analyze these log entries and decide if each of them is correct. The explanations are correct. If the journal entry is incorrect, prepare the journal entry that should have been made. Analysis of the Annual Report C The following questions are based on the 2006 Annual Report of the Coca-Cola Company. To view the report, go to the Coca-Cola website www.cocacola.com. After you activate the website, click on Coca-Cola Company. Go to investors and the menu will drop down, which is financiall as an option with financial statements (select this) on the right. Click Balance, and then open it to find the total cost of cash shares. Then go to Selected financial data and open it to find the number of common shares that have been outstanding. On the basis of the balance sheet and the notes, the total number of shares outstanding shall be determined; and at the end of 2006 the total cost of the cash shares. In writing, discuss what reasons Coca-Cola might have to get cash in stock. Find Coca-Cola's basic EPS in 2006 listed in its income statement. If the total stock market price on December 31, 2006 was $30, what was the price-to-profit ratio? Ethics Case Writing Experience D Based on Ethical Case, Answer the following questions about Ace Chemical Company in writing: Is this transaction fair to creditors? Why don't officers just declare a $4 million cash dividend? Or financial transactions fair to other shareholders? If you were one of the officers, would you feel comfortable going forward with this proposed treasury stock deal? Group Project E Teams with two to three students, go to the library to find articles that evaluate accounting software packages. To find these articles, use a periodical expense index, such as an accounting and tax index or a business periodical index. Compare the cost and functions of three accounting software packages. As a team, prepare a memorandum for the manager of a small retail company. Compare and contrast three accounting software packages so that the manager can decide which package to buy. The memorandum shall mention the sources used for data collection and shall refer appropriately to any direct means of reference or paraphrase. The title of the memorandum must include the date on which it is written, from which, and the subject matter. Group project F With a small group of students, go to the library and find the Financial Accounting Standards Report No. 4 Report profit and loss from debt cancellation published by the Financial Accounting Standards Board. Write a report to your instructor giving standard current. Why are these gains and losses considered extraordinary items? Why did the Council act on this? Why didn't one board member qualify? Group project G Finds annual reports of three companies with one or two other students and studies the accounts of shareholders' equity. Determine why the number of shares outstanding (if any) has changed during the current year. For example, the number of shares in circulation may have increased due to new issues, the use of share options, preferred share conversions, the use of guarantees, share dividends and other reasons. The number of outstanding shares may have decreased as a result of share buybacks (treasury share transactions). Write a message to your instructor who presents your conclusions. Also be prepared to make a short presentation in your class. Using the Internet view of the real world Visit the following website of General Electric Company: Continue the choice on the screen until you find a consolidated overview of changes in shareholders' equity. You'll probably go down some false paths to get this financial statement, but you can get there. This experience is part of learning to use the Internet. Track changes that have occurred in recent years in dividends and other transactions with shareholders. For more information, see notes in financial statements. Write a note to your instructor summarizing your conclusions. Visit this site in 3M: make choices on the screen until you find the Finance section. You'll probably go down some false paths to this information, but you can get there. This experience is part of learning to use the Internet. Track changes that have occurred in the equity section of the stock holders over the last two years. Identify the causes of the change. For more information, see notes in financial statements. Write a note to your instructor summarizing your conclusions. [1] Shareholders may agree to cancel (cancel) dividends already declared if the entity is in difficult financial conditions and must retain cash to pay the bills or acquire assets in order to continue operations. [2] If a corporation reduces the value of its shares without issuing more shares, say, from $100 to $60 per share, then $40 per share should be withdrawn from the relevant capital account and credited to paid-in Capital Recapitalization. Further discussion on this process, called recapitalisation, is beyond this text. [3] Another acceptable method of accounting for treasury share transactions is the face value method. We leave further discussion on the face value method of intermediate accounting texts. [4] The method illustrated here is called the memorandum method. Other acceptable methods of accounting for donated stocks are the cost method and the denomination method. The interim accounting texts deal with these two last methods. [5] FASB, Financial Accounting Standards Declaration No 96, Income Tax Accounting (Stamford. 19 July 1987).