1.



|  |
| --- |
| The balance sheet caption for common stock is the following: |

|  |  |
| --- | --- |
|  |  |
| Common stock without par value, 4,600,000 shares authorized,     800,000 shares issued, and 710,000 shares outstanding | $3,200,000 |
|  | |

|  |  |
| --- | --- |
| **Required:** | |
| **(a)** | Calculate the average price at which the shares were issued. **(Round your answer to 2 decimal places. Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Price | $ |

|  |  |
| --- | --- |
| **(c)** | If a cash dividend of $.16 per share were declared, calculate the total amount of cash that would be paid to stockholders. **(Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Cash | $ |

|  |  |
| --- | --- |
| **(d)** | What accounts for the difference between issued shares and outstanding shares? |
|  |  |
|  |  |

2.



|  |
| --- |
| Xener Inc. Inc., did not pay dividends in 2009 or 2010, even though 49,200 shares of its 8%, $60 par value cumulative preferred [stock](http://ezto.mhecloud.mcgraw-hill.com/) were outstanding during those years. The company has 268,000 shares of $3 par value common stock outstanding. |

|  |
| --- |
| **Required:** |

|  |  |
| --- | --- |
| **(a)** | Calculate the annual dividend per share obligation on the preferred stock. **(Round your answer to 2 decimal places. Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Annual dividend per share | $ |

|  |  |
| --- | --- |
| **(b)** | Calculate the amount that would be received by an [investor](http://ezto.mhecloud.mcgraw-hill.com/) who has owned 280 shares of preferred stock and 380 shares of common stock since 2008 if a $.50 per share dividend on the common stock is paid at the end of 2011. **(Round your answer to 2 decimal places.** **Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Total dividends received | $ |

3.



|  |
| --- |
| Assume that you own 5,000 shares of BlueCo., Inc., common stock and that you currently receive [cash](http://ezto.mhecloud.mcgraw-hill.com/) dividends of $0.7 per share per year. |

|  |  |
| --- | --- |
| **Required:** | |
| **(a)** | If BlueCo., Inc., declared a 6% [stock](http://ezto.mhecloud.mcgraw-hill.com/) dividend, how many shares of common stock would you receive as a dividend? |

|  |  |
| --- | --- |
| Dividend shares |  |

|  |  |
| --- | --- |
| **(b)** | Calculate the cash dividend per share amount to be paid after the stock dividend that would result in the same total cash dividend (as was received before the stock dividend). **(Round your answer to 2 decimal places. Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
| Total cash dividend | $ | per share |

|  |  |
| --- | --- |
| **(c)** | If the cash dividend remained at $0.7 per share after the stock dividend, what per share cash dividend amount without a stock dividend would have accomplished the same total cash dividend? **(Round your answer to 2 decimal places. Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
| Total cash dividend | $ | per share |

|  |  |
| --- | --- |
| **(d)** | Why would a company have a dividend policy of paying a $0.10 per share cash dividend and issuing a 6% stock dividend every year? |
|  |  |



|  |
| --- |
| Stayup Corp. was incorporated on January 1, 2010, and issued the following stock for [cash](http://ezto.mhecloud.mcgraw-hill.com/): |

|  |
| --- |
| 2,000,000 shares of no-par common stock were authorized; 365,000 shares were issued on January 1, 2010, at $33 per share. |
| 368,000 shares of $100 par value, 9.70% cumulative, preferred stock were authorized, and 132,000 shares were issued on January 1, 2010, at $133 per share. |
| Net [income](http://ezto.mhecloud.mcgraw-hill.com/) for the years ended December 31, 2010, 2011, and 2012, was $5,310,000, $7,510,000, and $9,350,000, respectively. |
| No dividends were declared or paid during 2010 or 2011. However, on December 17, 2012, the board of directors of Stayup. declared dividends of $6,010,000, payable on February 9, 2013, to holders of record as of January 4, 2013. |



 4.



|  |
| --- |
| **Requirement 1:** |

|  |  |
| --- | --- |
| **(a)** | Prepare the horizontal model for the issuance of common stock and *preferred* stock on January 1, 2010. (+ for increase, - for decrease and NE for no effect). |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Balance Sheet | | | | |  | Income Statement | | | | |
|  |  | | | | |  |  | | | | |
|  | Assets | = | Liabilities | + | Owners’ Equity | ← | Net income | = | Revenues | – | Expenses |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | | | | | | | | | |

|  |  |
| --- | --- |
| **(b)** | Prepare the horizontal model for the declaration of dividends on December 17, 2012. (+ for increase, - for decrease and NE for no effect). |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Balance Sheet | | | | |  | Income Statement | | | | |
|  |  | | | | |  |  | | | | |
|  | Assets | = | Liabilities | + | Owners’ Equity | ← | Net income | = | Revenues | – | Expenses |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | | | | | | | |

|  |  |
| --- | --- |
| **(c)** | Prepare the horizontal model for the [payment](http://ezto.mhecloud.mcgraw-hill.com/) of dividends on February 9, 2013. (+ for increase, - for decrease and NE for no effect). |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Balance Sheet | | | | |  | Income Statement | | | | |
|  |  | | | | |  |  | | | | |
|  | Assets | = | Liabilities | + | Owners’ Equity | ← | Net income | = | Revenues | – | Expenses |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | | | | | | | | | |



 5.



|  |  |
| --- | --- |
| **(d)** | Prepare the journal entry for the issuance of common stock and *preferred* stock on January 1, 2010. **(Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
| General Journal | Debit | Credit |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  | | |

|  |  |
| --- | --- |
| **(e)** | Prepare the journal entry for the declaration of dividends on December 17, 2012. **(Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
| General Journal | Debit | Credit |
|  |  |  |
|  |  |  |
|  | | |

|  |  |
| --- | --- |
| **(f)** | Prepare the journal entry for the payment of dividends on February 9, 2013. **(Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
| General Journal | Debit | [Credit](http://ezto.mhecloud.mcgraw-hill.com/) |
|  |  |  |
|  |  |  |
|  | | |

[check my work](javascript:;)[eBook Links (2)](javascript:doEbook('13252698212640411',%20E_13252698212640411,'http://connect.mcgraw-hill.com/connect/novellaEbook.do?location=/sites/0077269454/student_view0/ebook/chapter8/chbody1/paid-in_capital.htm#lo1');) [references](http://ezto.mhecloud.mcgraw-hill.com/)

|  |  |  |
| --- | --- | --- |
| **Worksheet** | Difficulty: Medium |  |



 6.



|  |
| --- |
| **Requirement 2:** |

|  |
| --- |
| Of the total amount of dividends declared during 2012, how much will be received by preferred shareholders? **(Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Preferred shareholders | $ |

|  |
| --- |
| For the following transactions. |

|  |  |
| --- | --- |
| a. | Sold 2,630 shares of $9.5 par value preferred [stock](http://ezto.mhecloud.mcgraw-hill.com/) at $13.50 per share. |
| b. | Declared the annual cash dividend of $2.6 per share on common stock. There were 8,600 shares of common stock issued and outstanding throughout the year. |
| c. | Issued 2,400 shares of $8 par value preferred stock in exchange for a building when the market price of preferred stock was $14 per share. |
| d. | Purchased 200 shares of preferred stock for the treasury at a price of $11.00 per share. |
| e. | Sold 60 shares of the preferred stock held in treasury (see d) for $18 per share. |
| f. | Declared and issued a 13% stock dividend on the $1 par value common stock when the market price per share was $38. |



 7.



|  |  |
| --- | --- |
| **Required:** | |
| **(a)** | Show the effect (if any) of each of the above transactions on each financial statement category by selecting a plus (+) or minus (–) sign or NE for no effect and the amount in the appropriate column. Do not show items that affect net [income](http://ezto.mhecloud.mcgraw-hill.com/) in the retained earnings column. **(For the Treasury Stock column related to transactions d and e, enter the effect as it relates to Treasury Stock and not to the right-side of the accounting equation. For example, if the transaction causes an increase in Treasury Stock by $20,000, then enter the effect as +20,000.)** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Transaction | Cash | Other Assets | Liabilities | Paid-In Capital | Retained Earnings | Treasury Stock | Net Income |
| a. |  |  |  |  |  |  |  |
| b. |  |  |  |  |  |  |  |
| c. |  |  |  |  |  |  |  |
| d. |  |  |  |  |  |  |  |
| e. |  |  |  |  |  |  |  |
| f. |  |  |  |  |  |  |  |
|  | | | | | | | |



 8.

|  |  |
| --- | --- |
| **(b)** | Prepare the journal entries to record each of the above transactions. **(Omit the "$" sign in your response.)** |

|  |  |  |  |
| --- | --- | --- | --- |
| Events | General Journal | Debit | [Credit](http://ezto.mhecloud.mcgraw-hill.com/) |
| a. |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| b. |  |  |  |
|  |  |  |  |
|  |  |  |  |
| c. |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| d. |  |  |  |
|  |  |  |  |
|  |  |  |  |
| e. |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| f. |  |  |  |
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|  | | | |

|  |
| --- |
| For the following transactions. |

|  |  |
| --- | --- |
| a. | Issued 470 shares of $90 par value preferred [stock](http://ezto.mhecloud.mcgraw-hill.com/) at par. |
| b. | Issued 720 shares of $90 par value preferred stock in exchange for land that had an appraised value of $91,800. |
| c. | Issued 20,000 shares of $5 par value common stock for $11 per share. |
| d. | Purchased 4,540 shares of common stock for the treasury at $12 per share. |
| e. | Sold 2,000 shares of the treasury stock purchased in transaction d for $14 per share. |
| f. | Declared a [cash](http://ezto.mhecloud.mcgraw-hill.com/) dividend of $2.15 per share on the preferred stock outstanding, to be paid early next year. |
| g. | Declared and issued a 6% stock dividend on the common stock when the market price per share of common stock was $16. (Assume state law allows stock dividends and stock splits on treasury stock.) |



 9.



|  |  |
| --- | --- |
| **Required:** | |
| **(a)** | Show the effect (if any) of each of the above transactions on each financial statement category by selecting a plus (+) or minus (–) or NE for no effect sign and the amount in the appropriate column. Do not show items that affect net [income](http://ezto.mhecloud.mcgraw-hill.com/) in the retained earnings column. You should assume that the transactions occurred in the listed chronological sequence and that no stock had been previously issued. (*Hint:* Remember to consider appropriate effects of previous transactions.) **(For the Treasury Stock column related to transactions d and e, enter the effect as it relates to Treasury Stock and not to the right-side of the accounting equation. For example, if the transaction causes an increase in Treasury Stock by $20,000, then enter the effect as +20,000. Round your answer to the nearest dollar amount.)** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Transaction | Cash | Other Assets | Liabilities | Paid-In Capital | Retained Earnings | Treasury Stock | Net Income |
| a. |  |  |  |  |  |  |  |
| b. |  |  |  |  |  |  |  |
| c. |  |  |  |  |  |  |  |
| d. |  |  |  |  |  |  |  |
| e. |  |  |  |  |  |  |  |
| f. |  |  |  |  |  |  |  |
| g. |  |  |  |  |  |  |  |
|  | | | | | | | |



 10.

|  |  |
| --- | --- |
| **(b)** | Prepare the journal entries to record each of the above transactions. **(Round your answer to the nearest dollar amount. Omit the "$" sign in your response.)** |

|  |  |  |  |
| --- | --- | --- | --- |
| Events | General Journal | Debit | [Credit](http://ezto.mhecloud.mcgraw-hill.com/) |
| a. |  |  |  |
|  |  |  |  |
|  |  |  |  |
| b. |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| c. |  |  |  |
|  |  |  |  |
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| d. |  |  |  |
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| e. |  |  |  |
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| f. |  |  |  |
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| g. |  |  |  |
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