

Exercise 8-4 *Effect of issuing common stock on the balance sheet*

Newly formed Electronics Services Corporation has 100,000 shares of \$10 par common stock authorized. On March 1, 2014, Electronics Services issued 20,000 shares of the stock for \$12 per share. On May 2 the company issued an additional 30,000 shares for \$15 per share. Electronics Services was not affected by other events during 2014.

Required

- a. Record the transactions in a horizontal statements model like the following one. In the Cash Flow column, indicate whether the item is an operating activity (OA), investing activity (IA), or financing activity (FA). Use NA to indicate that an element was not affected by the event.

Assets	=	Liab.	+	Equity		Rev.	-	Exp.	=	Net Inc.	Cash Flow
Cash	=		+	Com. Stk.	+ Paid-in Excess						

- b. Determine the amount Electronics Services would report for common stock on the December 31, 2014, balance sheet.
- c. Determine the amount Electronics Services would report for paid-in capital in excess of par.

- d. What is the total amount of capital contributed by the owners?
- e. What amount of total assets would Electronics Services report on the December 31, 2014, balance sheet?

Exercise 8-5 *Recording and reporting common and preferred stock transactions*

Goldman Inc. was organized on June 1, 2014. It was authorized to issue 500,000 shares of \$10 par common stock and 100,000 shares of 4 percent cumulative class A preferred stock. The class A stock had a stated value of \$50 per share. The following stock transactions pertain to Goldman Inc.:

1. Issued 40,000 shares of common stock for \$16 per share.
2. Issued 20,000 shares of the class A preferred stock for \$52 per share.
3. Issued 60,000 shares of common stock for \$20 per share.

Required

Prepare the stockholders' equity section of the balance sheet immediately after these transactions have been recognized.