The shareholders’ equity section of the balance sheet of TNL Systems Inc. included the following accounts at December 31, 2015:

|  |  |
| --- | --- |
| Shareholders’ Equity | ($ in millions) |
| Common stock, 240 million shares at $1 par | $240 |
| Paid-in capital—excess of par | 1,680 |
| Paid-in capital—share repurchase | 1 |
| Retained earnings | 1,100 |

1. During 2016, TNL Systems reacquired shares of its common stock and later sold shares in two separate transactions. Prepare the entries for both the purchase and subsequent resale of the shares assuming the shares are (a) retired and (b) viewed as treasury stock.

a. On February 5, 2016, TNL Systems purchased 6 million shares at $10 per share.

b. On July 9, 2016, the corporation sold 2 million shares at $12 per share.

c. On November 14, 2018, the corporation sold 2 million shares at $7 per share.

2. Prepare the shareholders’ equity section of TNL Systems’ balance sheet at December 31, 2018, comparing the two approaches. Assume all net income earned in 2016–2018 was distributed to shareholders as cash dividends.