Chapters 10 & 11: Notes, bonds and dividends

Chapter 10
Questions:

1. Georgia Lazenby believes a current liability is a debt that can be expected to be paid in one year. Is Georgia correct? Explain.

7.  (a) What are long-term Liabilities? Give two examples.
(b) What is a bond?

8. Contrast these types of bonds: (a) Secured and unsecured. (b) Convertible and callable.

19. Valentin Zukovsky says that liquidity and solvency are the same thing. Is he correct? If not, how do they differ?

BE10-1: Kananga Company has these obligations at Dec. 31: (a) a note payable for $100,000 due in 2 years, (b) a 10-year mortgage payable of $200,000 payable in ten $20,000 annual payments, (c) interest payable of $15,000 on the mortgage, and (d) accounts payable of $60,000. For each obligation, indicate whether it should be classified as a current liability.

Chapter 11:

BYP11-10: Greenwood Corporation has paid 60 consecutive quarterly cash dividends (15 years). The last 6 months have been a real cash drain on the company, however, as profit margins have been greatly narrowed by increasing competition.  With a cash balance sufficient to meet only day-to-day operating needs, the president, Gil Mailor, has decided that a stock dividend instead of a cash dividend should be declared. He tells Greenwood's financial vice-president, Vicki Lemke, to issue a press release stating that the company is extending its consecutive dividend record with the issuance of a 5% stock dividend. "Write the press release convincing the stockholders that the stock dividend is just as good as a cash dividend," he orders. "Just watch our stock rise when we announce the stock dividend; it must be a good thing if that happens."

Instructions
(a) Who are the stakeholders in this situation?
(b) Is there anything unethical about President Mailor's intentions or actions?
(c) What is the effect of a stock dividend on a corporation's stockholders' equity accounts? Which would you rather receive as a stockholder - a cash dividend or a stock dividend? Why?