1. Prepare the December 31, 2009, stockholders’ equity section of the balance sheet assuming that the company reports net income of $72,000 for the year.

Paid-in capital  
 8% Preferred stock, $29 par value,  
    50,000 shares authorized, 5,000  
    shares issued and outstanding $ 

 Common stock, $5 par value, 350,000  
    shares authorized; 160,000 shares  
    issued $ 

 Additional paid-in capital  
    Paid-in capital in excess of par

        value-preferred stock 

 Paid-in capital in excess of par  
 value-common stock 

 Paid-in capital from treasury stock  

 Total paid-in capital 

Retained earnings 



Less: Treasury stock (2,500 shares) at cost 

Total Stockholders' Equity$ 

2. **Identifying and Analyzing Financial Statement Effects of Dividends**  
The stockholders' equity of Kinney Company at December 31, 2008, is shown below.

|  |  |  |
| --- | --- | --- |
| 5% preferred stock, $100 par value, 28,000 shares authorized; 13,000 shares issued and outstanding |  | $  1,300,000 |
| Common stock, $5 par value, 80,000 shares authorized; 20,000 shares issued and outstanding |  | 100,000 |
| Paid-in capital in excess of par value—preferred stock |  | 40,000 |
| Paid-in capital in excess of par value—common stock |  | 120,000 |
| Retained earnings |  | 656,000 |
| Total stockholders' equity |  | $2,216,000 |

The following transactions, among others, occurred during 2009:

|  |  |
| --- | --- |
| Apr. 1 | Declared and issued a 100% stock dividend on all outstanding shares of common stock. The market value of the stock was $11 per share. |
| Dec. 7 | Declared and issued a 4% stock dividend on all outstanding shares of common stock. The market value of the stock was $14 per share. |
| Dec. 20 | Declared and paid (1) the annual cash dividend on the preferred stock and (2) a cash dividend of 80 cents per common share. |

(a) Use the financial statement effects template to indicate the effects of these separate transactions. **(You MUST enter the number "0", the number zero, in all cells that should be BLANK.)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **Balance Sheet http://www.webassign.net/images/blackdot.gif** | | | | | | | | | | | | | | | | |  | **Income Statement http://www.webassign.net/images/blackdot.gif** | | | | | | | | | | |
| **Transaction** | **Cash Asset** | | | **+** | | **Noncash Assets** | **=** | | **Liabilities** | | | | **+** | **Contributed Capital** | | | **+** | **Earned Capital** | | |  | **Revenues** | | **−** | | **Expenses** | | **=** | | **Net Income** | |
| Apr. 1 |  | |  | |  | | | = | |  |  |  | | |  |  | | |  |  | | | − | |  | | = | |  | |
| Dec. 7 |  | |  | |  | | | = | |  |  |  | | |  |  | | |  | | | − | |  | | = | |  | |
| Dec. 20 |  | |  | |  | | | = | |  |  |  | | |  |  | | |  | | | − | |  | | = | |  | |

(b) Compute retained earnings for 2009 assuming that the company reports 2009 net income of $253,000.  
$ 

3. **Reconciling Common Stock and Treasury Stock Balances**  
Following is the stockholders' equity section from the Abercrombie & Fitch† balance sheet.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Shareholders' Equity ($ thousands)** |  | **February 2, 2008** |  | **February 3, 2007** |
| Class A common stock—$0.01 par value: 150,000,000   shares authorized and 102,300,000 shares issued at   February 2, 2008, and February 3, 2007, respectively |  | $      1,023 |  | $      1,023 |
| Paid-in capital |  | 319,451 |  | 289,732 |
| Retained earnings |  | 2,051,463 |  | 1,646,290 |
| Accumulated other comprehensive income (loss),   net of tax |  | 7,118 |  | (994) |
| Treasury stock at average cost: 18,941,116 and   14,999,945 shares at February 2, 2008 and   February 3, 2007, respectively |  | (760,752) |  | (530,764) |
| Total shareholders' equity |  | $1,618,303 |  | $1,405,287 |

a) Show the computation to yield the $1,023 balance reported for common stock.

|  |  |  |  |
| --- | --- | --- | --- |
| ( shares) | x | ($ ) | = $1,023 thousand |

(b) How many shares are outstanding at 2008 fiscal year-end?  
shares  
  
(c) Use the common stock and paid-in capital accounts to determine the average price at which Abercrombie & Fitch issued its common stock. **(Round your answer to two decimal places.)**  
$   
  
(d) Use the treasury stock account to determine the average price Abercrombie & Fitch paid when it repurchased its common shares. **(Round your answer to two decimal places.)**  
$ 