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 Sheethttp://www.webassign.net/images/blackdot.gif** |  | **Income Statementhttp://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.)**
$ 