1. The common stock of Bugs & Thugs, Inc. is currently selling at $110 per share. The board decides to increase share volume prior to a new issue. The per share par value is $10; book value is $60 per share. 10m shares are outstanding and issued.

a)Provide the journal entries if the board decides to do a 2-for-1 stock split.

b)Provide the journal entries if the board decides to do a 100% stock dividend.

1. Acme Company reports the following in its stockholders’ equity section of the balance sheet of its December 311,2006 financial statements.

Description Par Dividend % issued

Preferred stock 110 10% 3,000 330,000

Common stock 6 20,000 120,000

Additional paid-in capital 125,000

Retained earnings 450,000

 1,025,000

*Hint: Ending number of common shares is 20,900. The journal entry for #5 includes a credit to common stock dividend distributable of 11,400. Total paid-in capital (including common stock, preferred stock, treasury stock, & all additional paid-in capitals equals $722,800.*

During 2007, Acme took part in the following transactions concerning stockholders’ equity.

1. Paid the annual 2006 $11 per share dividend on preferred stock and $3 per share dividend on common stock. These dividends had been declared on Dec. 31, 2006.
2. Purchased 1900 shares of its own outstanding common stock for $43 per share, Acme uses the cost method.
3. Reissued 900 treasury shares for land valued at $32k.
4. Issued 600 shares of preferred stock at $115 per share.
5. Declared a 10% stock dividend on the outstanding common stock when the stock is selling for $45 per share.
6. Issued the stock dividend.
7. Declared the annual 2007 $11 per share dividend on preferred stock and the $3 per share dividend common stock. These dividends are payable in 20078.
8. Prepare journal entries for the activities listed above.
9. Prepare the stockholders’ equity section of the balance sheet (inasmuch as is possible)
10. Mickey and Minnie, LTD, issued in 2006, at par, 70 $1000, 10% bonds, each convertible into 115 shares of common stock. Mickey and Minnie revenues were $21,500 and expenses of $9100 (except tax and interest, tax rate is 42%). In 2007, 3000 shares of common stock were outstanding; no bonds were converted or redeemed.

# of bonds issued 70

Fare value per bond 1,000

Total fare value 70,000

Dividend percent 10.00%

Each bond converts to 115 shares of common stock

Total revenues 21,500

Expenses 9,100

Interest expense 7,000

Tax expense 2,268

Tax rate 42%

# of shares outstanding 3,000

1. Compute diluted earnings per share for 2007 Hint: weighted average #of shares for diluted EPS is 11,50)
2. Compute diluted EPS, assuming the same as in a), except that bonds were issued 9/1/07, instead of in 2006. Hint: Net income for diluted EPS is 7,192)
3. Compute diluted EPS, assuming the same as in a), except that 20 of the 60 bonds were converted 7/1/07. Hint: basic EPS is .75) **Prepare the stockholders' equity section of the balance sheet (inasmuch as is possible).**