

## ACCT 101 - Chapter 11

### I. Nature of a Corporation

A.

1.

B.

C.

#### D. Forming a Corporation

1. Stockholder (owner)
2. Board of Directors
3. Officers
4. Employees

#### E. Forming a Corporation

1. Application – name, type of business
2. Corporate Charter
3. Articles of Incorporation
4. Bylaws
5. Officers
6. Costs – amortized over 5 years

### II. Paid-In-Capital

#### B. Stock

1. Authorized
2. Issued
3. Outstanding

C. Par Value/Stated Value

D. Classes of Stock

1. Common Stock

2. Preferred Stock

a. participating vs. non-participating

b. cumulative vs. non-cumulative

III. Issuing Stock

A.

B.

C.

On May 1, Terry Yockey Inc. issues 15,000 shares of \$2 par value common stock for \$18 per share.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	May	1					1
2							2
3							3
4							4

On May 14, Terry Yockey Inc. issued 6,000 shares of \$2 par value common stock in exchange for \$40,000 of equipment.

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	May 14					1
2						2
3						3
4						4

#### IV. Treasury Stock

##### A. Purchase

##### B. Basis

##### C. Par Value

1. DEBIT to Equity – Treasury Stock is a contra-equity account
2. Reduces number of shares outstanding, but not number of shares issued because shares of stock held in treasury are still considered issued, but not outstanding.

On October 1, Terry Yockey Inc. reacquired 200 shares of its common stock for \$8 per share.

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Oct 1					1
2						2
3						3

On, November 12, Terry Yockey Inc. resold 100 of the reacquired shares for \$9 per share.

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Nov 12					1
2						2
3						3
4						4

On December 8, Terry Yockey Inc. resold the remaining 100 reacquired shares for \$6 per share.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Dec	8					1
2							2
3							3
4							4

## V. Dividends

### A. Important Dates

1. Date of Declaration
2. Date of Record
3. Date of Payment

### B. Cash Dividends

On June 1, Terry Yockey Inc. declared a \$.50 cash dividend on its 21,000 outstanding shares of common stock to be paid on June 26, to stockholders of record on June 12.

1. Amount of the dividend

2. On June 1, the Date of Declaration

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	June	1					1
2							2
3							3

3. On June 12, the Date of Record

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	June 12					1
2						2
3						3

4. On, June 26, the Date of Payment

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	June 26					1
2						2
3						3

B. Stock Dividends

On August 1, Terry Yockey Inc. declared 5% stock dividend on its 21,000 outstanding shares of common stock to be distributed on August 31, to stockholders of record on August 16. The market value of the company's stock on August 1 is \$12 per share.

1. Amount of the dividend

2. On August 1, the Date of Declaration

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Aug 1					1
2						2
3						3

3. On August 16, the Date of Record

DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Aug 16					1
2						2
3						3

4. On August 31, the Date of Payment (Distribution)

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Aug	31					1
2							2
3							3

VI. Stock Split

A. Why do stocks split?

B. More shares, Less par value

1. 10,000 shares, \$10 par, 5-for-1 stock split

## VII. Reporting Stockholder's Equity

### Paid-in Capital:

Preferred \$5 stock, cumulative \$50 par (2,000 shares authorized and issued)	100,000	
Paid-in-Capital in Excess of Par Value - Preferred Stock	<u>10,000</u>	110,000
Common Stock, \$20 par (50,000 shares authorized, 45,000 shares issued, 40,000 shares outstanding)	900,000	
Paid-in-Capital in Excess of Par Value - Common Stock	<u>132,000</u>	1,032,000
Paid-in Capital – Treasury Stock		<u>20,000</u>
Total Paid-in-Capital		1,162,000
Retained Earnings		<u>120,000</u>
Total		1,282,000
Less: Treasury Stock		<u>85,000</u>
Total Stockholder's Equity		<u><u>\$ 1,197,000</u></u>

### Retained Earnings:

Retained Earnings, January 1, 2023		92,000
Net Income	58,000	
Dividends	<u>30,000</u>	
Net Increase in Retained Earnings		<u>28,000</u>
Retained Earnings, December 31, 2023		<u><u>\$ 120,000</u></u>

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Journalize the following transactions for Amity Fishing Supply for 2023.

On January 1, 2023, the Amity Fishing Supply had 80,000 shares of 3%, \$60 par, cumulative Preferred Stock authorized with 22,000 shares issued and outstanding. It also had 500,000 shares of \$2 par common stock authorized with 200,000 shares issued and outstanding.

- Jan 22 Sold 16,000 shares of \$2 par common stock for \$17 per share.
- Feb 16 Sold 1,200 shares of \$60 par, 3%, cumulative, preferred stock for \$130 per share.
- Apr 24 Purchased 2,400 shares of treasury stock common for \$23 per share.
- Jun 6 Re-issued 700 of the treasury shares purchased on April 24 for \$25 per share.
- Jul 2 Issued 3,200 shares of common stock in exchange for legal services. The value of the stock at the time of issue was \$19 per share.
- Sep 14 Purchased equipment with a fair market value of \$50,000 by paying \$5,000 in cash and issuing 1,700 shares of \$2 par common stock.
- Oct 23 Re-issued 700 of the treasury shares purchased on April 24 for \$16 per share.
- Nov 2 Declared dividends at the stated amount to Preferred stockholders and \$0.20 per share to Common stockholders to be paid on December 2 to stockholder's of record on November 30. There are no dividends in arrears.
- Dec 2 Paid the dividend declared on Nov. 2.
- Dec 16 Declared a 2% common stock dividend to be issued on January 16 to stockholder's of record on December 31. The market value of the stock on December 16 was \$20 per share.



# General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
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32						32
33						33
34						34
35						35
36						36
37						37
38						38
39						39
40						40
41						41

ACCT 101 - Chapter 11 Exercises

Journalize the following transactions using proper general journal format.

1. Issued 3,000 shares of \$1 par common stock for \$24 cash per share

	DATE	DESCRIPTION	P/R	DEBIT	CREDIT	
1						1
2						2
3						3

2. Issued 20,000 shares of \$3 par common stock for \$68 cash per share

	DATE	DESCRIPTION	P/R	DEBIT	CREDIT	
1						1
2						2
3						3

3. Purchased equipment by issuing 16,000 shares of \$0.50 par common stock. The market value of the stock at the time of purchase is \$20 per share.

	DATE	DESCRIPTION	P/R	DEBIT	CREDIT	
1						1
2						2
3						3

4. Purchased equipment for \$140,000 by paying \$10,000 cash, issuing a note for \$50,000 and issuing 5,000 shares of \$1 par common stock

	DATE	DESCRIPTION	P/R	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5

5. Purchased equipment by paying \$20,000 cash and issuing 15,000 shares of \$0.50 par common stock with a market value of \$12 at the time of purchase.

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1							1
2							2
3							3

6. On October 1, Flying Leprechaun Company repurchased 400 shares of its own common stock at \$12 per share

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Oct	1					1
2							2
3							3

7. On October 25, Flying Leprechaun Company resold 100 of the treasury shares at \$14 per share

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Oct	25					1
2							2
3							3
4							4

8. On November 11, Flying Leprechaun Company resold 20 of the treasury shares for \$11 per share

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Nov	11					1
2							2
3							3
4							4
5							5

9. On December 8, Flying Leprechaun Company resold 200 of the treasury shares at \$10 per share

	DATE		DESCRIPTION	P/R	DEBIT	CREDIT	
1	Nov	11					1
2							2
3							3
4							4
5							5