B-14.03

Prepare journal entries to record each of the following independent stock issue situations.

(a) Sherri Hui Corporation issued 100,000 shares of $1 par value common stock. The issue price was $30 per share.

(b) Ariana Corporation issued 50,000 shares of no par common stock for $10 per share.

(c) Laser Golf issued 40,000 shares of $100 par value preferred stock. The issue price was $102 per share.

(d) Charleston Industries issued 5,000 shares of $5 par value common stock for land with a fair value of $75,000.

B-14.04

Krull Corporation presented the following selected information. The company has a calendar year end.

Before considering the effects of dividends, if any, Krull's net income for 20X7 was $2,500,000.

Before considering the effects of dividends, if any, Krull's net income for 20X8 was $3,000,000.

Krull declared $750,000 of dividends on November 15, 20X7. The date of record was January 15, 20X8. The dividends were paid on February 1, 20X8.

Stockholders' equity, at January 1, 20X7, was $5,000,000. No transactions impacted stockholders' equity throughout 20X7 and 20X8, other than the impact of earnings and dividends on retained earnings.

(a) Prepare journal entries, if needed, to reflect the dividend declaration, the date of record, and the date of payment.

(b) How much was net income for 20X7 and 20X8?

(c) How much was total equity at the end of 20X7 and 20X8?

(d) Is total "working capital" reduced on the date of declaration, date of record, and/or date of payment?

B-14.05

Wiggins Corporation has 10,000,000 shares of $1 par value common stock outstanding. This stock was originally issued at $7 per share. The company also has 1,000,000 shares of $50, 4%, cumulative preferred stock outstanding. The preferred stock was originally issued at par. During 20X5, the company experienced a significant business interruption and was unable to pay any dividends. Prior to 20X5, the preferred shareholders had always received the expected dividend. During 20X6, the company returned to profitability, and paid $7,000,000 in dividends.

(a) How much is the company's legal capital, additional paid-in capital, and total paid-in capital?

(b) What accounting/disclosure is needed relating to the dividends in arrears on the preferred stock as of the end of 20X5 (i.e., should a liability be established)?

(c) How would the 20X6 dividends be divided between common and preferred stock?

B-14.08

Pasquali Corporation was incorporated on January 1, 20X4. The following equity-related transactions occurred during 20X4. Evaluate these activities and prepare a statement of stockholders' equity for the year ending December 31, 20X4.

Issued 4,000,000 shares of $1 par value common stock at $3 per share.

Declared and issued a 5% stock dividend (200,000 shares) at a time when the market value the stock was $6 per share.

Reacquired 15,000 treasury shares at $5 per share.

Declared and paid cash dividends of $100,000.

Reported net income for the full year of $1,500,000.