

ASSIGNMENT

Date 20
M T W T F S S

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SEAT NO: B18158024

Q1a) Find out the value of Retained Earning and Common Stock.

Market value = \$100/share

No. of shares = 2000

Share dividend = 10%

$$\begin{aligned} RE &= \text{par value} \times \% \text{ of SD} \times \text{No. of shares} \\ &= 100 \times 0.1 \times 2000 \\ &= 20,000 \end{aligned}$$

Retained Earnings
Common Stock

20,000

20,000

Q1b) What is the Impact of cash dividend and stock dividend on Balance Sheet?

CASH DIVIDENDS ON BALANCE SHEET:

Cash dividends affect two areas on the balance sheet: the cash and shareholder's equity accounts. Company records a liability to its shareholders in the dividend payable account after the dividend declaration and before the actual payment. After the dividends are paid the dividend payable is reversed and is no longer present on the liability side of the balance sheet. When the dividends are paid, the effect on balance sheet is a decrease in the

company's retained earnings and its cash balance. By the time company's financial statements are released the dividend is already paid and the decrease in retained earnings and cash are already recorded.

STOCK DIVIDEND ON BALANCE

SHEET:

Stock dividends have no impact on the cash position of a company and only impacts the shareholders equity section of the balance sheet. Stock dividend reduces

Company's cash balance and increases total stockholders equity for the par value of stock being distributed. If a company pays stock dividends, the dividends reduce the company's retained earnings and increase the common stock amount.