

Solution:

Stock splits are defined as methods by which the company increases the number of stocks by a factor, while keeping other factors same to affect the market prices.

The stock split is 3 for 2 i.e. for every 2 stocks that a person holds, they become 3 stocks.

However, here the Pacific Foods achieve their stock split by converting all the doublets of stocks into triplets of stocks without changing the par value (\$1) which results in an increase in the stocks being offered to public with a change in par value.

This is a direct contradiction to the definition of the stock split, which requires that no journal entry be needed because the par value per stock also changes. This implies that the split is more of a stock “dividend” compared to split.