

**ACC1701X**  
**ACCOUNTING FOR DECISION MAKERS**  
**SEMESTER 1 2022 / 2023**

**TUTORIAL 9 ANSWER SOLUTION**  
Equity

**Understanding Financial Statements - Samsung**

(a) How many different types of share does Samsung have? Did Samsung issue any new shares in 2021?

Samsung has two types of share – ordinary and preference shares. No, there was no issue of new shares in 2021.

(b) What is the par value of each type of share, if any?

From Note 18, total par value is ₩596,978 million and ₩82,289 million for ordinary and preference shares respectively. The issued ordinary and preference shares are respectively 5,969.783 million and 822,887 million respectively. Therefore, the par value for each type of share is ₩100.

(c) Calculate the price-earnings (PE) ratios for the financial year end of 2021 and 2022.

Note: You will need to search for and extract the market price of Samsung. Use the closing price at December 30. (*Hint: For EPS, extract it directly from the financial statements*)

	<b>2021</b>	<b>2020</b>
EPS (from Statement of Profit or Loss)	5,777	3,841
Market Price at Dec 31 (closing price)	78,300	81,000
<b>PE Ratio</b>	<b>13.55</b>	<b>21.09</b>

(d) Refer to the Statement of Changes in Equity (SCE), what is the amount of dividends reported under Retained Earnings in 2021? Refer to Note 19(B), what is the amount of dividends for the year 2021 disclosed in the notes? Refer to the Statement of Cash Flows (financing activities section), what is the amount of dividends paid reported for 2021? How do you reconcile these three different figures for the financial year of 2021?

On the 2021 SCE, dividend is ₩20,480,721.

On Note 19(B), total interim and year-end dividends relating 2021 is ₩9,809,438.

On the Statement of Cash Flows (SCF), dividends paid in 2021 is reported as ₩20,510,350.

There are different amounts relating to dividends reported on the SCE, the notes and the SCF for the following reasons:

- 1) The SCE shows the amount of dividends declared. A company records a liability when it declares dividends. The dividends for the last quarter of the year is declared only after the year-end as it is common practice to have shareholders approve the final dividend for the year in the following year. For Samsung, the year-end dividends for 2021 is declared in 2022, and the year-end dividends for 2020 is declared in 2021. Thus, the dividends reflected in the 2021 SCE is for the dividends that were **declared** in 2021 (i.e. 2020 year end dividends ₩13,124,260 + 2021 interim dividends ₩2,452,154 x 3 quarters = total ₩20,480,722). This number ties to the 2021 SCE (with rounding).
- 2) Note 19B shows the actual interim and year-end dividends for 2021. According to the Samsung annual report, the date of record for the year-end dividends is Dec 31, 2021, indicating that shareholders on this date are expected to receive the year-end dividends. Note that the date of record may differ in other markets and jurisdiction. The 2021 dividends for Samsung is the total of the 2021 interim dividends (₩2,452,154 x 3) + 2021 year-end dividends (₩2,452,976) = ₩9,809,438. This number ties to Note 19(B).
- 3) The SCF shows the amount of dividends paid. In 2021, Samsung paid ₩20,510,350 of its dividends in cash to its shareholders, which is the number shown on the SCF.

(e) Calculate the dividend payout ratio for financial years 2021 and 2020 (*Hint: Use dividends based on the record date*).

(In ₩'000,000)	2021	2020
Dividends (ordinary + preferred)	9,809,438	20,338,075
Net Income (attributable to owners)	39,243,791	26,090,846
<b>Dividend Payout Ratio</b>	<b>0.25</b>	<b>0.78</b>

Samsung's dividend payout ratio is 78% in 2020 and dropped to 25% in 2021.

Dividend payout ratio can also be obtained from Samsung's investor relations website: <https://www.samsung.com/global/ir/stock-information/shareholder-return/>

Alternative Answer:

*The following calculates Ordinary Dividend Payout Ratio using only ordinary dividends and the portion of net income that is available to the ordinary shareholders)*

(In ₩'000,000)	2021	2020
Ordinary Dividends	8,620,368	17,873,529
Net Income available to ordinary shareholders*	34,488,944	22,929,390
<b>Ordinary Dividend Payout Ratio</b>	<b>0.25</b>	<b>0.78</b>

\* From Note 26(A)(1).

# SSA Textbook Tutorial Assignment:

## E 12-11(LO4) Comparing Effects of Stock Dividends and Stock Split

	Before Action	After Share Dividend	After Share Split
<b>Equity</b>			
Common stock	\$ 600,000	\$ 642,000	\$ 600,000
Capital Surplus	0	49,000 <sup>(1)</sup>	0
Retained earnings	<u>1,720,000</u>	<u>1,629,000<sup>(2)</sup></u>	<u>1,720,000</u>
Total equity	<u>\$2,320,000</u>	<u>\$2,320,000</u>	<u>\$2,320,000</u>
 Outstanding shares	 <u>100,000</u>	 <u>107,000</u>	 <u>200,000</u>
Par value per share	\$ 6	\$ 6	\$ 3

<sup>(1)</sup>  $7,000 \times (\$13 - \$6) = 49,000$

<sup>(2)</sup>  $\$1,720,000 - (7,000 \times \$13) = 1,629,000$

## P 12-21 (LO3, LO5) Unifying Concepts: Stock Transactions, the Equity Section, and the Statement of Changes in Equity

<b>1. 2022</b>			
Feb. 15	Treasury Stock.....	108,000	
	Cash .....		108,000
	<i>Purchased 6,000 shares of treasury stock at \$18 per share.</i>		
May 21	Cash.....	73,500	
	Treasury Stock .....		63,000
	Paid-In Capital, Treasury Stock .....		10,500
	<i>Reissued 3,500 of the treasury shares purchased on February 15; selling price was \$21 per share.</i>		
Sept. 15	Cash.....	264,000	
	Common Stock.....		120,000
	Paid-In Capital in Excess of Par, Common Stock .....		144,000
	<i>Issued 12,000 shares of common stock at \$22 per share.</i>		
Dec. 21	Cash.....	57,500	
	Treasury Stock .....		45,000
	Paid-In Capital, Treasury Stock .....		12,500
	<i>Reissued the remaining 2,500 treasury shares purchased on February 15; selling price was \$23 per share.</i>		

31 Revenues.....	291,600	
Retained Earnings.....		91,600
Expenses .....		200,000
<i>Closed net income to Retained Earnings.</i>		

2. Probably the easiest way to prepare the equity section of the balance sheet is to first prepare T-accounts with the beginning equity balances, then post the equity part of the journal entries, and finally compute the ending balances to be reported in the equity section.

Common Stock				Paid-In Capital in Excess of Par, Common Stock			
	Beg. Bal.	700,000			Beg. Bal.	140,000	
	9/15	120,000			9/15	144,000	
	End. Bal.	820,000			End. Bal.	284,000	
Treasury Stock				Paid-In Capital, Treasury Stock			
2/15	108,000	5/21	63,000		5/21	10,500	
		12/21	45,000		12/21	12,500	
End. Bal.	0				End. Bal.	23,000	
Retained Earnings							
	Beg. Bal.	173,000					
	12/31	91,600					
	End. Bal.	264,600					

**JCB Corporation  
Partial Balance Sheet  
December 31, 2022**

**Equity**

***Contributed Capital:***

Common stock, \$10 par value, 150,000 shares authorized, 82,000 shares issued and outstanding .....		\$ 820,000
Paid-in capital in excess of par, common stock.....		284,000
Paid-in capital, treasury stock.....		<u>23,000</u>
Total contributed capital .....		\$1,127,000
Retained earnings .....		<u>264,600</u>
Total equity.....		<u>\$1,391,600</u>

P 12-21 (LO3, LO5)(Continued)

3.

**JCB Corporation**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 2022**

	Common Stock		Paid-In Capital in Excess of Par, Common Stock	Retained Earnings	Treasury Stock	Paid-In Capital, Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2021 .....	70,000	\$700,000	\$140,000	\$173,000	\$ 0	\$ 0	\$1,013,000
Net income .....	.....	.....	.....	91,600	.....	.....	91,600
Purchase of treasury stock (6,000 shares at \$18) .....	.....	.....	.....	.....	(108,000)	.....	(108,000)
Sale of treasury stock (3,500 shares at \$21) .....	.....	.....	.....	.....	63,000	10,500	73,500
Issuance of 12,000 previously unissued shares at \$22.....	12,000	120,000	144,000	.....	.....	.....	264,000
Sale of treasury stock (2,500 shares at \$23) .....	.....	.....	.....	.....	45,000	12,500	57,500
Balance, December 31, 2022.....	<u>82,000</u>	<u>\$820,000</u>	<u>\$284,000</u>	<u>\$264,600</u>	<u>\$ 0</u>	<u>\$23,000</u>	<u>\$1,391,600</u>