

Tutorial questions (E10-3, E10-5, E10-6, E10-7)

### Exercise 10-3 (LO 10-2)

#### Requirement 1

<u>January 1</u>		
<b>Cash</b> (700 shares x \$50)	<b>35,000</b>	
<b>Common Stock</b>		<b>35,000</b>
<i>(Issue no-par value common stock)</i>		

<u>April 1</u>		
<b>Cash</b> (110 shares x \$54)	<b>5,940</b>	
<b>Common Stock</b>		<b>5,940</b>
<i>(Issue no-par value common stock)</i>		

#### Requirement 2

<u>January 1</u>		
<b>Cash</b> (700 shares x \$50)	<b>35,000</b>	
<b>Common Stock</b> (700 shares x \$1.00)		<b>700</b>
<b>Additional Paid-in Capital</b> (difference)		<b>34,300</b>
<i>(Issue common stock above par or stated value)</i>		

<u>April 1</u>		
<b>Cash</b> (110 shares x \$54)	<b>5,940</b>	
<b>Common Stock</b> (110 shares x \$1.00)		<b>110</b>
<b>Additional Paid-in Capital</b> (difference)		<b>5,830</b>
<i>(Issue common stock above par or stated value)</i>		

### Exercise 10-5 (LO 10-3)

#### Requirement 1

Preferred dividends in arrears for 2023	\$10,000
Preferred dividends for 2024 (2,000 shares x 5% x \$100 par value)	10,000
Remaining dividends to common stockholders	<u>2,000</u>
Total dividends	<u>\$22,000</u>

#### Requirement 2

Preferred dividends in arrears for 2023	\$ 0
Preferred dividends for 2024 (2,000 shares x 5% x \$100 par value)	10,000
Remaining dividends to common stockholders	<u>12,000</u>
Total dividends	<u>\$22,000</u>

**Exercise 10-6** (LO 10-2, 10-3, 10-5)

	<u>Debit</u>	<u>Credit</u>
<u>February 1</u>		
<b>Cash</b> (6,000 x \$16)	<b>96,000</b>	
<b>Common Stock</b> (6,000 x \$16)		<b>96,000</b>
<i>(Issue common stock no-par value)</i>		
 <u>May 15</u>		
<b>Cash</b> (700 x \$13)	<b>9,100</b>	
<b>Preferred Stock</b> (700 x \$10)		<b>7,000</b>
<b>Additional Paid-in Capital</b>		<b>2,100</b>
<i>(Issue preferred stock above par)</i>		
 <u>October 1</u>		
<b>Dividends</b> (6,700 shares x \$1.25)	<b>8,375</b>	
<b>Dividends Payable</b>		<b>8,375</b>
<i>(Declare cash dividends)</i>		
 <u>October 15</u>		
<b>No Entry</b>		
 <u>October 31</u>		
<b>Dividends Payable</b> (6,700 shares x \$1.25)	<b>8,375</b>	
<b>Cash</b>		<b>8,375</b>
<i>(Pay cash dividends)</i>		

### Exercise 10-7 (LO 10-2, 10-3, 10-4)

<u>January 2, 2024</u>	<u>Debit</u>	<u>Credit</u>
<b>Cash</b> (100,000 x \$35)	<b>3,500,000</b>	
<b>Common Stock</b> (100,000 x \$1)		<b>100,000</b>
<b>Additional Paid-in Capital</b> (difference) <i>(Issue common stock above par)</i>		<b>3,400,000</b>
 <u>February 6, 2024</u>		
<b>Cash</b> (3,000 x \$11)	<b>33,000</b>	
<b>Preferred Stock</b> (3,000 x \$10)		<b>30,000</b>
<b>Additional Paid-in Capital</b> (difference) <i>(Issue preferred stock above par)</i>		<b>3,000</b>
 <u>September 10, 2024</u>		
<b>Treasury Stock</b> (11,000 shares x \$40)	<b>440,000</b>	
<b>Cash</b> <i>(Purchase treasury stock)</i>		<b>440,000</b>
 <u>December 15, 2024</u>		
<b>Cash</b> (5,500 shares x \$45)	<b>247,500</b>	
<b>Treasury Stock</b> (5,500 shares x \$40)		<b>220,000</b>
<b>Additional Paid-in Capital</b> (5,500 x \$5) <i>(Resell treasury stock above cost)</i>		<b>27,500</b>

Take-home questions (E10-11, E10-9,

P10-6A) **Exercise 10-8** (LO 10-5)

<u>March 15</u>	<u>Debit</u>	<u>Credit</u>
<b>Dividends</b> (210 million shares x \$0.125)	<b>26,250,000</b>	
<b>Dividends Payable</b>		<b>26,250,000</b>
<i>(Declare cash dividends)</i>		

March 30  
**No Entry**

<u>April 13</u>		
<b>Dividends Payable</b> (210 million shares x \$0.125)	<b>26,250,000</b>	
<b>Cash</b>		<b>26,250,000</b>
<i>(Pay cash dividends)</i>		

### Exercise 10-12 (LO 10-2, 10-4, 10-5)

<u>March 1, 2024</u>	<u>Debit</u>	<u>Credit</u>
<b>Cash</b> (65,000 x \$62)	<b>4,030,000</b>	
<b>Common Stock</b> (65,000 x \$1)		<b>65,000</b>
<b>Additional Paid-in Capital</b> (difference)		<b>3,965,000</b>
<i>(Issue common stock above par)</i>		
 <u>May 10, 2024</u>		
<b>Treasury Stock</b> (6,000 shares x \$65)	<b>390,000</b>	
<b>Cash</b>		<b>390,000</b>
<i>(Purchase treasury stock)</i>		
 <u>June 1, 2024</u>		
<b>Dividends</b> (159,000 shares x \$2.00)	<b>318,000</b>	
<b>Dividends Payable</b>		<b>318,000</b>
<i>(Declare cash dividends)</i>		
 <u>July 1, 2024</u>		
<b>Dividends Payable</b> (159,000 shares x \$2.00)	<b>318,000</b>	
<b>Cash</b>		<b>318,000</b>
<i>(Pay cash dividends)</i>		
 <u>October 21, 2024</u>		
<b>Cash</b> (3,000 shares x \$70)	<b>210,000</b>	
<b>Treasury Stock</b> (3,000 shares x \$65)		<b>195,000</b>
<b>Additional Paid-in Capital</b> (3,000 x \$5)		<b>15,000</b>
<i>(Resell treasury stock)</i>		

**Problem 10-6A** (LO 10-2, 10-3, 10-4, 10-5, 10-7)**Requirement 1**

<u>January 2, 2024</u>	<u>Debit</u>	<u>Credit</u>
<b>Cash</b> (110,000 x \$70)	<b>7,700,000</b>	
<b>Common Stock</b> (110,000 x \$1)		<b>110,000</b>
<b>Additional Paid-in Capital</b> (difference)		<b>7,590,000</b>
<i>(Issue common stock above par)</i>		
 <u>February 14, 2024</u>		
<b>Cash</b> (60,000 x \$12)	<b>720,000</b>	
<b>Preferred Stock</b> (60,000 x \$10)		<b>600,000</b>
<b>Additional Paid-in Capital</b> (difference)		<b>120,000</b>
<i>(Issue preferred stock above par)</i>		
 <u>May 8, 2024</u>		
<b>Treasury Stock</b> (11,000 shares x \$60)	<b>660,000</b>	
<b>Cash</b>		<b>660,000</b>
<i>(Purchase treasury stock)</i>		
 <u>May 31, 2024</u>		
<b>Cash</b> (5,500 shares x \$65)	<b>357,500</b>	
<b>Treasury Stock</b> (5,500 shares x \$60)		<b>330,000</b>
<b>Additional Paid-in Capital</b> (5,500 shares x \$5)		<b>27,500</b>
<i>(Resell treasury stock above cost)</i>		
 <u>December 1, 2024</u>		
<b>Dividends</b> [(104,500 shares x \$0.25) + \$36,000]	<b>62,125</b>	
<b>Dividends Payable</b>		<b>62,125</b>
<i>(Declare cash dividends)</i>		
 <u>December 30, 2024</u>		
<b>Dividends Payable</b>	<b>62,125</b>	
<b>Cash</b>		<b>62,125</b>
<i>(Pay cash dividends)</i>		

## Requirement 2

<p style="text-align: center;"><b>Major League Apparel</b> <b>Balance Sheet</b> <b>(Stockholders' Equity Section)</b> <b>December 31, 2024</b></p>
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<b>Stockholders' equity:</b>	
Preferred stock, \$10 par value	\$ 600,000
Common stock, \$1 par value	110,000
Additional paid-in capital	7,737,500
Total paid-in capital	<u>8,447,500</u>
Retained earnings	427,875*
Treasury stock, 5,500 shares	<u>(330,000)</u>
Total stockholders' equity	<u><u>\$8,545,375</u></u>

\*\$490,000 net income – \$62,125 in dividends