

Chapter 10 (week 11 lecture)

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

E10–3 Clothing Frontiers began operations on January 1 and engages in the following transactions during the year related to stockholders' equity.

January 1 Issues 700 shares of common stock for \$50 per share.

April 1 Issues 110 additional shares of common stock for \$54 per share.

Required:

1. Record the transactions, assuming Clothing Frontiers has no-par common stock.
2. Record the transactions, assuming Clothing Frontiers has either \$1 par value or \$1 stated value common stock.

E10–5 Nathan's Athletic Apparel has 2,000 shares of 5%, \$100 par value preferred stock the company issued at the beginning of 2023. All remaining shares are common stock. The company was not able to pay dividends in 2023, but plans to pay dividends of \$22,000 in 2024.

Required:

1. Assuming the preferred stock is cumulative, how much of the \$22,000 dividend will be paid to preferred stockholders and how much will be paid to common stockholders in 2024?
2. Assuming the preferred stock is noncumulative, how much of the \$22,000 dividend will be paid to preferred stockholders and how much will be paid to common stockholders in 2024?

E10–6 Italian Stallion has the following transactions during the year related to stockholders' equity.

February 1 Issues 6,000 shares of no-par common stock for \$16 per share.

May 15 Issues 700 shares of \$10 par value preferred stock for \$13 per share.

October 1 Declares a cash dividend of \$1.25 per share to all stockholders of record (both common and preferred) on October 15.

October 15 Date of record

October 31 Pays the cash dividend declared on October 1.

Required:

1. Record each of these transactions.

E10–7 Finishing Touches has two classes of stock authorized: 8%, \$10 par preferred, and \$1 par value common. The following transactions affect stockholders' equity during 2024, its first year of operations:

- January 2 Issues 100,000 shares of common stock for \$35 per share.
- February 6 Issues 3,000 shares of 8% preferred stock for \$11 per share.
- September 10 Purchases 11,000 shares of its own common stock for \$40 per share.
- December 15 Resells 5,500 shares of treasury stock at \$45 per share.

Required:

1. Record each of these transactions.

Take-home question (E10-11, E10-12, P10-6A)

E10–11 On March 15, **American Eagle** declares a quarterly cash dividend of \$0.125 per share payable on April 13 to all stockholders of record on March 30.

Required:

1. Record American Eagle's declaration and payment of cash dividends for its 210 million shares.

E10–12 Power Drive Corporation designs and produces a line of golf equipment and golf apparel. Power Drive has 100,000 shares of common stock outstanding as of the beginning of 2024. Power Drive has the following transactions affecting stockholders' equity in 2024.

- March 1 Issues 65,000 additional shares of \$1 par value common stock for \$62 per share.
- May 10 Purchases 6,000 shares of treasury stock for \$65 per share.
- June 1 Declares a cash dividend of \$2.00 per share to all stockholders of record on June 15.
(Hint: Dividends are not paid on treasury stock.)
- July 1 Pays the cash dividend declared on June 1.
- October 21 Resells 3,000 shares of treasury stock purchased on May 10 for \$70 per share.

Required:

1. Record each of these transactions.

P10–6A Major League Apparel has two classes of stock authorized: 6%, \$10 par preferred, and \$1 par value common. The following transactions affect stockholders' equity during 2024, its first year of operations:

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| January | 2 | Issue 110,000 shares of common stock for \$70 per share. |
| February | 14 | Issue 60,000 shares of preferred stock for \$12 per share. |
| May | 8 | Purchase 11,000 shares of its own common stock for \$60 per share. |
| May | 31 | Resell 5,500 shares of treasury stock for \$65 per share. |
| December | 1 | Declare a cash dividend on its common stock of \$0.25 per share and a \$36,000 (6% of par value) cash dividend on its preferred stock payable to all stockholders of record on December 15. The dividend is payable on December 30. (Hint: Dividends are not paid on treasury stock.) |
| December | 30 | Pay the cash dividends declared on December 1. |

Required:

1. Record each of these transactions.
2. Prepare the stockholders' equity section of the balance sheet as of December 31, 2024. Net income for the year was \$490,000.