

Practice Question

A company issued 510,000 shares. The par value is \$2 per share. The firm has sold all of its shares at an average price per share of \$15.35. The beginning retained earnings balance is \$309,700. This year, the firm had net income of \$78,360 and paid \$21,000 in dividends. Please fill in the equity account values for the beginning of next year.

Common stock	$\$2 \times 510,000 = \$1,020,000$
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Capital in excess

of par value (or $\$(15.35 - 2.0) \times 510,000 = \$6,808,500$

Capital Surplus)

Retained earnings	$\$309,700 + \$ (78,360 - 21,000) = \$367,060$
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Total equity	$\$1,020,000 + \$6,808,500 + \$367,060 = \$8,195,560$
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Book value per share $\$8,195,560 / 510,000 = \16.07

Market value of

equity (or $\$15.35 \times 510,000 = \$7,828,500$

Market

Capitalization)

