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速成教育
SPEED UP EDUCATION



BUS 321

Intermediate accounting

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SFU Week 5 Class | 2022/6/10

S P E E D U P E D U C A T I O N

Shareholder Equity

Common Share

- Represents the basic ownership interest
- Carry the residual risks and rewards of ownership
- A common shareholder is not guaranteed
 - Annual dividends
 - Assets upon dissolution
- Generally, common shareholders can
 - Elect Board of Directors through the voting rights
 - Profit the most if the company is successful

Preferred Share

- Rights may be sacrificed in return for other special rights or privileges
- Special class with preferential rights
 - Priority claim on earnings and assets upon dissolution or windup
 - Assurance of a dividend before common shares

Rank ahead of common shares for getting investment returned in case of bankruptcy

- Preferred shares may be issued with a dividend preference expressed as a
 - Percentage of the issue price (8% preferred shares)
 - Specific dollar amount per share (\$8 per share)
- A preference does not assure dividends will be paid
- Cumulative—dividends in arrears; must be paid before any profits can be distributed to common shareholders
- Convertible—exchange for common shares
- Callable/Redeemable—issuing corporation can call or redeem at specified dates and prices
- Retractable—shareholders can sell their shares to the company and the company must pay
- Participating—share in profit distributions above the stated rate

Subscription of Share

Share Subscriptions Receivable ($10 \times \$20 \times 50$)	10,000
Common Shares Subscribed	10,000

(To record receipt of subscriptions for 500 shares)

Cash	5,000
Share Subscriptions Receivable	5,000

(To record first instalment representing 50% of total due on subscribed shares)

After 6 month

Cash	5,000
Share Subscriptions Receivable	5,000

(To record receipt of final instalment on subscribed shares)

Common Shares Subscribed	10,000
Common Shares	10,000

(To record issuance of 500 shares upon receipt of final instalment from subscribers)

- If a subscriber defaults

Common Shares Subscribed	1,000
Share Subscriptions Receivable	500
Accounts Payable	500

(To record default on 50 shares subscribed for \$20 each and on which 50% had been paid)

Repurchase Share

- When shares are purchased or redeemed, likely the price paid will differ from the amount received
- For shares with no par value,
 - Assigned value = average per share amount for the class of shares on transaction date

Share Capital:

Class A, 10,500 shares issued and outstanding	\$ 63,000
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Class B, 50,000 shares issued and outstanding	<u>100,000</u>
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Total share capital	163,000
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Retained earnings	<u>300,000</u>
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Total shareholders' equity	<u>\$463,000</u>
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- On January 30, 2020, Cooke purchased and cancelled 500 Class A shares at a cost of \$4 per share.

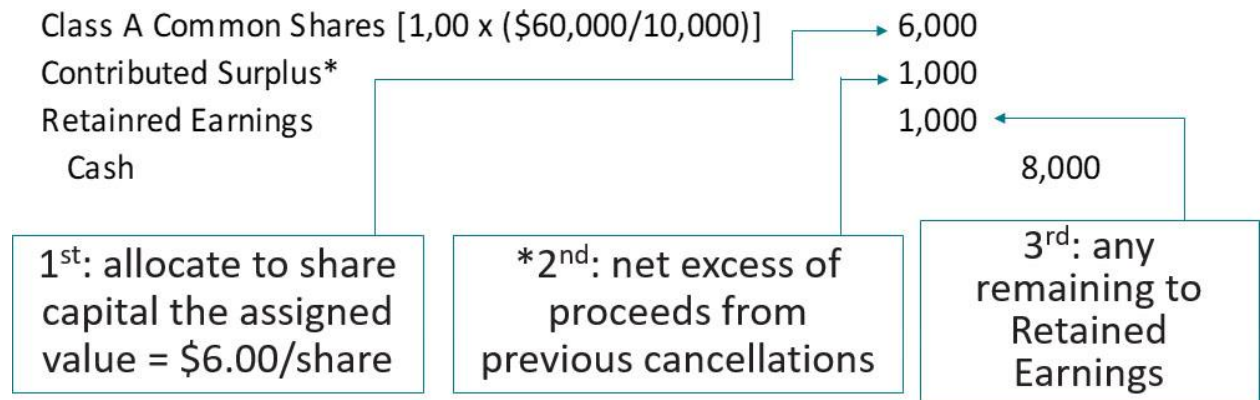
3,000

Class A Common Shares

Cash	2,000
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Contributed Surplus*	1,000
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- On September 10, 2020, the company purchased and cancelled an additional 1,000 Class A shares. The purchase cost was \$8 per share.



Stock Dividend and Stock Split

Dividend Preferences

\$50,000 to be distributed as cash dividends; outstanding common shares have a book value of \$400,000; 1,000 \$6 preferred shares outstanding (issued for \$100,000).

Scenario #1: Preferred shares are non-cumulative and non-participating

Scenario #2: Preferred shares are cumulative and non-participating; dividends on preferred shares not paid in previous 2 years

Scenario #3: Preferred shares are non-cumulative and fully participating

Scenario #4: Preferred shares are cumulative and fully participating; dividends on preferred shares not paid in previous 2 years

