

EXERCISE E14-1 – page 617

Date	Account Titles	Ref	Debit	Credit
4/1	Cash		425,000	
	Common Stock			125,000
	PIC in Excess of SV			300,000
6/15	Cash Dividends*		120,000	
	Dividends Payable			120,000
7/10	Dividends Payable		120,000	
	Cash			120,000
12/1	Cash		38,000	
	Common Stock			10,000
	PIC in Excess of SV			28,000
15	Cash Dividends*		146,400	
	Dividends Payable			146,400

- (b) Dividends reduce Retained Earnings on B.S.
 Dividends Payable is a Current Liability on B.S.

EXERCISE E14-3

pages 617-618

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1.	Stock Dividends*		378,000	
	Stk Divs Distributable			210,000
	PIC in Excess of Par			168,000
	<i>...and issue the stock</i>			
	Stk Divs Distributable		210,000	
	Common Stock			210,000
2.	Stock Dividends*		720,000	
	Stk Divs Distributable			180,000
	PIC in Excess of Par			540,000
	<i>...and issue the stock</i>			
	Stk Divs Distributable		180,000	
	Common Stock			180,000

EXERCISE E14-5

page 618

(a) (1) Before the dividend:

$$\begin{array}{l} \text{Total Stk Equity} = \$580,000 = \$7.25 \text{ BV}^* \text{ per sh} \\ \text{\# sh outstanding} \quad \quad \quad 80,000 \end{array}$$

*also called “equity” per share

Record the entries to 1) declare and 2) distribute the stock dividend.

Date	Account Titles	Ref	Debit	Credit
1)	Stock Dividends*		120,000	
	Stk Divs Distributable			40,000
	PIC in Excess of Par			80,000
2)	Stk Divs Distributable		40,000	
	Common Stock			40,000

(b)	<u>Before</u>	<u>Change</u>	<u>After</u>
C Stk	\$400,000	+ 40,000	\$440,000
PIC	25,000	+ 80,000	105,000
R E	<u>155,000</u>	<u>- 120,000</u>	<u>35,000</u>
Total S Equity	<u>\$580,000</u>	<u>-0-</u>	<u>\$580,000</u>

EXERCISE E14-5

(continued)

(a) (2) After the dividend:

$$\frac{\text{Total Stk Equity}}{\text{\# sh outstanding}} = \frac{\$580,000}{88,000} = \$6.5909 \text{ BV per sh}$$

Assumption:

*Derek owned 100 shares before the dividend.
Compute the book value of his holdings (1) before
the dividend and (2) after the dividend.*

$$(1) 100 \text{ shares} \quad \times \quad \$7.25 \quad = \quad \$725$$

$$(2) 110 \text{ shares} \quad \times \quad \$6.5909 \quad = \quad \$724.999$$

(b)

Common Stock	\$440,000
Paid-In Capital in Excess of Par Value	105,000
Retained Earnings	35,000

EXERCISE E14-7

pages 618-619

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1.	Cash Dividends*		50,000	
	Interest Expense			50,000
2.	Dividend Payable		10,000	
	Stock Dividends*		8,000	
	Stk Div Distributable			10,000
	PIC in Excess of Par			8,000
3.	Common Stock		2 m	
	Retained Earnings			2 m

EXERCISE E14-11 – page 619

**Ortiz Inc.
Balance Sheet
December 31, xxxx**

Assets

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Liabilities

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Stockholders' Equity

Paid-in Capital:

8% Preferred Stock (\$5 par, 40,000 shares auth, 30,000 issued)		\$150,000
Common Stock (no par, \$1 stated value, 400,000 sh auth, 300,000 shares issued, 290,000 shares outstanding)	\$300,000	
Common Stock Dividends Distributable	<u>30,000</u>	<u>330,000</u>
Total Capital Stock		\$480,000
Additional paid-in capital		
In excess of par--preferred	\$ 344,000	
In excess of s.v.--common	<u>1,200,000</u>	
Total additional paid-in capital		<u>1,544,000</u>
Total paid-in capital		\$2,024,000
Retained Earnings (See note)		<u>800,000</u>
Total paid-in capital and RE		\$2,824,000
Less: Treasury Stock (10,000 sh)		<u>74,000</u>
Total Stockholders' Equity		<u><u>\$2,750,000</u></u>

Note: Retained earnings is restricted for plant expansion, \$100,000.

BRIEF EXERCISE BE14-1

page 616

Name the three dates.

November 1 = Date of Declaration
December 1 = Date of Record
December 31 = Date of Payment

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
11/1	Cash Dividends		80,000	
	Dividends Payable			80,000
12/1	No entry required.			
12/31	Dividends Payable		80,000	
	Cash			80,000
	<u>Make the closing entry.</u>			
12/31	Retained Earnings		80,000	
	Cash Dividends			80,000

BRIEF EXERCISE BE14-2

page 616

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/1	Stock Dividends*		80,000	
	Stk Div Distributable			50,000
	PIC in Excess of Par			30,000
12/?	No entry required.			
12/31	Stk Div Distributable		50,000	
	Common Stock			50,000
	<i>Make the closing entry.</i>			
12/31	Retained Earnings		80,000	
	Stock Dividends			80,000

BRIEF EXERCISE BE14-4

page 616

From the data, prepare the entries for the third and fourth steps in closing entries.

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
12/31	Income Summary		140,000	
	Retained Earnings			140,000
31	Retained Earnings		85,000	
	Cash Dividends			85,000

Kerns, Inc.

Retained Earnings Statement

For the Year Ended December 31, 2008

Balance, January 1, 2008	\$220,000
Add: Net Income	<u>140,000</u>
Sub-total	\$360,000
Less: Dividends	<u>85,000</u>
Balance, December 31, 2008	<u><u>\$275,000</u></u>