

# PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II

## Corporations (retained)

### Overview

1. What is (are) Retained Earnings?
2. How is it changed?
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_



### Review from Last Week

Two major sections of Stockholders' Equity for corporation:

1. \_\_\_\_\_
2. \_\_\_\_\_

### What is Retained Earnings?

Synonyms:

Retained = \_\_\_\_\_

Earnings = \_\_\_\_\_

### How is Retained Earnings Changed?

\_\_\_\_\_ Retained Earnings \_\_\_\_\_  
\*  
\*  
\*  
\*  
\*  
\*  
\*

### Components of Net Income

1. \_\_\_\_\_
2. \_\_\_\_\_



### Requirements for Cash Dividends

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

### Misconceptions About Retained Earnings

Net Income = \_\_\_\_\_

Retained Earnings = \_\_\_\_\_

\_\_\_\_\_ = \_\_\_\_\_

### Important Dates for Cash Dividends

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_



## Recording Cash Dividends

### Date of Declaration

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |

### Date of Record

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |

### Date of Payment

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|--|--|--|
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### Step 4 of Closing Entries

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## Stock Dividends

With CASH dividends stockholders receive \_\_\_\_\_.

With STOCK dividends stockholders receive \_\_\_\_\_.

### Characteristics

1. \_\_\_\_\_
2. \_\_\_\_\_
3. shareholder must keep \_\_\_\_\_ to \_\_\_\_\_  
maintain proportionate share of \_\_\_\_\_

### Dates for STOCK Dividends

1. Declaration
2. Record
3. \_\_\_\_\_

## Recording Stock Dividends

### Date of Declaration

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### Date of Record

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### Date of Distribution

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|  |  |  |
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### Step 4 of Closing Entries

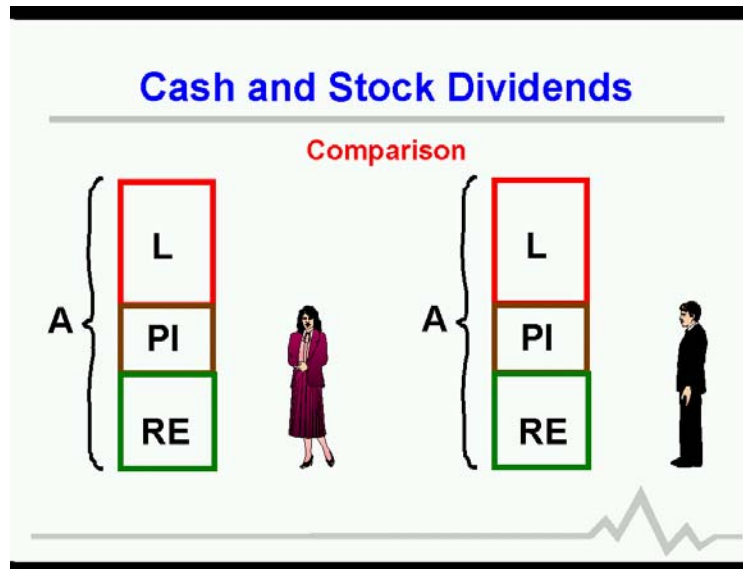
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## Comparing Cash and Stock Dividends

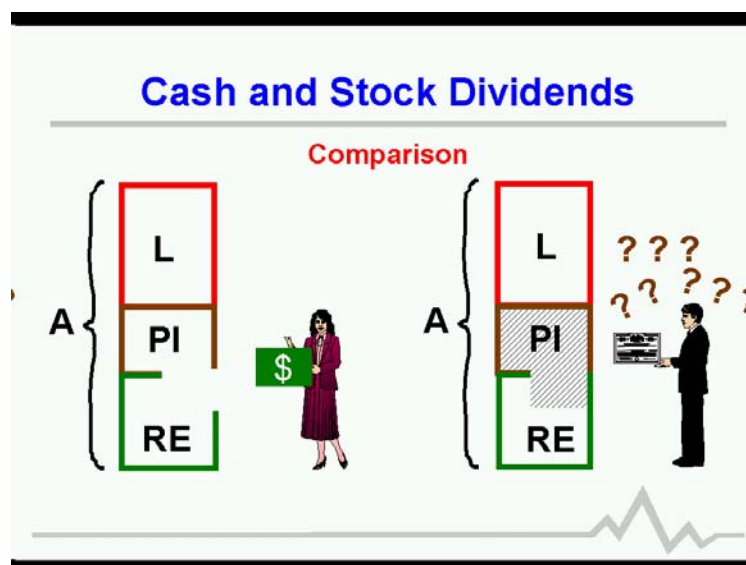
Consider this illustration of two identical corporations: same total assets, same liabilities, etc.

The first corporation (on the left) declares and pays a cash dividend while the second (on the right) declares and distributes a stock dividend. Consider the position of the individual stockholder in each situation. Reconsider later in the week after you have worked homework and exercises in class.

### Before the Dividends



### After the Dividends



## Stock Splits

### Characteristics of Stock Splits

1. reduction in \_\_\_\_\_
2. \_\_\_\_\_ entry required (memo only)
3. no change in paid-in, retained, or total stockholders' equity

