

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
(real life)

Date of Declaration

Date of Record

Date of Payment

Step 4 of Closing Entries

Recording Cash Dividends
(per textbook)

1.	Cash Dividends	xx	
	Dividends Payable		xx
2.			
3.	Dividends Payable	xx	
	Cash		xx

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
(real life)

Date of Declaration

Date of Record

Date of Distribution

Step 4 of Closing Entries

Recording Stock Dividends
(per textbook)

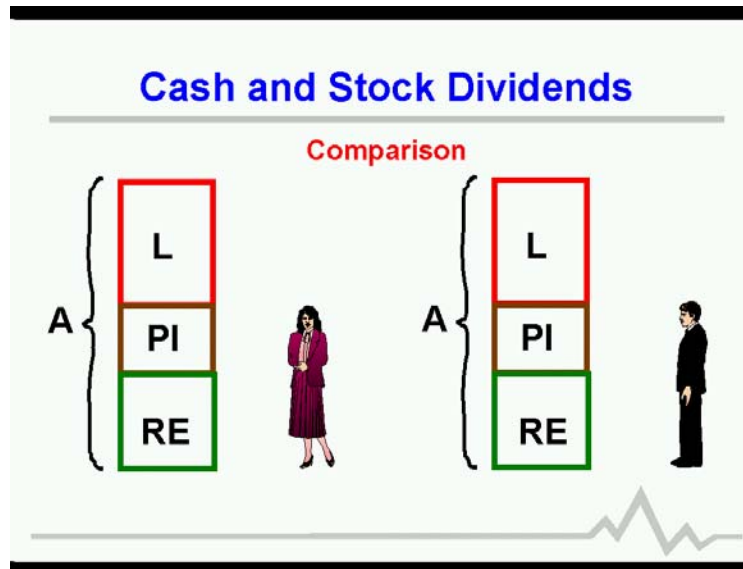
1.	Stock Dividends	mkt val	
	Stock Dividends Distributable		par or sv
	PIC in Excess of Par or SV — CS		excess
2.			
3.	Stock Dividends Distributable	par	
	Common Stock		par

Comparing Cash and Stock Dividends

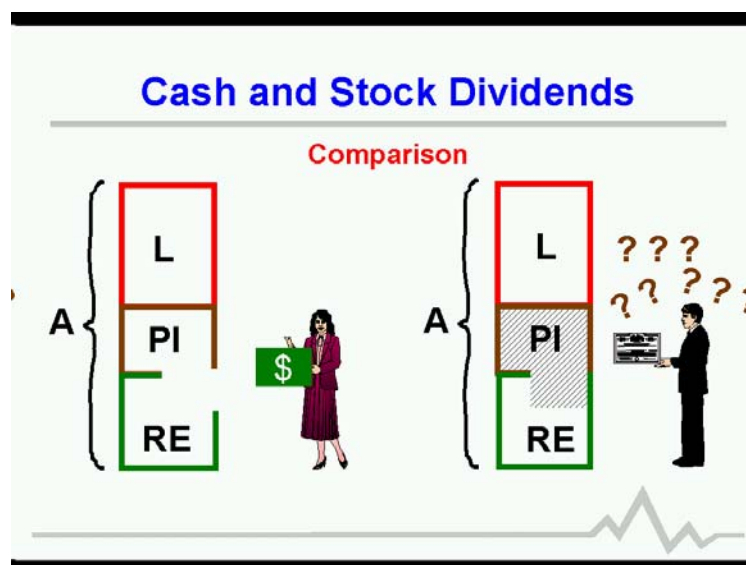
Consider this illustration of two identical corporations: same total assets, same liabilities, etc.

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.

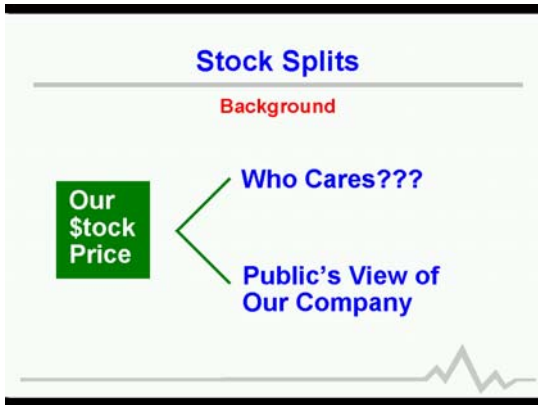
Before the Dividends



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

