

## Review

# Treasury Stock, Cash Dividends, Stock Dividends, and Stock Splits

As of January 1, the beginning of the current fiscal year, Shocky Corporation had issued 40,000 common, \$100 par shares of the 200,000 shares authorized. The retained earnings balance was \$947,500. The following transactions affecting common stock occurred during the fiscal year:

2/5      The board of directors declared a \$2 per share dividend on the common stock, payable on March 5 to stockholders of record on February 25.


3/5      Paid the dividends declared on February 5.


5/1      The board of directors authorized the reduction of par of its common shares from \$100 to \$25 when the market value of the stock was \$240.


After the split, determine ...

number of shares issued:  
number of shares outstanding:  
estimated market price after split:


5/31      Purchased 2,500 shares of treasury stock for \$65 each.


6/12 The board of directors declared a \$.50 per share dividend on the common stock outstanding, payable on July 8 to stockholders of record on July 1.


7/8 Paid the dividends declared on June 12.


8/29 Sold 500 of the treasury shares for \$70 each.


9/1 The board of directors declared a 5% stock dividend on outstanding common shares to be distributed on October 16 to stockholders of record on September 20. The market price of the stock is \$75 per share.


10/16 Distributed the stock dividend declared on September 1.


11/28 The board of directors declared a \$.50 per share dividend on the common stock outstanding, payable on December 15 to stockholders of record on December 13.


## Review

### **Treasury Stock, Cash Dividends, Stock Dividends, and Stock Splits**

As of January 1, the beginning of the current fiscal year, Shocky Corporation had issued 40,000 common, \$100 par shares of the 200,000 shares authorized. The retained earnings balance was \$947,500. The following transactions affecting common stock occurred during the fiscal year:

2/5 The board of directors declared a \$2 per share dividend on the common stock, payable on March 5 to stockholders of record on February 25.

<b>2/5</b>	<b>Cash Dividends (or RE)</b>		<b>80,000</b>	
	<b>Dividends Payable</b>			<b>80,000</b>

3/5 Paid the dividends declared on February 5.

<b>3/5</b>	<b>Dividends Payable</b>		<b>80,000</b>	
	<b>Cash</b>			<b>80,000</b>

5/1 The board of directors authorized the reduction of par of its common shares from \$100 to \$25 when the market value of the stock was \$240.

	<b>No entry necessary.</b>			

### **After the split, determine ...**

<b>number of shares issued:</b>	<b>160000</b>
<b>number of shares outstanding:</b>	<b>160000</b>
<b>estimated market price after split:</b>	<b>\$60</b>

5/31 Purchased 2,500 shares of treasury stock for \$65 each.

<b>5/31</b>	<b>Treasury Stock</b>		<b>162,500</b>	
	<b>Cash</b>			<b>162,500</b>

6/12 The board of directors declared a \$.50 per share dividend on the common stock outstanding, payable on July 8 to stockholders of record on July 1.

<b>6/12</b>	<b>Cash Dividends</b>		<b>78,750</b>	
	<b>Dividends Payable</b>			<b>78,750</b>

7/8 Paid the dividends declared on June 12.

<b>7/8</b>	<b>Dividends Payable</b>		<b>78,750</b>	
	<b>Cash</b>			<b>78,750</b>

8/29 Sold 500 of the treasury shares for \$70 each.

<b>8/29</b>	<b>Cash</b>		<b>35,000</b>	
	<b>Treasury Stock</b>			<b>32,500</b>
	<b>PIC from Treas Stk</b>			<b>2,500</b>

9/1 The board of directors declared a 5% stock dividend on outstanding common shares to be distributed on October 16 to stockholders of record on September 20. The market price of the stock is \$75 per share.

<b>9/1</b>	<b>Stock Dividends (or RE)</b>		<b>592,500</b>	
	<b>Stk Div Distributable</b>			<b>197,500</b>
	<b>PIC in Excess of Par</b>			<b>395,000</b>

10/16 Distributed the stock dividend declared on September 1.

<b>10/16</b>	<b>Stk Div Distributable</b>		<b>197,500</b>	
	<b>Common Stock</b>			<b>197,500</b>

11/28 The board of directors declared a \$.50 per share dividend on the common stock outstanding, payable on December 15 to stockholders of record on December 13.

<b>11/28</b>	<b>Cash Dividends</b>		<b>82,950</b>	
	<b>Dividends Payable</b>			<b>82,950</b>