

Corporate Work Sheets, Taxes, and Dividends

DEMONSTRATION PROBLEM

The Stockholders' Equity section of the balance sheet for Moore Company as of December 31, 20—, is as follows:

<i>Stockholders' Equity</i>			
<i>Paid-in Capital:</i>			
<i>Preferred 6 Percent Stock, \$100 par</i>			
<i>(2,000 shares authorized, 1,200</i>			
<i>shares issued)</i>	<i>\$120,000.00</i>		
<i>Paid-in Capital in Excess of Par Value</i>	<i>2,400.00</i>	<i>\$122,400.00</i>	
<i>Common Stock, no par, stated value</i>			
<i>\$20 per share (40,000 shares</i>			
<i>authorized, 12,250 shares issued)</i>	<i>\$245,000.00</i>		
<i>Paid-in Capital in Excess of Stated</i>			
<i>Value</i>	<i>119,100.00</i>	<i>364,100.00</i>	
<i>Total Paid-in Capital</i>		<i>\$486,500.00</i>	
<i>Retained Earnings:</i>			
<i>Unappropriated Retained Earnings</i>	<i>\$169,500.00</i>		
<i>Appropriated for Contingencies</i>	<i>13,000.00</i>		
<i>Total Retained Earnings</i>		<i>182,500.00</i>	
<i>Total Stockholders' Equity</i>			<i>\$669,000.00</i>

Moore Company engaged in the following selected transactions related to its stockholders' equity accounts during 20—:

- May 22 The board of directors voted a 2-for-1 stock split on the common stock effective May 22.
- July 6 Declared the annual cash dividend of \$6 per share on the preferred stock and a \$3 per share dividend on the common stock to stockholders of record on July 20, payable on July 28.
- 28 Paid the cash dividend declared on July 6.
- Oct. 16 Declared a 10 percent stock dividend on common stock outstanding to stockholders of record on November 1, distributable on November 20. Current market value of the stock is \$18 per share.
- Nov. 20 Issued the stock dividend declared on October 16.
- Dec. 31 The board of directors voted to increase the appropriation for contingencies, \$9,000.
- 31 After the accountant has closed all revenue, expense, and Income Tax Expense accounts, the Income Summary account has a credit balance of \$83,650. Closed the Income Summary account.

Instructions

- Record the transactions in general journal form, and post to the retained earnings accounts. Open the following ledger accounts:
 321 Retained Earnings
 322 Retained Earnings Appropriated for Contingencies
- Prepare a statement of retained earnings for the year ended December 31, 20—.
- Prepare the Stockholders' Equity section of the balance sheet as of December 31, 20—.

SOLUTION

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	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20—					1
2	May 22	Common Stock (\$20 stated value)		245,000.00		2
3		Common Stock (\$10 stated value)			245,000.00	3
4		The board of directors has this day				4
5		ordered a 2-for-1 stock split, increasing				5
6		the outstanding shares from 12,250 to				6
7		24,500 shares and reducing the stated				7
8		value from \$20 to \$10.				8
9		(24,500 x \$10)				9
10						10
11	July 6	Retained Earnings	321	80,700.00		11
12		Dividends Payable			80,700.00	12
13		To record declaration of the annual				13
14		dividend on preferred stock at the rate				14
15		of \$6 per share and on common stock				15
16		at the rate of \$3 per share to stock-				16
17		holders of record as of July 20, payable				17
18		July 28. This action was ordered by				18
19		the board of directors in the meeting				19
20		of July 6.				20
21		(1,200 x \$6) +				21
22		(24,500 x \$3)				22
23						23
24	28	Dividends Payable		80,700.00		24
25		Cash			80,700.00	25
26		Payment of dividends declared on				26
27		July 6 to stockholders of record				27
28		on July 20.				28
29						29

SOLUTION (continued)

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	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20—					1
2	Oct. 16	Retained Earnings	321	44,100.00		2
3		Stock Dividend Distributable			24,500.00	3
4		Paid-in Capital in Excess of Stated Value			19,600.00	4
5		Declaration of stock dividend to				5
6		stockholders of record as of				6
7		November 1, consisting of 2,450				7
8		shares.				8
9		(2,450 x \$10) +				9
10		(2,450 x \$8)				10
11						11
12	Nov. 20	Stock Dividend Distributable		24,500.00		12
13		Common Stock			24,500.00	13
14		Issued the stock dividend.				14
15						15
16	Dec. 31	Retained Earnings	321	9,000.00		16
17		Retained Earnings Appropriated for				17
18		Contingencies	322		9,000.00	18
19		The board of directors voted to				19
20		increase the appropriation account.				20
21						21
22		Closing Entry				22
23		31 Income Summary		83,650.00		23
24		Retained Earnings	321		83,650.00	24
25						25

ACCOUNT Retained Earnings

ACCOUNT NO. 321

DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
20—						
Dec. 31	Balance	✓				169,500.00
20—						
July 6	Cash dividend	64	80,700.00			88,800.00
Oct. 16	Stock dividend	65	44,100.00			44,700.00
Dec. 31	Appropriation	65	9,000.00			35,700.00
	31 Net Income	65		83,650.00		119,350.00

SOLUTION (continued)

Moore Company
Statement of Retained Earnings
For Year Ended December 31, 20—

<i>Unappropriated Retained Earnings:</i>				
<i>Unappropriated Retained Earnings,</i>				
<i>January 1, 20—</i>	<i>\$169,500.00</i>			
<i>Net Income for the Year</i>	<i>83,650.00</i>	<i>\$253,150.00</i>		
<i>Less: Cash Dividends Declared</i>	<i>\$ 80,700.00</i>			
<i>Stock Dividends Declared</i>	<i>44,100.00</i>			
<i>Transfer to Appropriation for</i>				
<i>Contingencies (see below)</i>				
	<i>9,000.00</i>	<i>133,800.00</i>		
<i>Unappropriated Retained Earnings,</i>				
<i>December 31, 20—</i>				<i>\$119,350.00</i>
<i>Appropriated Retained Earnings:</i>				
<i>Appropriation for Contingencies,</i>				
<i>January 1, 20—</i>		<i>\$ 13,000.00</i>		
<i>Add appropriation for the year</i>		<i>9,000.00</i>		
<i>Appropriations for Contingencies,</i>				
<i>December 31, 20—</i>				<i>22,000.00</i>
<i>Total Retained Earnings, December 31, 20—</i>				
				<i>\$141,350.00</i>

