**Chapter 11 Alternate Demonstration Problem #1**

**Uzi Company received a charter granting the right to issue 200,000 shares of $1 par value common stock and 10,000 shares of 8% cumulative and nonparticipating, $50 par value preferred stock that is callable at $80 per share. Selected transactions are presented below.**

|  |  |  |
| --- | --- | --- |
| **2021** |  |  |
| **Feb.** | **19** | **Issued 45,000 shares of common stock at par for cash.** |
|  |  |  |
|  | **22** | **Gave the corporation’s promoters 30,000 shares of common stock for their services in getting the corporation organized. The directors valued the services at $50,000.** |
| **Mar** | **30** | **Exchanged 100,000 shares of common stock for the following assets at fair market values: land, $25,000; building, $100,000; and machinery, $125,000.** |
| **Dec.** | **31** | **Closed the Income Summary account. A $25,000 loss was incurred.** |
| **2022** |  |  |
| **Jan.** | **12** | **Issued 1,000 shares of preferred stock at $75 per share.** |
| **Dec.** | **15** | **The board of directors declared an 8% dividend on preferred shares and $0.10 per share on outstanding common shares, payable on January 31 to the January 17 stockholders of record.** |
|  | **31** | **Closed the Income Summary account. A $69,000 net income was earned.** |
| **2023** |  |  |
| **Jan.** | **31** | **Paid the previously declared dividends.** |

**Required:**

**1. Prepare general journal entries to record the selected transactions.**

**2. Prepare a stockholders’ equity section as of the close of business on December 31, 2022.**

Chapter 11 Solution: Alternate Demonstration Problem #1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Part 1*** |  |  |  |  |
| **2021** |  |  |  |  |
| **Feb.** | **19** | **Cash** | **45,000** |  |
|  |  | **Common Stock** |  | **45,000** |
|  |  |  |  |  |
|  | **22** | **Organizational Expense** | **50,000** |  |
|  |  | **Common Stock** |  | **30,000** |
|  |  | **Paid-In Capital in Excess of Par  Value, Common Stock** |  | **20,000** |
|  |  |  |  |  |
| **Mar.** | **30** | **Land** | **25,000** |  |
|  |  | **Buildings** | **100,000** |  |
|  |  | **Machinery** | **125,000** |  |
|  |  | **Common Stock** |  | **100,000** |
|  |  | **Paid-In Capital in Excess of Par   Value, Common Stock** |  | **150,000** |
|  |  |  |  |  |
| **Dec.** | **31** | **Retained Earnings** | **25,000** |  |
|  |  | **Income Summary** |  | **25,000** |
| **2022** |  |  |  |  |
| **Jan.** | **12** | **Cash** | **75,000** |  |
|  |  | **Preferred Stock** |  | **50,000** |
|  |  | **Paid-In Capital in Excess of Par   Value, Preferred Stock** |  | **25,000** |
|  |  |  |  |  |
| **Dec.** | **15** | **Retained Earnings** | **21,500** |  |
|  |  | **Common Dividend Payable** |  | **17,500** |
|  |  | **Preferred Dividend Payable** |  | **4,000** |
|  |  |  |  |  |
|  | **31** | **Income Summary** | **69,000** |  |
|  |  | **Retained Earnings** |  | **69,000** |
|  |  |  |  |  |
| **2023** |  |  |  |  |
| **Jan.** | **31** | **Preferred Dividend Payable** | **4,000** |  |
|  |  | **Common Dividend Payable** | **17,500** |  |
|  |  | **Cash** |  | **21,500** |

***Part 2***

Stockholders’ Equity

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Preferred stock, $50 par value, 8% cumulative and** |  |  |
| **nonparticipating, 10,000 shares authorized, 1,000** |  |  |
| **shares issued** | **$ 50,000** |  |
| **Paid-in capital in excess of par, preferred stock** | **25,000** | **75,000** |
|  |  |  |
| **Common stock, $1 par value, 200,000 shares** |  |  |
| **authorized, 175,000 issued** | **$175,000** |  |
| **Paid-in capital in excess of par, common stock** | **170,000** | **345,000** |
| **Total Paid-in capital** |  | **420,000** |
| **Retained earnings** |  | **22,500** |
| **Total stockholders’ equity** |  | **$422,500** |

**\*rounded**

Chapter 11 Alternate Demonstration Problem #2

**At the beginning of 2021, Austin Corporation’s stockholders’ equity consisted of the following:**

|  |  |
| --- | --- |
| **Common stock, $25 par value, 30,000 shares authorized, 24,000 shares issued** | **$600,000** |
| **Paid-In capital in excess of par value common stock** | **90,000** |
| **Retained earnings** | **230,000** |
| **Total stockholders’ equity** | **$920,000** |
|  |  |

**During the year, the company completed these transactions:**

|  |  |  |
| --- | --- | --- |
| **June** | **6** | **Purchased 1,000 shares of treasury stock at $40 per share.** |
|  |  |  |
|  | **23** | **The directors voted a $0.50 per share cash dividend payable on July 25 to the July 20 stockholders of record.** |
| **July** | **25** | **Paid the dividend declared on June 23.** |
| **Aug.** | **10** | **Sold 500 of the treasury shares at $45 per share.** |
| **Oct.** | **20** | **Sold 500 of the treasury shares at $38 per share.** |
| **Dec.** | **15** | **The directors voted a $0.50 per share cash dividend payable on January 20 to the January 15 stockholders of record, and they voted a 2% stock dividend distributable on January 30 to the January 20 stockholders of record. The market value of the stock was $40 per share.** |
|  |  |  |
|  | **31** | **Closed the Income Summary account and carried the company’s $60,000 net income to Retained Earnings.** |

**Required:**

1. **Prepare general journal entries to record the transactions.**
2. **Prepare a retained earnings statement for the year and the stockholders’ equity section of the company’s year-end balance sheet.**

Chapter 11 Solution: Alternate Demonstration Problem #2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Part 1** |  |  |  |  |
|  |  |  |  |  |
| **June** | **6** | **Treasury Stock, Common** | **40,000** |  |
|  |  | **Cash** |  | **40,000** |
|  |  |  |  |  |
|  | **23** | **Retained Earnings** | **11,500** |  |
|  |  | **Common Dividend Payable** |  | **11,500** |
|  |  |  |  |  |
| **July** | **25** | **Common Dividend Payable** | **11,500** |  |
|  |  | **Cash** |  | **11,500** |
|  |  |  |  |  |
| **Aug.** | **10** | **Cash** | **22,500** |  |
|  |  | **Treasury Stock, Common** |  | **20,000** |
|  |  | **Paid-In Capital, Treasury Stock   Transactions** |  | **2,500** |
|  |  |  |  |  |
| **Oct.** | **20** | **Cash** | **19,000** |  |
|  |  | **Paid-In Capital, Treasury Stock   Transactions** | **1,000** |  |
|  |  | **Treasury Stock, Common** |  | **20,000** |
|  |  |  |  |  |
| **Dec.** | **15** | **Retained Earnings** | **31,200** |  |
|  |  | **Common Dividend Payable** |  | **12,000** |
|  |  | **Common Stock Dividend Distributable.** |  | **12,000** |
|  |  | **Paid-In Capital in Excess of Value Common Stock** |  | **7,200** |
|  |  |  |  |  |
|  | **31** | **Income Summary** | **60,000** |  |
|  |  | **Retained Earnings** |  | **60,000** |
|  |  |  |  |  |

**Part 2**

|  |  |  |
| --- | --- | --- |
| AUSTIN CORPORATION Statement of Retained Earnings For Year Ended December 31, 2021 | | |
| **Retained earnings, January 1, 2021** |  | **$230,000** |
| **Additions:** |  |  |
| **Net income for year** |  | **60,000** |
| **Total** |  | **290,000** |
| **Deductions:** |  |  |
| **Cash dividends declared** | **$23,500** |  |
| **Stock dividends declared** | **19,200** | **42,700** |
| **Retained earnings, December 31, 2021** |  | **$247,300** |

**Stockholders’ Equity**

|  |  |
| --- | --- |
| **Common stock, $25 par value, 30,000 shares authorized,   24,000 shares issued** | **$600,000** |
| **Common stock dividend distributable, 480 shares** | **12,000** |
| **Total common stock issued and to be issued** | **612,000** |
| **Paid-in capital in excess of par value, common stock** | **97,200** |
| **Total capital paid-in by common stockholders** | **709,200** |
| **Other Paid-in capital:** |  |
| **Paid-in capital, treasury stock** | **1,500** |
| **Total Paid-in capital** | **710,700** |
| **Retained earnings** | **247,300** |
| **Total stockholders’ equity** | **$958,000** |
|  |  |