CHAPTER 13

PROBLEMS: SET B

P13-1B Mendoza Corporation was organized on January 1, 2017. It is authorized to issue 20,000 shares of 6%, $40 par value preferred stock, and 500,000 shares of no-par common stock with a stated value of $2 per share. The following stock transactions were completed during the first year:

Jan. 10 Issued 100,000 shares of common stock for cash at $3 per share.
Mar. 1 Issued 10,000 shares of preferred stock for cash at $55 per share.
Apr. 1 Issued 25,000 shares of common stock for land. The asking price of the land was $90,000. The company's estimate of fair value of the land was $75,000.
May 1 Issued 75,000 shares of common stock for cash at $4 per share.
Aug. 1 Issued 10,000 shares of common stock to attorneys in payment of their bill for $50,000 for services performed in helping the company organize.
Sept. 1 Issued 5,000 shares of common stock for cash at $6 per share.
Nov. 1 Issued 2,000 shares of preferred stock for cash at $60 per share.

Instructions
(a) Journalize the transactions.
(b) Post to the stockholders’ equity accounts. (Use J1 as the posting reference.)
(c) Prepare the paid-in capital section of stockholders’ equity at December 31, 2017.

P13-2B Hawthorne Corporation had the following stockholders’ equity accounts on January 1, 2017: Common Stock ($1 par) $400,000, Paid-in Capital in Excess of Par—Common Stock $500,000, and Retained Earnings $100,000. In 2017, the company had the following treasury stock transactions.

Mar. 1 Purchased 5,000 shares at $7 per share.
June 1 Sold 1,000 shares at $10 per share.
Sept. 1 Sold 2,000 shares at $9 per share.
Dec. 1 Sold 1,000 shares at $5 per share.

Hawthorne Corporation uses the cost method of accounting for treasury stock. In 2017, the company reported net income of $80,000.

Instructions
(a) Journalize the treasury stock transactions, and prepare the closing entry at December 31, 2017, for net income.
(b) Open accounts for (1) Paid-in Capital from Treasury Stock, (2) Treasury Stock, and (3) Retained Earnings. Post to these accounts using J12 as the posting reference.
(c) Prepare the stockholders’ equity section for Hawthorne Corporation at December 31, 2017.

P13-3B The stockholders’ equity accounts of Lore Corporation on January 1, 2017, were as follows.

Preferred Stock (10%, $100 par, noncumulative, 5,000 shares authorized) $ 300,000
Common Stock ($5 stated value, 300,000 shares authorized) 1,000,000
Paid-in Capital in Excess of Par—Preferred Stock 20,000
Paid-in Capital in Excess of Stated Value—Common Stock 425,000
Retained Earnings 488,000
Treasury Stock (5,000 common shares) 40,000

During 2017, the corporation had the following transactions and events pertaining to its stockholders’ equity.

Feb. 1 Issued 3,000 shares of common stock for $25,500.
Mar. 20 Purchased 1,500 additional shares of common treasury stock at $8 per share.
June 14 Sold 4,000 shares of treasury stock—common for $36,000.
Sept. 3 Issued 2,000 shares of common stock for a patent valued at $19,000.
Dec. 31 Determined that net income for the year was $350,000.

Instructions
(a) Journalize the transactions and the closing entry for net income.
(b) Enter the beginning balances in the accounts and post the journal entries to the stockholders’ equity accounts. (Use J1 as the posting reference.)
(c) Prepare a stockholders’ equity section at December 31, 2017.
Gerstner Corporation is authorized to issue 10,000 shares of $40 par value, 10% preferred stock and 200,000 shares of $5 par value common stock. On January 1, 2017, the ledger contained the following stockholders’ equity balances.

- Preferred Stock (5,000 shares) $200,000
- Paid-in Capital in Excess of Par—Preferred Stock 60,000
- Common Stock (70,000 shares) 350,000
- Paid-in Capital in Excess of Par—Common Stock 700,000
- Retained Earnings 300,000

During 2017, the following transactions occurred.

- Feb. 1 Issued 1,000 shares of preferred stock for land having a fair value of $65,000.
- Mar. 1 Issued 2,000 shares of preferred stock for cash at $60 per share.
- July 1 Issued 20,000 shares of common stock for cash at $5.80 per share.
- Sept. 1 Issued 800 shares of preferred stock for a patent. The asking price of the patent was $60,000. Market price for the preferred stock was $65 and the fair value for the patent was indeterminable.
- Dec. 1 Issued 10,000 shares of common stock for cash at $6 per share.
- Dec. 31 Net income for the year was $210,000. No dividends were declared.

Instructions
(a) Journalize the transactions and the closing entry for net income.
(b) Enter the beginning balances in the accounts, and post the journal entries to the stockholders’ equity accounts. (Use J2 as the posting reference.)
(c) Prepare a stockholders’ equity section at December 31, 2017.

Prepare stockholders’ equity section at December 31, 2017.

The following stockholders’ equity accounts arranged alphabetically are in the ledger of Alpers Corporation at December 31, 2017.

- Common Stock ($10 stated value) $1,200,000
- Paid-in Capital from Treasury Stock 6,000
- Paid-in Capital in Excess of Par—Preferred Stock 288,400
- Paid-in Capital in Excess of Stated Value—Common Stock 690,000
- Preferred Stock (8%, $100 par, noncumulative) 300,000
- Retained Earnings 826,000
- Treasury Stock (8,000 common shares) 88,000

Instructions
Prepare a stockholders’ equity section at December 31, 2017.

Kingsley Corporation has been authorized to issue 40,000 shares of $100 par value, 8%, noncumulative preferred stock and 2,000,000 shares of no-par common stock. The corporation assigned a $5 stated value to the common stock. At December 31, 2017, the ledger contained the following balances pertaining to stockholders’ equity:

- Preferred Stock $  240,000
- Paid-in Capital in Excess of Par—Preferred Stock 56,000
- Common Stock 2,000,000
- Paid-in Capital in Excess of Stated Value—Common Stock 4,400,000
- Treasury Stock (1,000 common shares) 22,000
- Paid-in Capital from Treasury Stock 3,000
- Retained Earnings 560,000

The preferred stock was issued for land having a fair value of $296,000. All common stock issued was for cash. In November, 1,500 shares of common stock were purchased for the treasury at a per share cost of $22. In December, 500 shares of treasury stock were sold for $28 per share. No dividends were declared in 2017.

Instructions
(a) Prepare the journal entries for the:
   (1) Issuance of preferred stock for land.
   (2) Issuance of common stock for cash.
   (3) Purchase of common treasury stock for cash.
   (4) Sale of treasury stock for cash.
(b) Prepare the stockholders’ equity section at December 31, 2017.