CHAPTER 14

PROBLEMS: SET B

P14-1B On January 1, 2017, Chen Corporation had the following stockholders’ equity accounts.

- Common Stock ($5 par value, 200,000 shares issued and outstanding) $1,000,000
- Paid-in Capital in Excess of Par—Common Stock $200,000
- Retained Earnings $840,000

During the year, the following transactions occurred.

- Jan. 15 Declared a $1 cash dividend per share to stockholders of record on January 31, payable February 15.
- Feb. 15 Paid the dividend declared in January.
- Apr. 15 Declared a 10% stock dividend to stockholders of record on April 30, distributable May 15. On April 15, the market price of the stock was $15 per share.
- May 15 Issued the shares for the stock dividend.
- July 1 Announced a 2-for-1 stock split. The market price per share prior to the announcement was $17. (The new par value is $2.50.)
- Dec. 1 Declared a $0.50 per share cash dividend to stockholders of record on December 15, payable January 10, 2018.

Determined that net income for the year was $250,000.

Instructions
(a) Journalize the transactions and the closing entries for net income and dividends.
(b) Enter the beginning balances, and post the entries to the stockholders’ equity accounts.
(Note: Open additional stockholders’ equity accounts as needed.)
(c) Prepare a stockholders’ equity section at December 31.

P14-2B The stockholders’ equity accounts of Holt Inc., at January 1, 2017, are as follows.

- Preferred Stock, $100 par, 7% $600,000
- Common Stock, $10 par 900,000
- Paid-in Capital in Excess of Par—Preferred Stock 100,000
- Paid-in Capital in Excess of Par—Common Stock 200,000
- Retained Earnings 500,000

There were no dividends in arrears on preferred stock. During 2017, the company had the following transactions and events.

- July 1 Declared a $0.50 cash dividend per share on common stock.
- Aug. 1 Discovered a $72,000 overstatement of 2016 depreciation on equipment. (Ignore income taxes.)
- Sept. 1 Paid the cash dividend declared on July 1.
- Dec. 1 Declared a 10% stock dividend on common stock when the market price of the stock was $16 per share.
- 31 Determined that net income for the year was $350,000.

Instructions
(a) Journalize the transactions and the closing entries for net income and dividends.
(b) Enter the beginning balances in the accounts and post to the stockholders’ equity accounts. (Note: Open additional stockholders’ equity accounts as needed.)
(c) Prepare a retained earnings statement for the year.
(d) Prepare a stockholders’ equity section at December 31, 2017.

P14-3B The ledger of Giffin Corporation at December 31, 2017, after the books have been closed, contains the following stockholders’ equity accounts.

- Preferred Stock (10,000 shares issued) $1,000,000
- Common Stock (400,000 shares issued) 2,000,000
- Paid-in Capital in Excess of Par—Preferred Stock 200,000
- Paid-in Capital in Excess of Stated Value—Common Stock 1,180,000
- Common Stock Dividends Distributable 200,000
- Retained Earnings 2,560,000

Prepare dividend entries and stockholders’ equity section.

Prepare dividend entries and stockholders’ equity section.

Prepare retained earnings statement and stockholders’ equity section.

Prepare retained earnings statement and stockholders’ equity section, and compute allocation of dividends and earnings per share.
A review of the accounting records reveals the following.

1. No errors have been made in recording 2017 transactions or in preparing the closing entry for net income.
2. Preferred stock is 6%, $100 par value, noncumulative, and callable at $125. Since January 1, 2016, 10,000 shares have been outstanding; 20,000 shares are authorized.
3. Common stock is no-par with a stated value of $5 per share; 600,000 shares are authorized.
4. The January 1 balance in Retained Earnings was $2,450,000.
5. On October 1, 100,000 shares of common stock were sold for cash at $8 per share.
6. A cash dividend of $500,000 was declared and properly allocated to preferred and common stock on November 1. No dividends were paid to preferred stockholders in 2016.
7. On December 31, a 10% common stock dividend was declared out of retained earnings on common stock when the market price per share was $9.
8. Net income for the year was $970,000.
9. On December 31, 2017, the directors authorized disclosure of a $100,000 restriction of retained earnings for plant expansion. (Use Note A.)

Instructions
(a) Reproduce the Retained Earnings account (T-account) for 2017.
(b) Prepare a retained earnings statement for 2017.
(c) Prepare a stockholders’ equity section at December 31, 2017.
(d) Compute the allocation of the cash dividend to preferred and common stock.

P14-4B On January 1, 2017, Dingler Corporation had the following stockholders’ equity accounts.

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$2,800,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>

During the year, the following transactions occurred.

Feb. 1 Declared a $1 cash dividend per share to stockholders of record on February 15, payable March 1.
Mar. 1 Paid the dividend declared in February.
Apr. 1 Announced a 4-for-1 stock split. Prior to the split, the market price per share was $36.
July 1 Declared a 5% stock dividend to stockholders of record on July 15, distributable July 31. On July 1, the market price of the stock was $13 per share.
31 Issued the shares for the stock dividend.
Dec. 1 Declared a $0.50 per share dividend to stockholders of record on December 15, payable January 5, 2018.
31 Determined that net income for the year was $700,000.

Instructions
Prepare the stockholders’ equity section of the balance sheet at (a) March 31, (b) June 30, (c) September 30, and (d) December 31, 2017.

P14-5B On January 1, 2017, Hammond Inc. had the following shareholders’ equity balances.

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, no-par value (1,000,000 shares issued)</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Common Stock Dividends Distributable</td>
<td>$400,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$1,200,000</td>
</tr>
</tbody>
</table>

During 2017, the following transactions and events occurred.

1. Issued 100,000 shares of common stock as a result of a 10% stock dividend declared on December 15, 2016.
2. Issued 60,000 shares of common stock for cash at $5 per share.
3. Corrected an error that had understated the net income for 2015 by $140,000.
4. Declared and paid a cash dividend of $300,000.
5. Earned net income of $600,000.

Instructions
Prepare the stockholders’ equity section of the balance sheet at December 31, 2017.