

Answer questions about
shareholders' equity section.
(SO 2, 3, 4, 5) AP

P14-2A The shareholders' equity section of Maple Corporation, after closing on December 31, 2003, presented the following information:

MAPLE CORPORATION
Balance Sheet (partial)
December 31, 2003

Shareholders' equity		
Contributed capital		
Share capital		
8% cumulative preferred shares, \$60 stated value, 25,000 shares authorized, ? shares issued		\$1,200,000
Common shares, no par value, 500,000 shares authorized, 100,000 shares issued		1,000,000
Total share capital		2,200,000
Additional contributed capital		
Contributed capital in excess of stated value— preferred shares		200,000
Total contributed capital		2,400,000
Retained earnings		
January 1, 2003	\$500,000	
Net income	175,000	675,000
Total shareholders' equity		\$3,075,000

Instructions

- (a) How many preferred shares were issued at December 31, 2003?
- (b) What was the average selling price of the preferred shares, expressed on a per share basis?
- (c) What is the annual total preferred share dividend requirement, stated in dollars?
- (d) What was the total amount of dividends, if any, declared by Maple Corporation in 2003?
- (e) Assuming that there were no dividends in arrears at the beginning of 2003, are there any dividends in arrears at the end of 2003? If so, for what amount?

Journalize and post share trans-
actions. Prepare contributed cap-
ital section.
(SO 3, 4, 5) AP



P14-3A The Wetland Corporation was organized on January 1, 2003. It is authorized to issue 10,000 shares of 8% no par value preferred shares and 500,000 shares of no par value common shares with a stated value of \$2 per share. The following transactions were completed during the first year:

- Jan. 10 Issued 80,000 common shares for cash at \$3 per share.
 Mar. 1 Issued 5,000 preferred shares for cash at \$105 per share.
 Apr. 1 Issued 24,000 common shares for land. The asking price of the land was \$90,000. The fair market value of the land was \$80,000. The market value of the common shares was \$3.50 per share on this date.
 June 20 Issued 80,000 common shares for cash at \$4 per share.
 Aug. 1 Issued 10,000 common shares to lawyers in payment of their bill of \$50,000 for services rendered in helping the company organize. The market value of the common shares was \$5 on this date.
 Sept. 1 Issued 10,000 common shares for cash at \$5 per share.
 Nov. 1 Issued 1,000 preferred shares for cash at \$108 per share.

Instructions

- (a) Journalize the transactions.
- (b) Open general ledger accounts and post to the shareholders' equity accounts.
- (c) Prepare the contributed capital section of the shareholders' equity at December 31, 2003.

Journalize and post shareholders'
equity transactions. Prepare
shareholders' equity section.
(SO 3, 4, 5) AP

P14-4A Remmers Corporation is authorized to issue 10,000 shares of \$100 stated value 10% convertible preferred shares and 200,000 no par value common shares. On January 1, 2003, the ledger contained the following shareholders' equity balances:

Preferred Shares (4,000 shares)	\$ 400,000
Contributed Capital in Excess of Stated Value—Preferred	60,000
Common Shares (70,000 shares)	1,050,000
Retained Earnings	300,000



During 2003, the following transactions occurred:

- Feb. 1 Issued 1,050 preferred shares for land having a fair market value of \$125,000. The market value of the shares on this date was \$115 per share.
- Mar. 1 Issued 1,000 preferred shares for cash at \$120 per share.
- July 1 Holders of 1,000 preferred shares purchased at \$115 per share converted the shares into common shares. Each preferred share was convertible into 10 common shares. The market value of the preferred shares was \$125 per share.
- Sept. 1 Issued 400 preferred shares for a patent. The asking price of the patent was \$60,000. The market value of the preferred shares was \$125 per share.
- Dec. 1 Holders of 1,000 preferred shares purchased at \$120 per share converted the shares into common shares. Each preferred share was convertible into 10 common shares. Market values were preferred shares, \$125, and common shares, \$16.
- Dec. 31 Total revenues and expenses for the year were \$400,000 and \$250,000, respectively. No dividends were declared.

Instructions

- (a) Prior to 2003, what was the average price at which the preferred shares were issued?
- (b) Journalize the transactions that occurred during 2003 and the closing entries.
- (c) Enter the beginning balances in the accounts and post the journal entries to the shareholders' equity accounts.
- (d) Prepare the shareholders equity section of the balance sheet at December 31, 2003.

P14-5A The shareholders' equity accounts of Chung Corporation at January 1, 2003, were as follows:

Preferred Shares (no par value, \$10 noncumulative, 5,000 shares authorized, 3,000 shares issued)	\$ 320,000
Common Shares (no par value, unlimited number of shares authorized, 200,000 shares issued)	1,425,000
Retained Earnings	488,000

Journalize and post share transactions, and prepare shareholders' equity section. Calculate return on equity and book value. (SO 3, 4, 5, 6) AP



During 2003, the corporation had the following transactions and events related to its shareholders' equity:

- Feb. 1 Issued 4,000 common shares for \$25,000.
- July 20 Issued 1,000 preferred shares for \$107,000.
- Sept. 3 Issued 2,000 common shares for a patent valued at \$13,000.
- Dec. 31 Determined that net income for the year was \$240,000.

Instructions

- (a) Journalize the transactions.
- (b) Prepare summary closing entries, assuming revenues totalled \$500,000 and expenses totalled \$260,000.
- (c) Enter the beginning balances in the accounts and post the journal entries to the shareholders' equity accounts.
- (d) Prepare a shareholders' equity section of the balance sheet at December 31, 2003.
- (e) Calculate the return on equity at December 31, 2003.
- (f) Calculate the book value per common share at December 31, 2003.

P14-6A The following shareholders' equity accounts, arranged alphabetically, are in the ledger of Huy Corporation at December 31, 2003:

Common Shares (no par value, unlimited number of shares authorized, 150,000 shares issued)	\$2,400,000
Contributed Capital in Excess of Stated Value—Preferred Shares	300,000
Preferred Shares (\$6, cumulative, \$100 stated value, 100,000 shares authorized, 4,000 shares issued)	400,000
Retained Earnings	1,276,000

Prepare shareholders' equity section and calculate book value. (SO 5, 6) AP

Instructions

- (a) Prepare a shareholders' equity section at December 31, 2003.
- (b) Calculate the book value per common share, assuming the current year's dividend has been paid.
- (c) Repeat part (b) assuming the current year's dividend has not been paid and that Retained Earnings are \$1,300,000 instead of \$1,276,000.

Show impact of transactions on ratios.
(SO 6) AP

P14-7A Branch Inc.'s book value per common share and return on equity were \$10 and 10%, respectively, before each of the following independent transactions occurred:

Transaction	Book Value per Share (\$10)	Return on Equity (10%)
(a) Branch issued 1,000 no par value common shares for \$25 per share.		
(b) The company issued 100 no par value preferred shares for \$50 per share.		
(c) The company reported net income of \$100,000 for the current year.		

Instructions

Indicate whether the above transactions will increase (I), decrease (D), or have no effect (NE) on each of the ratios presented.

Calculate book values; compare to amounts paid in.
(SO 3, 6) AN

P14-8A The following shareholders' equity accounts, arranged alphabetically, are in the ledger of Hussain Corporation at December 31, 2003:

Common Shares—no par value (500,000 shares issued)	\$4,000,000
Preferred Shares—no par value, \$4 cumulative (20,000 shares issued)	1,600,000
Retained Earnings	250,000

Instructions

- Calculate the book value per common share, assuming the preferred dividends are two years (i.e., the current year and one previous year) in arrears.
- Repeat part (a) using five years of dividends in arrears.
- How does the book value compare to the average price paid per common share when the shares were issued?

Prepare balance sheet; calculate return on equity and book value.
(SO 5, 6) AP

P14-9A **Reitmans** has the following selected accounts, listed in alphabetical order, as at February 3, 2001:

REITMANS (CANADA) LIMITED
Selected Accounts
February 3, 2001
(in thousands)

Accounts payable and accrued items	\$ 35,187
Accounts receivable	2,556
Accrued pension asset (long-term)	6,903
Accumulated amortization—capital assets	41,136
Capital assets	127,172
Cash and short-term deposits	20,008
Class A nonvoting shares (unlimited authorized; 6,709,582 issued)	8,065
Common shares (unlimited authorized; 1,680,000 issued)	482
Dividends and other deductions from retained earnings	11,498
Future income taxes payable (long-term)	1,381
Income taxes payable	5,124
Investments	81,399
Merchandise inventories	38,481
Net income for the year	20,202
Prepaid expenses	8,816
Retained earnings, January 29, 2000	185,256

Instructions

- Prepare Reitmans' classified balance sheet at February 3, 2001.
- Calculate Reitmans' return on equity for the year ended February 3, 2001. Reitmans' shareholders' equity at January 29, 2000, was \$194,121.
- Calculate Reitmans' book value per common share at February 3, 2001. Treat the Class A shares as you would treat preferred shares in the book value calculation.