

Practice Set

ACCOUNTING FOR CORPORATIONS PART I

PART I ISSUING STOCK

Linda Smith was ready to start a new business shortly after the liquidation of Linda's Video Showcase. She chose the corporate form of business. On January 4, 1999, Linda Smith began The Computer Warehouse by investing \$20,000 Cash and Land valued at \$30,000. In return she received 4,000 shares of the 50,000 authorized shares of \$10 Par value Common Stock. Organization costs of \$10,000 were paid on January 4, with 1,000 shares of Common Stock. Friends of Linda's heard of her new venture, and on January 8, she received cash of \$80,000 for 6,000 shares of \$10 Par Common Stock. Transaction descriptions are not required. Make all Journal Entries.

DR. CR.

Hint: Contributed Capital in Excess of Par equaled \$30,000 as a result of the above transactions.

Business was excellent, and expansion capital was required. On June 30, 2,000 shares of the 5,000 authorized shares of 6% cumulative \$100 Par, callable at \$105 Preferred Stock were issued at \$104. Preferred Stock was not participating in reference to income nor was it convertible into Common Stock. Make the required Journal Entry.

DR. CR.

Hint: Contributed Capital in Excess of Par equaled \$8,000.

PART II PAYING A CASH DIVIDEND

On December 10, 1999, the Board of Directors of The Computer Warehouse declared an annual dividend to stockholders of record as of January 10, 2000, to be distributed on February 20, 2000. Preferred's 2,000 shares received 6%, and Common's 11,000 shares received 60 cents per share. Make all Journal Entries.

DR. CR.

Hint: \$18,600 in dividends were paid.