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Assignment for Chapter 12 and 13

Use the prepared submission file (excel assignment worksheet) located in the dropbox to complete your answers and submit the file into the dropbox for chapters 12 and 13. Explanations are not required for journal entries

Chapter 12

Chap12- North Star Co. had the following equity section on its Balance Sheet
Q-1 December 31, 2017

Contributed capital:

Preferred shares, \$4, cumulative, unlimited shares authorized. 40,000 shares issued and outstanding	\$1,440,000
Common Shares, unlimited authorized 500,000 shares issued and outstanding	<u>2,340,000</u>
Total contributed capital	\$3,780,000
Retained earnings	<u>820,000</u>
Total Equity	\$4,600,000

Net income for the year was \$268,000

The following share transactions occurring during 2018. (Jan 1 – Dec 31)

- March 5 Exchanged 80,000 common shares for a building with a fair market value of \$400,000.
- Nov 22 Declared the preferred share dividend and a \$0.30 cash dividend to the common shareholders.
(There were \$32,000 outstanding preferred dividends due from 2017)
Reminder: Don't forget to include the sale on March 5
- Nov 30 Paid the dividends declared on Nov 22.

Required:

- a) Prepare the journal entries for the three share transactions
Note: Ensure you take into consideration the additional shares sold in 2018 and the preferred dividends owed from 2017.
- b) What is the average price the company received for its common shares as of December 31, 2018
- c) Prepare a Statement of Changes in Equity for December 31, 2018.(Example page 788 and 779)

Chap 12
Q-2

Arcade Fire Ltd., since it was organized in January 2016 has issued and outstanding: 3,600 \$7, Preferred shares and 18,000 Common shares. It has declared and paid dividends each year.

2016	\$14,000
2017	\$96,000

Required: Complete the table located on the excel assignment worksheet allocating the dividends according to the two types of preferred shares. Cumulative and non-cumulative.

Chapter 13
Chap 13
Q-1

The Horizon Co. had equity on January 1, 2018 as follows:

Common shares 800,000 issued and outstanding	\$4,460,000
Retained earnings	\$5,000,000

Mar 14 The board of directors declared a 6% share dividend to shareholders of record on March 14 to be issued on March 30.
The market price of the shares on March 14, March 18 and March 30 were \$8.40, \$9.30, and \$7.70 respectively.

Required:

Prepare the journal entries for the declaration date and the distribution date.

Chap 13
Q-2

Commons Inc. has the following shareholders' equity as of December 31, 2017.

Common shares ,400,000 issued and outstanding	\$5,600,000
Retained Earnings	\$3,800,000

The following transactions related to the company's shares took place during 2018.

July 1 Repurchased and retired 8,000 shares at \$12 per share.

Dec 20 Repurchased and retired 14,000 shares at \$18 per share.

Required:

Prepare the journal entries to record the Jul 1 and Dec 20 share transactions.

Note: This was the first time the company had repurchased its shares

Chap 13 Q-3 CEM Co. reported net income of \$886,000 for 2018. It also declared and paid \$68,000 preferred dividends for the same year.

At the beginning of 2018 the company had 58,000 common shares outstanding. The following three event changed the number of common shares outstanding during the year

Note: The company's year-end is December 31.

Mar 1	Sold 38,000 common shares
June 30	Repurchased and retired 7,000 common shares
Sept 1	Completed a 3 for 1 share split

Required:

Calculate the Earnings per Share for the year.

Hint: Exhibits 13.10 and 13.11 are good examples of the proper presentation to answer this question

Reminder: Don't forget the whole month rule

Chapter 12 Summary
Record share transaction
Concept of Average Share price (*What did the company receive on average for its shares?*)
Statement of Changes in Equity
Allocating cash dividends between cumulative and non- cumulative preferred shares and common shares

Chapter 13 Summary
Calculate and prepare journal entries for share dividends
Record the entries when a company repurchases its share – (*new account Contributed Capital from Retirement of Common Share*)
Calculate Earnings per Share (EPS) - analysis tool when considering the investing in a company by buying their shares.



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