

Q1) The following information is from the balance sheet of Tudor Corporation as of December 31, 2010.

Preferred stock, \$100 par	\$ 500,000
Paid-in capital in excess of par-preferred	35,000
Common stock, \$1 par	190,000
Paid-in capital in excess of par -common	380,000
Retained earnings	131,500
Total stockholders' equity	<u>\$1,236,500</u>

What was the average issue price of the **common stock shares**?

Calculations: $(\$190,000/\$1 \text{ par}) = 190,000$ shares issued
 $(190,000 + 380,000) / 190,000 \text{ shares} = \3

What is the average issue price of the **preferred stock shares**?

Calculations: $\$500,000/\$100 \text{ par} = 5,000$ shares issued.
 $(\$500,000 + 35,000) / 5,000 = \107

What was the total paid-in capital as of December 31, 2010?

Calculations: $500,000 + 35,000 + 190,000 + 380,000$

Q2) Prepare journal entries for each of the following transactions.

- July 1 The corporation issued 40,000 shares of no-par common stock at \$12 per share.
- July 12 The corporation issued 1,500 shares of \$50 par, 10% cumulative preferred stock for \$134,000.
- July 28 The corporation issued 5,000 shares of no-par common stock for a patent valued at \$80,000.

	Date	Account	Debit	Credit
a.	July 1	Cash	480,000	
		Common stock		480,000
b.	12	Cash	134,000	
		Preferred stock		75,000
		Paid-in capital in excess of par - preferred		59,000
c.	28	Patent	80,000	
		Common stock		80,000

Q3) On December 31, 2008. Answer the questions below the table.

<u>Account</u>	<u>Amount</u>
Common stock, \$10 par value	\$300,000
Paid-in capital in excess of par - common 270,000	
Preferred stock, \$50 par value	125,000
Paid-in capital in excess of par - preferred	30,000
Retained earnings	225,000

- How many shares of common stock have been issued?
- What was the average issuance price of the common stock?
- How many shares of preferred stock have been issued?
- What was the average issuance price of the preferred stock?
- What is total paid-in capital?
- What is total stockholders' equity?

- $\$300,000 / \$10 = 30,000$ shares
- $(\$300,000 + \$270,000) / 30,000$ shares = \$19 per share
- $\$125,000 / \$50 = 2,500$ shares
- $(\$125,000 + \$30,000) / 2,500$ shares = \$62 per share
- $\$300,000 + \$270,000 + \$125,000 + \$30,000 = \$725,000$
- $\$725,000 + \$225,000 = \$950,000$

Q4) Hudson Corporation was organized on January 1, 2010. Information related to the corporation's equity section is listed below. Using this information, **prepare the stockholders' equity section** for the balance sheet of Hudson Corporation on December 31, 2010.

Authorized stock: 90,000 shares of \$10 par value common stock
50,000 shares of 5%, \$50 par value, noncumulative preferred stock

Issued stock: 50,000 shares of common stock at an average issue price of \$15
12,000 shares of preferred stock at an average issue price of \$68

Retained earnings as of December 31, 2010: \$47,000

Hudson Corporation Stockholders' Equity December 31, 2010

Preferred stock, 5%, \$50 par, 50,000 shares authorized, 12,000 shares issued	\$ 600,000
Common stock, \$10 par, 90,000 shares authorized, 50,000 shares issued	500,000
Paid in capital in excess of par	<u>466,000</u>
Total paid in capital	1,566,000
Retained earnings	<u>47,000</u>
Total stockholders' equity	<u>\$1,613,000</u>