

### III. STOCKHOLDERS' EQUITY AND BOOK VALUE PER SHARE

The Computer Warehouse earned \$40,000 profit during 1999. Complete the December 31, 1999, stockholders' equity report. Calculate book value per share for Common and Preferred stock.

The Computer Warehouse Statement of Stockholders' Equity December 31, 1999		
<b>CONTRIBUTED CAPITAL</b>		
Capital Stock		
Common Stock, \$10 Par value, authorized 50,000 shares, issued 11,000 shares	\$110,000	
Preferred Stock, \$100 Par value 6% cumulative, callable at \$105, authorized 5,000 shares issued 2,000 shares	<u>200,000</u>	\$310,000
Contributed Capital in Excess of Par		
Common Stock	\$ 30,000	
Preferred Stock	<u>8,000</u>	<u>38,000</u>
Total Contributed Capital		\$348,000
Retained Earnings (\$40,000 - \$18,600 in Dividends)		<u>\$ 21,400</u>
Total Stockholders' Equity		<u>\$369,400</u>

#### BOOK VALUE PER SHARE

Total Stockholders' Equity	
Preferred Stock Equity	\$369,400
Call Value (\$105) (2,000) shares	<u>210,000</u>
Common Equity	<u>\$159,400</u>

#### Book Value Per Share

$$\text{Preferred Stock: } \frac{\text{Preferred Equity}}{\text{Shares Outstanding}} = \frac{\$210,000}{2,000 \text{ shares}} = \$105 \text{ per share}$$

$$\text{Common Stock: } \frac{\text{Common Equity}}{\text{Shares Outstanding}} = \frac{\$159,400}{11,000 \text{ shares}} = \$14.49 \text{ per share}$$

### IV. STOCK SUBSCRIPTIONS

On Jan. 31 of 2000, employees subscribed to 2,000 shares of \$10 Par Common Stock paying one-quarter of the \$18 selling price down and agreeing to pay an additional quarter every 3 months until paid in full. Payment was received on all subscribed shares when due and the shares were issued on October 31, 2000.

	DR.	CR.
Jan. 31 Cash (2,000) (\$18) (.25)	9,000	
Subscriptions Receivable, Common Stock (2,000) (\$18) (.75)	27,000	
Common Stock Subscribed (2,000) (\$10)		20,000
Contributed Capital in Excess of Par		16,000
April 30 Cash	9,000	
Subscriptions Receivable, Common Stock		9,000
July 30 Cash	9,000	
Subscriptions Receivable, Common Stock		9,000
Oct. 31 Cash	9,000	
Subscriptions Receivable, Common Stock		9,000
Oct. 31 Common Stock Subscribed	20,000	
Common Stock		20,000

Hint: There were 13,000 shares of Common Stock outstanding on November 1, 2000.