

I. STOCK SPLIT

On August 15, 2000, the Board of Directors approved a 2 for 1 Common Stock split. Write the memo.

II. STOCK DIVIDEND

On October 10, 2000, the Board of Directors declared the annual 6% Preferred Stock dividend. They also decided the cash requirements of such a rapidly expanding business would result in no cash dividend being paid to Common stockholders. Instead, a 20% stock dividend was declared to owners of 26,000 shares of Common Stock. The date of record for both dividends was Nov. 10. The date of payment for Common was December 15, and for Preferred it was January 15. Because the stock had split, the market price of Common Stock was \$11 on September 15th.

DR. CR.

Hint: Retained Earnings decreased by \$69,200 because of these dividends.

III. PURCHASING TREASURY STOCK

On November 15, 2000, 400 shares of Common Stock were purchased by Linda Smith for the Treasury at \$11 per share. Sold 100 shares of Treasury Stock on July 15 at \$12 per share.

DR. CR.

Hint: Contributed Capital from Treasury Stock was \$100.

IV. PRIOR PERIOD ADJUSTMENTS

In December of 2000, it was discovered that a math error had caused depreciation taken on their building to be understated by \$1,000. Make the prior period adjustment required to change the book value of the building and stockholders' equity. Assume corporate taxes of 30%.

DR. CR.

V. RETAINED EARNING APPROPRIATION

On December 10th, the Board of Directors voted not to allow the amount of Retained Earnings to fall below the value of Common Stock held in the Treasury. This was accomplished by an appropriation of Retained Earnings equal to Treasury Stock of \$3,300. Make the required Journal Entry.

DR. CR.

Hint: Retained Earnings for Part III and IV combined decreased by \$4,000.