

VI. STATEMENT OF RETAINED EARNINGS

Instructions: In the space provided complete the statement of Retained Earnings and a Stockholders' Equity section of the Balance Sheet. Income for the year was \$75,000.

The Computer Warehouse Statement of Retained Earnings For the Year Ended December 31, 2000		
Retained Earnings, January 1, 2000 (See page 59)		\$21,400
Subtract: Prior period adjustment net of taxes to correct for error during 1999 in recording depreciation.		<u>700</u>
Retained Earnings Adjusted January 1, 2001		\$20,700
Net Income, 2000		\$75,000
Preferred Stock Dividend	\$12,000	
Dividend of Common Stock	<u>57,200</u>	<u>69,200</u>
Increase in Retained Earnings		<u>5,800</u>
Retained Earnings, December 31, 2000		<u>\$26,500</u>

VII. STATEMENT OF STOCKHOLDERS' EQUITY

The Computer Warehouse Statement of Stockholders' Equity December 31, 2000		
CONTRIBUTED CAPITAL:		
Capital Stock		
Common Stock, \$5 Par value, authorized 50,000 shares, issued 31,200 shares of which 300 are held in the Treasury	\$156,000	
Preferred Stock, \$100 Par value 6% cumulative callable at \$105, authorized 5,000 shares, issued 2,000 shares	<u>200,000</u>	\$356,000
Contributed Capital in Excess of Par:		
Common Stock	\$77,200	
Preferred Stock	8,000	
Treasury Stock	<u>100</u>	85,300
Total Contributed Capital		<u>\$441,300</u>
Retained Earnings		<u>26,500</u>
Total Contributed Capital Plus Retained Earnings		\$467,800
Less Treasury Stock		<u>3,300</u>
Total Stockholders' Equity		<u>\$464,500</u>

VIII. EARNINGS PER SHARE

During 2001, the company's third year of operations, business activity related to ownership finally settled down. No transactions related to ownership occurred, dividends were paid to preferred stockholders, and net income for the year amounted to \$76,890. Because Preferred Stock was not convertible into Common Stock, only Primary Earnings Per Share were calculated.

$$\text{Primary EPS} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Number of Shares Outstanding plus Potential Dilution}} = \frac{\$76,890 - \$12,000}{(31,200 - 300) \text{ shares}} = \$2.10$$