EXHIBIT 11A.2 Accounting for Partners' Equity (*Continued*)

AB PARTNERSHIP
Statement of Partners' Equity
For the Year Ended December 31, 2010

	A. Able	B. Baker	Total
Partners' equity, January 1, 2010	$ 0	$ 0	$ 0
Add: Additional contributions during the year	60,000	40,000	100,000
Add: Net income for the year	18,000	12,000	30,000
Totals	78,000	52,000	130,000
Less: Drawings during the year	(12,000)	(7,800)	(19,800)
Partners' equity, December 31, 2010	$66,000	$44,200	$110,200

REVIEW THE CHAPTER

DEMONSTRATION CASE A: STOCK ISSUANCE AND REPURCHASES

This case focuses on selected transactions from the first year of operations of Zoogle Corporation, which became a public company on January 1, 2010, for the purpose of operating a lost-pet search business. The charter authorized the following stock:

Common stock, $0.10 par value, 20,000 shares
Preferred stock, 5 percent noncumulative, $100 par value, 5,000 shares

The following summarized transactions, selected from 2010, were completed on the dates indicated:

a. Jan. 1 Issued a total of 8,000 shares of $0.10 par value common stock for cash at $50 per share.

b. Feb. 1 Sold 2,000 shares of preferred stock at $102 per share; cash collected in full.

c. July 1 Purchased 400 shares of common stock that had been issued earlier. Zoogle Corporation paid the stockholder $54 per share for the stock, which is currently held in treasury.

d. Aug. 1 Sold 30 shares of the common treasury stock at $56 per share.

e. Dec. 31 The board decided not to declare any dividends for the current year.

Required:

1. Give the appropriate journal entries, and show calculations for each transaction.
2. Prepare the stockholders' equity section of the balance sheet for Zoogle Corporation at December 31, 2010. Assume that Retained Earnings is $31,000.

Suggested Solution

1. Journal entries:

			Debit	Credit
a.	Jan. 1, 2010	*dr* Cash (+A) ($50 × 8,000 shares)	400,000	
		cr Common Stock (+SE) ($0.10 × 8,000 shares)		800
		cr Additional Paid-In Capital: Common (+SE)		399,200
b.	Feb. 1, 2010	*dr* Cash (+A) ($102 × 2,000 shares)	204,000	
		cr Preferred Stock (+SE) ($100 par × 2,000 shares)		200,000
		cr Additional Paid-In Capital: Preferred (+SE) [($102 − $100) × 2,000 shares]		4,000

c.	July 1, 2010	*dr* Treasury Stock (+xSE, −SE)	21,600	
		cr Cash (−A) ($54 × 400 shares)		21,600
d.	Aug. 1, 2010	*dr* Cash (+A) ($56 × 30 shares)	1,680	
		cr Treasury Stock (−xSE, +SE) ($54 × 30 shares)		1,620
		cr Additional Paid-In Capital: Common (+SE)		60

e. Dec. 31, 2010 No journal entry is required.

2. Stockholders' equity section of the balance sheet:

ZOOGLE CORPORATION
Partial Balance Sheet
At December 31, 2010

Stockholders' Equity		
Contributed Capital		
Preferred Stock, 5% (par value $100; 5,000 authorized shares, 2,000 issued and outstanding shares)	$200,000	
Additional Paid-in Capital, Preferred Stock	4,000	
Common Stock ($.10 par value; authorized 20,000 shares, issued 8,000 shares of which 370 shares are held as treasury stock)	800	
Additional Paid-in Capital, Common Stock	399,260	
Total Contributed Capital		$604,060
Retained Earnings		31,000
Treasury Stock, at cost, 370 common shares		(19,980)
Total Stockholders' Equity		615,080

DEMONSTRATION CASE B: CASH AND STOCK DIVIDENDS

This case extends Demonstration Case A by focusing on dividend transactions occurring during Zoogle Corporation's second year. The following summarized transactions, selected from 2011, were completed on the dates indicated:

1. Nov. 1 To make the company's stock more affordable, the board declared and issued a 100 percent stock dividend on the outstanding common stock.
2. Dec. 1 The board declared a cash dividend on the preferred stock, payable on December 22, 2011, to stockholders of record as of December 15, 2011.
3. Dec. 31 The temporary Dividends Declared account was closed.

Required:

Give the appropriate journal entries, and show calculations for each transaction.

Suggested Solution

1.	Nov. 1, 2011	*dr* Retained Earnings (−SE)	763	
		cr Common Stock (+SE)		763
		[(8,000 common shares issued − 370 in treasury) × $0.10]		
2.	Dec. 1, 2011	*dr* Dividends Declared (+D, −SE)	10,000	
		cr Dividends Payable (+L)		10,000
		(2,000 preferred shares × $100 par × 5% dividend rate)		
	Dec. 15, 2011	No journal entry is required.		
	Dec. 22, 2011	*dr* Dividends Payable (−L)	10,000	
		cr Cash (−A)		10,000
3.	Dec. 31, 2011	*dr* Retained Earnings (−SE)	10,000	
		cr Dividends Declared (−D, +SE)		10,000