QUIZ #11: STOCK ISSUANCE AND REPURCHASES

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.

QUIZ #11: STOCK ISSUANCE AND REPURCHASES – SOLUTION – TEXT BOOK – US GAAP

1. Journal entries

GENERAL JOURNAL				
Date		**Accounts Titles and Explanation**	**Debit**	**Credit**
2010				
Jan	1	Cash [A+] ($50 x 8,000 shares)	400,000.00	
		Common stock [E+] ($0.10 x 8,000 shares)		800.00
		Capital in excess of par - common [E+]		399,200.00
Feb	1	Cash [A+] ($102 x 2,000 shares)	204,000.00	
		Preferred stock [E+] ($100 par x 2,000 shares)		200,000.00
		Capital in excess of par - preferred [E+]		4,000.00
		[($102-$100) x 2,000]		
Jul	1	Treasury shares [XE+, E-]	21,600.00	
		Cash [A-] ($54 x 400 shares)		21,600.00
Aug	1	Cash [A+] ($56 x 30 shares)	1,680.00	
		Treasury shares [XE-, E+] ($54 x 30 shares)		1,620.00
		Capital in excess of par - treasury [E+]		60.00
Dec	31	No journal entry in required.		

2. Stockholders' equity section of the statement of financial position

Zoogle Corporation
Statement of Financial Position (partial)
As at December 31, 2010

Stockholders' Equity

Contributed capital		
5% Preferred stocks, $100 par value, 5,000 shares authorized, 2,000 shares issued and outstanding)		$200,000
Capital in excess of par – preferred stocks		4,000
Common stocks, $0.10 par value, 20,000 shares authorized, 8,000 shares issued (of which 370 shares are held as treasury stocka)		800
Capital in excess of par:		
Common stocks	399,200	
Treasury stocks	60	399,260
Total contributed capital		$604,060
Retained Earnings		31,000
Less: Treasury stocks (370 common shares, at $54 cost)		(19,980)
Total Stockholders' Equity		615,080

QUIZ #11: STOCK ISSUANCE AND REPURCHASES – SOLUTION -- IFRS

1. Journal entries

GENERAL JOURNAL				
Date		**Accounts Titles and Explanation**	**Debit**	**Credit**
2010				
Jan	1	Cash [A+] ($50 x 8,000 shares)	400,000.00	
		Ordinary shares [E+] ($0.10 x 8,000 shares)		800.00
		Share premium - ordinary [E+]		399,200.00
Feb	1	Cash [A+] ($102 x 2,000 shares)	204,000.00	
		Preference shares [E+] ($100 par x 2,000 shares)		200,000.00
		Share premium - preference [E+]		4,000.00
		[($102-$100) x 2,000]		
Jul	1	Treasury shares [XE+, E-]	21,600.00	
		Cash [A-] ($54 x 400 shares)		21,600.00
Aug	1	Cash [A+] ($56 x 30 shares)	1,680.00	
		Treasury shares [XE-, E+] ($54 x 30 shares)		1,620.00
		Share premium - treasury [E+]		60.00
Dec	31	No journal entry in required.		

2. Stockholders' equity section of the statement of financial position

Zoogle Corporation
Statement of Financial Position (partial)
As at December 31, 2010

Shareholders' Equity

5% Preference shares, $100 par value, 5,000 shares authorized, 2,000 shares issued and outstanding)		$200,000
Share premium - preference shares		4,000
Ordinary shares, $0.10 par value, 20,000 shares authorized, 8,000 shares issued (of which 370 shares are held as treasury shares)		800
Share premium:		
Ordinary shares	399,200	
Treasury shares	60	399,260
Total issued and fully paid capital		$604,060
Retained Earnings		31,000
Less: Treasury shares (370 common shares, at $54 cost)		(19,980)
Total Shareholders' Equity		615,080