

P11-2**Preparing the Stockholders' Equity Section of the Balance Sheet**
LO11-3, 11-7

Witt Corporation received its charter during January 2014. The charter authorized the following capital stock:

Preferred stock: 10 percent, par \$10, authorized 21,000 shares

Common stock: par \$8, authorized 50,000 shares

During 2014, the following transactions occurred in the order given:

- a. Issued a total of 40,000 shares of the common stock to the four organizers at \$12 per share.
- b. Sold 5,500 shares of the preferred stock at \$16 per share.
- c. Sold 3,000 shares of the common stock at \$15 per share and 1,000 shares of the preferred stock at \$26.
- d. Net income for the year was \$96,000.

Required:

Prepare the Stockholders' Equity section of the balance sheet at December 31, 2014.

CP11-2**Finding Financial Information**
LO11-1, 11-3, 11-4, 11-6

Refer to the financial statements of Urban Outfitters given in Appendix C at the end of this book.

Required:

1. How many shares of common stock are authorized at the end of the current year? How many shares are issued and outstanding at the end of the current year?
2. Did the company pay dividends during the most recent reporting year? If so, what was the total amount of dividends paid and how much were they per share?
3. Does the company have any treasury stock? If so, how much?
4. Has the company issued a stock dividend or a stock split over the past three reporting years? If so, describe.
5. Does the company's common stock have a par value? If it does, what is the par value?

CP13-2**Analyzing Financial Statements**
LO13-4, 13-5, 13-6, 13-7

Refer to the financial statements of Urban Outfitters given in Appendix C at the end of this book. Compute the following ratios for the most recent reporting year for which you have available information: return on equity, earnings per share, profit margin, current ratio, inventory turnover, debt/equity ratio, price/earnings ratio, and dividend yield. Assume the stock price is \$35.

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Shares issued, _____; issue price \$17 per share; cash collected in full, \$2,125,000.

Shares held as treasury stock, 3,000 shares, cost \$20 per share.

Net income, \$240,340.

Dividends declared and paid, \$123,220.

Retained earnings balance, January 1, 2014, \$555,000.

The treasury stock was acquired after a stock split was issued.

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Required:

1. Complete the following tabulation:

Shares authorized _____.

Shares issued _____.

Shares outstanding _____.

2. The balance in the Capital in Excess of Par account appears to be \$ _____.

3. Earnings per share is \$ _____.

4. Dividend paid per share of common stock is \$ _____.

5. Treasury stock should be reported on the balance sheet under the major caption _____ in the amount of \$ _____.

6. Assume that the board of directors voted a 100 percent stock split (the number of shares will double). After the stock split, the par value per share will be \$ _____, and the number of outstanding shares will be _____.

7. Assuming the stock split mentioned above, give any journal entry that should be made. If none, explain why.

8. Disregard the stock split (assumed above). Assume instead that a 10 percent stock dividend was declared and issued when the market price of the common stock was \$21. Give any journal entry that should be made.

P11-2

Preparing the Stockholders' Equity Section of the Balance Sheet

LO11-3, 11-7



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- Net income for the year was \$96,000.

Required:

Prepare the Stockholders' Equity section of the balance sheet at December 31, 2014.

Required:

1. Does the company have any treasury stock? If so, how much?
2. Does the company pay dividends? If so, how much per share?
3. Did the company buy treasury stock from the public during the current year?
4. What is the par value of the common stock?

CP11-2**Finding Financial Information****LO11-1, 11-3, 11-4, 11-6**

Refer to the financial statements of Urban Outfitters given in Appendix C at the end of this book.

*Required:*

1. How many shares of common stock are authorized at the end of the current year? How many shares are issued and outstanding at the end of the current year?
2. Did the company pay dividends during the most recent reporting year? If so, what was the total amount of dividends paid and how much were they per share?
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4. Has the company issued a stock dividend or a stock split over the past three reporting years? If so, describe.
5. Does the company's common stock have a par value? If it does, what is the par value?

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Evaluate the results of the related ratios a , b , and c to identify the favorable or unfavorable factors. Give your recommendations to improve the company's operations.

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- Evaluate the results of the last four ratios (d , e , f , and g) and identify any favorable or unfavorable factors. Give your recommendations to improve the company's operations.

CASES AND PROJECTS

Annual Report Cases

CP13-1

Analyzing Financial Statements

LO13-4, 13-5, 13-6, 13-7

AMERICAN EAGLE
OUTFITTERS, INC.

Refer to the financial statements of American Eagle Outfitters given in Appendix B at the end of this book. Compute the following ratios for the most recent reporting year for which you have available information: return on equity, earnings per share, profit margin, current ratio, inventory turnover, debt/equity ratio, price/earnings ratio, and dividend yield. Assume the stock price is \$20.

CP13-2

Analyzing Financial Statements

LO13-4, 13-5, 13-6, 13-7



URBAN OUTFITTERS, INC.

Refer to the financial statements of Urban Outfitters given in Appendix C at the end of this book. Compute the following ratios for the most recent reporting year for which you have available information: return on equity, earnings per share, profit margin, current ratio, inventory turnover, debt/equity ratio, price/earnings ratio, and dividend yield. Assume the stock price is \$35.

CP13-3

Comparing Companies within an Industry

LO13-4, 13-5, 13-6, 13-7

AMERICAN EAGLE
OUTFITTERS, INC.



URBAN OUTFITTERS, INC.



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