Slippery Rock University
Intermediate Accounting II
Exam 3 – Chapters 17, 18, 19

NAME: ____________________

Problem 2.

On January 1, 2013, Shell Inc. had the following account balances in its shareholders' equity accounts.

Common stock, $1 par, 250,000 shares issued	250,000
Paid-in capital excess of par, common	500,000
Paid-in capital excess of par, preferred	100,000
Preferred stock, $100 par, 10,000 shares outstanding	1,000,000
Retained earnings	2,000,000
Treasury stock, at cost, 5,000 shares	25,000

During 2013, Shell Inc. had several transactions relating to common stock.

January 15:	Declared a property dividend of 100,000 shares of Slowdown Company (book value, $10 per share, market value $9 per share).
February 17:	Distributed the property dividend.
April 10:	A 2-for-1 stock split was declared on outstanding common stock and affected in the form of a stock dividend. The market value of the stock was $4 on this date.
July 18:	Declared and distributed a 3% stock dividend on outstanding common stock; market value per share, $5.
December 1:	Declared a fifty cents per share cash dividend on the outstanding common shares.
December 20:	Paid the cash dividend.

Required:
Record the above transactions and events in journal entry format

Problem 3.

Werner Co. provides an executive stock option plan. Under the plan, the company granted options on January 1, 2011, that permit executives to acquire 12 million of the company's $1 par value common shares within the next five years, but not before December 31, 2014 (the vesting date). The exercise price is the market price of the shares on the date of the grant, $14 per share. The fair value of the options, estimated by an appropriate model, is $3 per option. No forfeitures are anticipated. Ignore taxes.

Required:

(1.) Determine the total compensation cost pertaining to the options. Show calculations.

(2.) Prepare the appropriate journal entry (if any) to record the award of options on January 1, 2011.

(3.) Prepare the appropriate journal entry (if any) to record compensation expense on December 31, 2011.