equity_problems08.doc

Problems on shareholders' equity
For the course CTB 6053A
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For each problem, prepare journal entries.

#1
A company issues 200 preferred shares for 2,600 $. These shares provide guaranteed annual dividends and are retractable at a fixed price.

#2
A company issues 100 common shares, no par value, for 2,000 $.

#3
A company issues 100 common shares, 8$ par value, for 2,000 $.

#4
A company issues 100 common shares, 8$ par value, for 2,000 $. And 50$ issuance fees are paid.

#5
A company issues 100 common shares, 8$ par value, in exchange of a land. The stock price is 20$ per share and the fair value of land is estimated at 2,100 $.

#6
A company issues convertible bonds for 6,100 $. Identical bonds, but not convertible, are valued at 5,500 $ on the market. Par value of bonds is 5,000$.

#7
A company issues 400 common shares when the bonds issued at #6 above are converted. Common shares have 8$ par value and 20$ fair value at the date of conversion.

#8
A company issues 300 common shares after the conversion of convertible preferred shares. The converted shares were presented as follows in balance sheet when the conversion occurred :

- Convertible preferred shares, 3,000 $
- Contributed surplus – premium on convertible preferred shares, 1,200 $

Common shares have 8$ par value and 20$ fair value at the date of conversion.

#9
A company issues 200 common shares when some options previously issued are exercized. The company receives the exercise price of options : 200 x 15 $ each 3,000 $ total. These options were presented as follows in the balance sheet at the date they were exercised :

- Contributed surplus - options, 400 $

Common shares have no par value and 20$ fair value when options are exercized.

#10
A company decides to do a 2-to-1 stock split, converting 10,000 outstanding shares with a 10$ par value into 20,000 shares with a 5$ par value.

#11
A company declares a 10% stock dividend, allowing one share to every ten shares outstanding. There are 10,000 shares outstanding, so 1,000 new shares are issued. Shares have no par value and their fair value is 20$ each.

#12
A company declares a 10% stock dividend, allowing one share to every ten shares outstanding. There are 10,000 shares outstanding, so 1,000 new shares are issued. Shares have 8$ par value and their fair value is 20$ each.

#13
A company repurchases shares at the price of 6,500 $. Here is some information regarding these shares prior to the repurchase :

- Share capital, 3,000 $
- Contributed surplus - share premium, 5,000 $

#14
The same company as in the previous problem repurchases other shares of the same category for 6,000$ a few months later. Here are some informations regarding these shares prior to the repurchase :

- Share capital, 1,500 $
- Contributed surplus - share premium, 2,500 $

There was also the following item in contributed surplus :

- Contributed surplus - gain on repurchase of shares, 1,500 $