

Name: _____

1. ABS Corp. received subscriptions for 45,200 shares of \$75 par value common stock at \$105 per share. ABS required an initial payment of 35% of the subscription price. **Points 1**
 - a) Record the journal entry for the initial transaction

- b) What is the journal entry at the time of the final payment

2. ABC Corp. issued 20,000 shares of \$5 par common stock at \$10 per share. On December 31, 2004 ABC's retained earnings were \$300,000. In March 2005, ABC sold 1,000 of these shares to its corporate officers for \$25 per share. ABC uses the Cost method to record treasury stock. Net Income for the year ended December 31, 2005, was \$60,000. At December 31, 2005 what amount should ABC report as retained earnings? **Points 1**

3. DEF Co. was organized on January 2, 2005 with 30,000 authorized shares of \$10 par value common stock. During 2005, the corporation had the following transactions:
 - January 5 – issued 20,000 shares at \$15 per share
 - July 14 – purchased 5,000 shares at \$17 per share
 - December 27 – reissued the 5,000 shares held in treasury at \$20 per share

DEF used the Par Value Method to record the purchase and reissuance of the treasury shares. In its December 31, 2005 balance sheet, what amount should DEF report as APIC? **Points 1**

4. Knight Corp. holds 20,000 shares of its \$10 par value common stock as treasury stock reacquired in 200 for \$240,000. On December 12, 2005, Knight reissued all 20,000 shares for \$380,000. Under the Cost Method of accounting for treasury stock, the reissue resulted in a credit to:
Points 1

5. On June 27, 2005 Brite Co. distributed to its common stockholders 100,000 outstanding common shares of its investment in Quick Inc., an unrelated party. The carrying amount on Brite's book of Quick's \$1 par common stock was \$2 per share. Immediately after the distribution the market price of Quick's stock was \$2.50 per share. In its Incomes Statement for the year ended June 30, 2005, what amount should Brite report as gain before income taxes on disposal of the stock? **Points 1**

6. Record the initial sale ant Treasury Stock transaction using **both the Cost and Par Value Method**. **Points 2**

100 shares (\$50 par value) are originally sold at \$60, reacquired at \$70 and subsequently resold at \$75.

Cost Method

Record transaction if shares had been reissued at \$65

Par Value Method

Record transaction if shares had been reissued at \$65