

# STOCKHOLDERS' EQUITY



# STOCK

- Common Stock
  - Par Value – Amount booked in Common Stock account
  - (Additional) Paid in Capital (in Excess of Par)
- Preferred Stock
  - Must pay preferred dividends before dividends to common shareholders
  - Par Value – Amount booked in Preferred Stock account
    - Dividends usually stated as a percent of par



# TREASURY STOCK

- Treasury Stock (debit balance)
  - Company buys back their own stock
  - Difference between issued and outstanding shares



# JOURNAL ENTRIES

- Issue 10,000 shares of Common Stock with \$1 par for \$17 per share

Cash		170,000	
	Common Stock		10,000
	Paid in Capital		160,000

- Retire 3,000 shares for \$25 per share

Common Stock		3,000	
Paid in Capital		72,000	
	Cash		75,000

- Buy back 2,000 shares held as treasury stock for \$28 per share

Treasury Stock		56,000	
	Cash		56,000

- Sell 1,000 shares of Treasury Stock for \$35 per share

Cash		35,000	
	Treasury Stock		28,000
	Paid in Capital		7,000



# RETAINED EARNINGS

- Final “home” for:
  - Net income over the life of the company
  - Less dividends



# ORDER OF PAYMENTS

1. Interest to debt holders
2. Dividends to preferred stockholders when declared
3. Dividends to common stockholders when declared
  - Common Stockholders get the leftovers;
  - “Residual interest” is the nicer phrase





**FINAL REMINDER**

**NO SUCH THING AS  
DIVIDEND EXPENSE**

