Practice Problems to Complete Before Taking the Exam on Chapters 13-14
Answer Key

A. The following data relates to issued and outstanding stock of Rogers Corp:

875,000 shares of 4% cumulative preferred stock, $10 par
1,500,000 shares of common stock, $7 par

Instructions:

a. Allocate the dividends declared for each of the years shown below.
b. Draft the journal entries for the declaration and payment of the *2010* dividends.

Maximum Dividends Payable to Preferred: 350000 (875,000 X .04 X $10)

Year	Dividends Declared	Dividends Paid To Preferred	Dividends Paid To Common	Dividends In Arrears
2008	$250,000	250,000	-0-	100,000
2009	$400,000	400,000	-0-	50,000
2010	$600,000	400,000	200,000	-0-
2011	$0	-0-	-0-	350,000
2012	$800,000	700,000	100,000	-0-

2010 Journal Entries:

Retained Earnings	600,000	
Preferred Dividends Payable		400,000
Common Dividends Payable		200,000
Preferred Dividends Payable	400,000	
Common Dividends Payable	200,000	
Cash		600,000

B. Journalize the following transactions for the current year. You may omit explanations.

Jan 1 NST Corp issued 1,000 shares of $2 par value common stock for to H. Emerson for $3,500 worth of legal services incurred during incorporation.

Feb 1 NST Corp issued 25,000 shares of $2 par value common stock for $64,000 and 12,000 shares of $6 par value, 9% cumulative, nonparticipating preferred stock for $82,000.

Apr 1 Reaquired 5,000 shares of common stock at a price of $3.50 per share.

May 15 NST's board of directors declared a $10,000 dividend to be appropriately allocated among stockholders.

Jul 31 Paid the dividend declared on May 15.

Oct 1 Reissued 2,000 shares of treasury stock for $8,000.

Jan 1	Organization Expenses	3500	00		
	Common Stock			2000	00
	Paid-In Capital In Excess of Par Value – Common Stock			1500	00
Feb 1	Cash	146000	00		
	Common Stock			50000	00
	Paid-In Capital In Excess of Par Value – Common Stock			14000	00
	Preferred Stock			72000	00
	Paid-In Capital In Excess of Par Value –Preferred Stock			10000	00
Apr 1	Treasury Stock	17500	00		
	Cash			17500	00
May 15	Retained Earnings	10000	00		
	Preferred Dividends Payable			6480	00
	Common Dividends Payable			3520	00
Jul 31	Preferred Dividends Payable	6480	00		
	Common Dividends Payable	3520	00		
	Cash			10000	00
Oct 1	Cash	8000	00		
	Treasury Stock			7000	00
	Paid-In Capital, Treasury Stock			1000	00

Calculate the dividend per common share for the dividend of May 15.

26,000 shares outstanding as of Apr 1 less treasury stock purchase of 5,000 shares =

21,000 shares outstanding

$3,520 dividends payable to Common shareholders/21,000 shares outstanding =

.17/share (rounded to two decimal places)

Assume the balance is Retained Earnings as of January 1 of the current year is $73,000 and net income for the year was $25,000. What is the balance of Retained Earnings as of December 31 of the current year?

Beginning Retained Earnings + Net Income – Dividends Declared = Ending Retained Earnings

$73,000 + $25,000 – 10,000 = 88,000

C. Miscellaneous transactions for Soho Company relating to long-term liabilities are listed below. Only journalize the requested entries. Not all transactions relating to each debt issue are included.

2005

Jan 1 Issued $600,000 of 8%, 10-year bonds dated January 1, 2005 at par. The bonds pay interest semiannually each June 30 and December 31.

June 30 Paid the first semiannual interest payment on the $600,000 bond issue.

2006

Jan 1 Issued $300,000 of 12%, 15-year bonds dated January 1, 2006 for $291,000. The bonds pay interest semiannually each June 30 and December 31.

June 30 Paid the first semiannual interest payment on the $300,000 bonds. Soho Company uses the straight-line method of amortizing bond discounts and premiums.

2015

Jan 1 Retired the $600,000, 8% bonds. The bonds have reached the maturity date and are fully amortized.

Jan 1	Cash	600000	00		
	Bonds Payable			600000	00
Jun 30	Interest Expense	24000	00		
	Cash			24000	00
Jan 1	Cash	291000	00		
	Discount on Bonds Payable	9000	00		
	Bonds Payable			300000	00
Jun 30	Interest Expense	17700			
	Cash			18000	00
	Discount on Bonds Payable			300	00
Jan1	Bonds Payable	600000	00		
	Cash			600000	00

D. On January 1 of the current year, Hawk Company borrows $90,000 cash from a financial institution by signing a 4-year, 5% installment note. The note requires equal total payments of $25,381 each year on December 31. Complete the following:

1. Using the the data above, prepare an installment note amortization schedule for Hawk Company by filling in the table below. Round interest to the nearest whole dollar.

Payment Date	A Beginning Principal Balance	B Interest Expense	C Principal Reduction (Notes Pbl)	D Cash Payment	E Ending Principal Balance
2012	$90,000	$4,500	$20,881	$25,381	$69,119
2013	$69,119	$3,456	$21,925	$25,381	$47,194
2014	$47,194	$2,360	$23,021	$25,381	$24,173
2015	$24,173	$1,208	$24,173	$25,381	0

2. In the space below, journalize
   a. the issuance of the note
   b. the first year's payment

Jan 1	Cash	90000	
	Notes Payable		90000
Dec 31	Interest Expense	4500	
	Notes Payable	20881	
	Cash		25381