\*The Final Exam is cumulative and covers Chapters 1-12. Please use prior guides to study for Chapters 1-10.

# **Chapter 11**

## **Objective 1: Characteristics of a Corporation**

Define the following and explain their relation to Corporations:

Term	Definition
O	
Corporation	
Separate Legal	
Existence	
Limited Liability of Stockholders	
Transferable	
Ownership Rights	
Ability to Acquire Capital	
Continuous Life	
Corporation Management	
Government	
Regulations	
Additional Taxes	

List the Advantages and Disadvantages of a Corporation

Advantages	Disadvantages

List and explain shareholder rights:

1.	
2.	
3.	
4.	

Define:

Term	Definition
Authorized Stock	
Issued Stock	
Par Value Stock	
No-Par Value Stock	
Paid-In Capital	

# **Objective 2: Issuance of Stock**

Issue at Par Value

Cash Received	
	Par Value * # of shares

### Issue at above Par Value

Cash Received	
	Par Value * # of shares
	Cash Received - Par Value * # of shares

### Issue No- Par Value

Cash Received	
	Stated Value * # of shares
	Cash Received - Stated Value * # of shares

### Issue Stock for Services or Non-Cash Asset

Amount of Service/ Asset	
Received	
	Par Value * # of shares
	Service/Asset Received - Par Value * # of shares

### Issue Preferred Stock

Cash Received	
	Par Value * # of shares
	Cash Received - Par Value * # of shares

Define Treasury Stock:

### Purchase of Treasury Stock

Cost of Purchase	
	Cash Paid

## Disposal Treasury Stock

	Cash Received	
(can be debit or credit if sold above/below cost)	Cash Received- Cost of Purchase	Cash Received- Cost of Purchase
		Cost of Purchase

Disposal Treasury Stock – with loss greater than Paid-In Capi
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	Cash Received				
	Cash Received-Cost of Purchase up to balance Difference of Debit - Credit	Cost of Purchase			
Objective 3: Dividends	<u> </u>				
Define Dividend:					
Things to know:					
<ol> <li>Cash dividends are not paid on</li> <li>Payment of Cash Dividends is made from the account.</li> </ol>					
Define Declaration Date:					
Journal Entry for Declaration Date:					
	Outstanding Shares * Cash Dividend				
		Cash to be Paid			
Define December Deter	1				
Define Record Date:					
Define Payment Date:					
Journal Entry for Payment Date:					

Liability amount recorded	
	Cash Paid

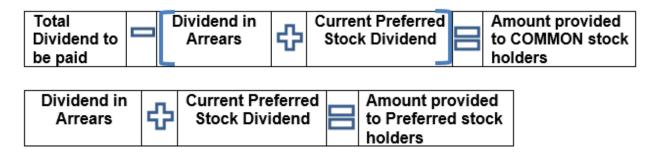
#### Preferred Stock Dividends

Define Cumulative: A feature of preferred stock that entitles the stockholder to receive current <u>and</u> unpaid prior-year dividends before common stockholders receive any dividends

Calculation of Preferred Dividend:

Par Value of Preferred Stock	/ / /	Preferred Stock %		Amount provided to preferred stock holders
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#### Allocation:



#### Stock Dividends

Market Price * # of shares issued in dividend	
	Par Value * # of shares issued in dividend
	Difference

Stock Splits

Define Stock Split:

Note: A stock split changes the par value per share, but does not affect any balances in the equity account. As there is no financial impact, there is no journal entry required.

Example: 2 for 1 stock split occurs on 500,000 shares of \$10 par value common stock.

### **Objective 4: Reporting and Analyzing**

Balance Sheet (partial)

Account listed in Stockholder's Equity
Stockholder's Equity
Paid-in Capital
Capital Stock
Common Stock
Additional Paid-in Capital
Retained Earnings
Total Paid-in Capital and Retained
Earnings
Less: Treasury Stock
Total Stockholders' Equity

## Chapter 12

## **Objective 1: Usefulness and Format**

Describe the usefulness of the statement of cash flows:

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Term	Definition	
Operating Activities		
Investing Activities		
Financing Activities		
Significant Noncash Activities		

Example (Illustration 12.1): Fill in the cash inflows and outflows from each section:

OPERATING	INVESTING	FINANCING

## **Objective 2: Indirect Method of the Statement of Cash Flows**

### Equation:

Steps	Define
Net Income	
1. Add	
2. Deduct	
3. Analyze	
3. Analyze	
= Net cash / Provided by Operating	
Activities	

Practice: Indicate whether you would add or deduct the following from Net Income to get the net cash provided/used by operating activities

Example	Indicate add or deduct
Depreciation Expense	
Loss on Disposal of Plant Asset	
Gain on Disposal of Plant Asset	
Decrease in Account Receivable	
Increase in Inventory	
Increase in Prepaid Expenses	
Increase in Accounts Payable	
Decrease in Income Tax Payable	

## Example:

The company's net income for the year was \$153 and it did not sell or retire any property, plant and equipment during the year. Cash dividends were \$28. Based on the below information, what should the net cash provided by operating activities for the year be using the indirect method?

Account	Ending	Beginning	Change
	Balance	Balance	
Cash	\$34	29	
Accounts Receivable	44	41	
Inventory	72	60	
Property, Plant, Equipment	610	550	
Less: Accumulated	274	229	
Depreciation			
Accounts Payable	32	28	
Bonds Payable	305	400	
Common Stock	51	50	
Retained Earnings	98	(27)	

## **Objective 3: Analyze the statement of cash flows**

Free Cash Flow

Free Cash Flow =		