

Contributed Capital - Financial Acct.

Incorporation

Advantages:

- Separate Legal Entity
- Limited Liability
- Ease of Capital Generation
- Ease of Transfer of Ownership
- Mutual Agency
- Continuous Existence
- Professional Management

Disadvantages:

- Government Regulation
- Double Taxation

Dividends

Date of Declaration, Date of Record, Date of Distribution

Journal Entries:

Dividend Yield = Div per share/market price per share

Dividend yield is a way to measure how much cash flow you are getting for each dollar invested in an equity position - in other words, how much "bang for your buck" you are getting from dividends.

Return on Equity = net income / Avg. Equity

A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. The ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

Price Earnings Ratio = Market Value per share / EPS

A high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. It's usually more useful to compare the P/E ratios of one company to other companies in the same industry, to the market in general or against the company's own historical P/E. The P/E is sometimes referred to as the "multiple", because it shows how much investors are willing to pay per dollar of earnings. If a company were currently trading at a multiple (P/E) of 20, the interpretation is that an investor is willing to pay \$20 for \$1 of current earnings.

Stock Option Plans

Stockholders Equity Section includes:

Contributed Capital

 Preferred Stock

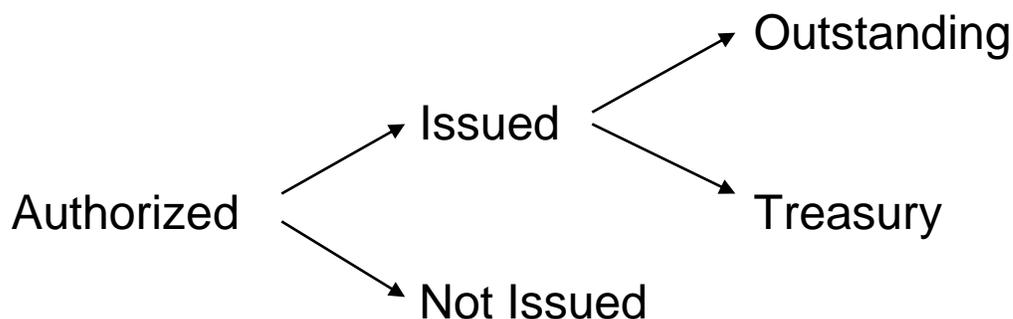
 Common Stock

 PIC

Retained Earnings

-Treasury Stock

+Treasury PIC



Preferred Stock – preference to dividends

- Cumulative vs. Non cumulative, Arrears
 - Ex: 7% cumulative \$100 par, callable at 103
- Convertible
- Callable

Common Stockholders are the residual owners

- Par value, Stated Value, No Par
- Issuance of Stock for non-cash assets

Treasury Stock - Journal entries

Corporate Income Statement and Statement of Stockholder's Equity - Financial Acct.

- Income from continuing operations is before taxes.
- DEC (discontinued operations, extraordinary items, and cumulative effect on an accounting change)
- Deferred Taxes, ACRS and MACRS
- Basic Earnings per share and fully diluted earnings per share. (simple vs. complex capital structure)
- Statement of Stockholder's Equity shows the major changes in the structure of equity of a company. See image below or in text.
- Stock Dividends vs. Cash Dividends
(Common Stock Distributable is a temp account.)
- Stock Splits

- What are the changes in Equity due to a stock dividend or a stock split?
- Stockholders Equity Schedule

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Subscription Receivable | Deficit Accumulated During Prior Development Stage | Deficit Accumulated During Exploration Stage | Total Stockholders' Equity |
|---|---------------------|---------------|---------------------|-----------------|----------------------------------|----------------------------|---|--|----------------------------------|
| | Number of Shares | Amount | Number of Shares | Amount | | | | | |
| BALANCE, February 28, 2003 | - | \$ - | 15,649,800 | \$ 1,565 | \$ 434,062 | \$ - | \$ (475,886) | \$ - | \$ (40,259) |
| Issuance of preferred and common stock for mineral properties at \$1.25 per share | 2,000,000 | 200 | 3,800,000 | 380 | 29,749,420 | - | - | - | 29,750,000 |
| Issuance of common stock for cash at \$2.50 per share | - | - | 1,040,000 | 104 | 2,599,896 | (750,045) | - | - | 1,849,955 |
| Contributed capital | - | - | - | - | 53,412 | - | - | - | 53,412 |
| Net loss for the year ended February 29, 2004 | - | - | - | - | - | - | (8,651) | (29,780,655) | (29,789,306) |
| BALANCE, February 29, 2004 | 2,000,000 | 200 | 20,489,800 | 2,049 | 32,836,790 | (750,045) | (484,537) | (29,780,655) | 1,823,802 |
| Collection of subscription receivable | - | - | - | - | - | 750,045 | - | - | 750,045 |
| Issuance of common stock for cash at \$2.50 per share, net of related expenses | - | - | 1,090,000 | 109 | 2,410,998 | (39,500) | - | - | 2,371,607 |
| Issuance of common stock for exploration joint venture at \$2.50 per share | - | - | 200,000 | 20 | 499,980 | - | - | - | 500,000 |
| Issuance of employee share options | - | - | - | - | 15,400 | - | - | - | 15,400 |
| Net loss for the year ended February 28, 2005 | - | - | - | - | - | - | - | (2,952,975) | (2,952,975) |
| BALANCE, February 28, 2005 | 2,000,000 | 200 | 21,779,800 | 2,178 | 35,763,168 | (39,500) | (484,537) | (32,733,630) | 2,507,879 |
| Collection of subscription receivable | - | - | - | - | - | 39,500 | - | - | 39,500 |
| Issuance of common stock for cash at \$1.25 per share, net of related expenses | - | - | 50,000 | 5 | 62,495 | - | - | - | 62,500 |
| Issuance of common stock for cash at \$2.50 per share, net of related expenses | - | - | 2,073,000 | 207 | 4,574,580 | - | - | - | 4,574,787 |
| Issuance of common stock and warrants for cash at \$2.75 per unit, net of related expenses | - | - | 1,300,000 | 130 | 3,391,651 | - | - | - | 3,391,781 |
| Issuance of employee share options | - | - | - | - | 2,777,610 | - | - | - | 2,777,610 |
| Net loss for the year ended February 28, 2006 | - | - | - | - | - | - | - | (8,741,926) | (8,741,926) |
| BALANCE, February 28, 2006 | 2,000,000 | 200 | 25,202,800 | 2,520 | 46,569,504 | - | (484,537) | (41,475,556) | 4,612,131 |
| Issuance of common stock for cash at \$2.50 per share, net of related expenses | - | - | 200,000 | 20 | 449,970 | - | - | - | 449,990 |
| Issuance of common stock and warrants for cash at \$2.75 per unit, net of related expenses | - | - | 990,000 | 99 | 2,231,121 | - | - | - | 2,231,220 |
| Issuance of common stock and warrants for cash at \$2.75 per unit, net of related expenses | - | - | 1,269,982 | 127 | 3,138,937 | - | - | - | 3,139,064 |
| Issuance of common stock and warrants for cash at \$2.75 per unit, net of related expenses | - | - | 773,000 | 77 | 1,925,449 | - | - | - | 1,925,526 |
| Issuance of employee share options | - | - | - | - | 437,500 | - | - | - | 437,500 |
| Issuance of consultants share options | - | - | - | - | 175,000 | - | - | - | 175,000 |
| Net loss for the nine months ended November 30, 2006 (unaudited) | - | - | - | - | - | - | - | (7,790,735) | (7,790,735) |
| BALANCE, November 30, 2006 (unaudited) | 2,000,000 | \$ 200 | 28,435,782 | \$ 2,843 | \$ 54,927,481 | \$ - | \$ (484,537) | \$ (49,266,291) | \$ 5,179,696 |