

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

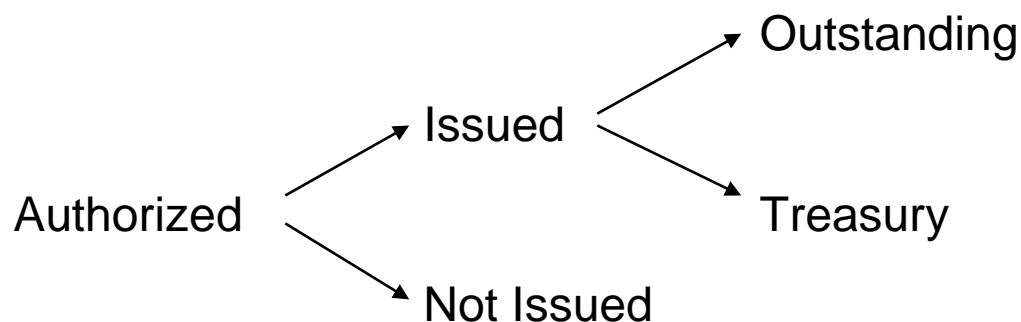
 Common Stock

 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