



# To Declare and Pay Dividends

## GENERAL JOURNAL

PAGE \_\_\_\_\_

	DATE		DESCRIPTION	POST. REF.	DEBIT					CREDIT					
1	2016														1
2	Oct.	15	Retained Earnings		255	0	0	0	00						2
3			Dividends Payable—Common							255	0	0	0	00	3
4			Declared dividend payable on November 15												4
5															5
6	Nov.	15	Dividends Payable—Common		255	0	0	0	00						6
7			Cash							255	0	0	0	00	7
8			Paid dividend												8

## Computing dividends payable.

This problem consists of two parts.

### Part I

A portion of the Stockholders' Equity section of Hatten Corporation's balance sheet as of December 31, 2016, appears below. Dividends have not been paid for the years 2014 and 2015. There has been no change in the number of shares of stock issued and outstanding during these years. Assume that the board of directors of Hatten Corporation declares a dividend of \$26,250 after completing operations for the year 2016.

<i>Stockholders' Equity</i>	
Preferred Stock (9% cumulative, \$50 par value, 2,000 shares authorized)	
At Par Value (1,600 shares issued)	\$ 80,000
Common Stock (no-par value, with stated value of \$25, 20,000 shares authorized)	
At Stated Value (15,000 shares issued)	375,000

### INSTRUCTIONS (Calculate 2016 amounts)

1. Compute the total amount of the dividend to be distributed to preferred stockholders.
2. Compute the amount of the dividend to be paid on each share of preferred stock.
3. Compute the total amount of the dividend available to be distributed to common stockholders.
4. Compute the amount of the dividend to be paid on each share of common stock.
5. Compute the amount of dividends in arrears (if any) that preferred stockholders may expect from future declarations of dividends.

### Part II

Use the information given in Part I to solve this part of the problem. Assume that the board of directors of Hatten Corporation has declared a dividend of \$114,600 instead of \$26,250 after operations for 2016 are completed.

## PART I

1. \$21,600 to preferred for dividends.	
2014 dividend ( $\$80,000 \times 0.09$ )	\$7,200
2015 dividend ( $\$80,000 \times 0.09$ )	7,200
2016 dividend ( $\$80,000 \times 0.09$ )	<u>7,200</u>
	<u>\$21,600</u>
2. Dividend per share of preferred stock	<u>\$21,600</u> $\div$ 1,600 shares = \$13.50 per share
3. Remainder to common stock ( $\$26,250 - \$21,600$ )	<u>4,650</u> $\div$ 15,000 shares = \$0.31 per share
4. Total dividend paid per share of Common Stock	<u>\$0.31</u>
5. None in arrears	

## PART II

1. \$21,600 to preferred for dividends.	
2014 dividend ( $\$80,000 \times 0.09$ )	\$7,200
2015 dividend ( $\$80,000 \times 0.09$ )	7,200
2016 dividend ( $\$80,000 \times 0.09$ )	<u>7,200</u>
	<u>\$21,600</u>
2. $\$21,600 \div 1,600$ shares = \$13.50 per share	
3. Total dividends paid	\$114,600
Less preferred stock dividend	<u>21,600</u>
Balance to common stock	<u>\$93,000</u>
4. $\$93,000 \div 15,000$ shares = \$6.20 per share	
5. None in arrears	



## To Buy and Sell Treasury Stock

General Journal					
					Page 4
			Post Ref.	Debit	Credit
1	to buy	Tresury Stock (1000 shares at \$25)		\$ 25,000.00	
2		Cash			\$ 25,000.00
3					
4					
5	to sell	Cash (re-sell 500 for \$35)		\$ 17,500.00	
6		Treasury Stock			\$ 12,500.00
7		Pic Treasury			\$ 5,000.00
8					
9		What is the journal entry if we re-sell			
10		the remaining 500 shares at \$10?			