

Accounting Notes

Corporate Income Statement, Stock Dividends, Treasury Stock

Income Statement format:

Multi-Step

Revenues	\$xxx,xxx
Cost of Goods Sold	<u>xxx,xxx</u>
Gross Margin	xxx,xxx
Operating Expenses	<u>xxx,xxx</u>
Operating Income	xxx,xxx
Other Gains (losses)	<u>xxx,xxx</u>
Income from continuing operations before income tax	xxx,xxx
Income Tax Expense	<u>xxx,xxx</u>
Income from continuing operations	xxx,xxx
Discontinued Operations	<u>xxx,xxx</u>
Income before extraordinary items and cumulative effect of change in accounting methods	xxx,xxx
Extraordinary Items	xxx,xxx
Cumulative effect of change in accounting methods	<u>xxx,xxx</u>
Net Income	<u><u>\$xxx,xxx</u></u>
Earnings per share of common stock	
Income from continuing operations (\$ amount / shares)	\$x.xx
Income from discontinued operations (\$ amount / shares)	<u>x.xx</u>
Income before extraordinary items and cumulative effect of change in accounting methods (\$ amount / shares)	x.xx
Extraordinary Item (\$ amount / shares)	x.xx
Cumulative effect of change in accounting methods	<u>x.xx</u>
Net Income (\$ amount / shares)	<u><u>\$x.xx</u></u>

Earning Per Share:

EPS = (Net Income - Preferred Dividends)/Weighted Average number of common shares outstanding

Weighted Average number of Common Shares Outstanding:

Number of Common Shares Outstanding	X	Fraction of Year	=	Weighted Average Number of Common Shares Outstanding
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Income Statement format:

Single Step

Revenues and Gains:		
Sales Revenue		\$xxx,xxx
Gains		<u>xx,xxx</u>
Total revenues and gains		xxx,xxx
Expenses and Losses:		
Cost of goods sold	\$xxx,xxx	
Selling expenses	xx,xxx	
General expenses	xx,xxx	
Interest expense	xx,xxx	
Losses	xx,xxx	
Income tax expense	<u>xx,xxx</u>	
Total expenses and losses		<u>xxx,xxx</u>
Income from continuing operations		xx,xxx
Discontinued operations		
Operating Income less income tax	xx,xxx	
Loss (Gain) on sale of discontinued operations less income tax	<u>xx,xxx</u>	<u>xx,xxx</u>
Income before extraordinary items and cumulative effect of change in accounting methods		xx,xxx
Extraordinary items less income tax		xx,xxx
Cumulative effect of change in accounting method less income tax		<u>x,xxx</u>
Net Income		<u>\$ xx,xxx</u>
Earnings per share:		
Income from continuing operation (\$ Amt / shares)		\$x.xx
Income from discontinued operations (\$ Amt / shares)		<u>x.xx</u>
Income before extraordinary items and cumulative effect of change in accounting methods (\$ Amt / shares)		x.xx
Extraordinary item (\$ Amt / shares)		x.xx
Cumulative effect of change in accounting methods (\$ Amt / shares)		<u>x.xx</u>
Net Income (\$ Amt / shares)		<u>\$x.xx</u>

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Stock Dividends:

Small Stock dividend (less than 25%)

Declaration

	Debit	Credit
Retained Earnings	Shares * Market Value	
Common Stock Dividend Distributable		Shares * Par Value
Paid-In Capital in Excess of Par, Common		Excess (MV - PV)

Distribution

Common Stock Dividend Distributable	Par Value	
Common Stock		Par Value

Large Stock dividend (25% or more)

Declaration

	Debit	Credit
Retained Earnings	Shares * Par Value	
Common Stock Dividend Distributable		Shares * Par Value

Distribution

Common Stock Dividend Distributable	Par Value	
Common Stock		Par Value

Treasury Stock Transactions:

Purchase of Treasury Stock

	Debit	Credit
Treasury Stock, Common	Shares * Cost/share	
Cash		Shares * Cost/share

Resale of Treasury Stock at cost

Cash	Shares * Cost/share	
Treasury Stock, Common		Shares * Cost/share

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Treasury Stock Transactions (cont.):

Resale of Treasury Stock above cost

	Debit	Credit
Cash	Shares * Sales Price	
Treasury Stock, Common		Shares * Cost/share
Paid In Capital from Treasury Stock transactions		Excess

Resale of Treasury Stock below cost

Cash	Shares * Sales Price	
Paid In Capital from Treasury		
Stock transactions	Amount up to prior balance	
Retained Earnings	Excess amount	
Treasury Stock		Shares * Cost/share