

## Chapter 13

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### Corporations Paid-in Capital and the Balance Sheet

#### Decision Guidelines – Excel

#### Solution

*Note:* The following answers are based on data covering 1995–1999. If your five-year period differs from this one, your answers may differ.

1. Gap, Inc. shows the more consistent increase in return on equity, moving from 23.5% in 1995 to 52.5% in 1999. Abercrombie & Fitch has seen a marked decline since the company went public in 1997.
2. Abercrombie & Fitch has demonstrated the more consistent increase in return on assets, moving steadily upwards from 14.2% in 1995 to 32% in 1999. Gap, comes in second, with fairly steady performance across all five years.
3. Since 1997, both Gap and Abercrombie & Fitch have shown steady increases in operating cash flow.
4. Investment decisions are very complex. Neither company emerges as a clear “buy,” based on these three financial dimensions. Encourage students to explain what other factors they would consider, such as earning per share,

dividends, growing industry, and market conditions. For students wishing to explore the financial markets further, Morningstar.com, Hoovers.com, nyse.com, and nasdaq.com offer a wealth of information. Research also can be performed through search engines such as yahoo.com (look under the “Business and Finance” section).

#### T Questions

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1. Corporation characteristics:
  - a separate legal entity
  - continuous life and transferability of ownership
  - no mutual agency
  - limited stockholder liability
  - separation of ownership and management
  - corporate taxation
  - government regulation
2. Corporate income is taxed twice. The corporation itself pays income tax, and the stockholder pays income tax on dividends received from the corporation.
3. The structures of partnerships and corporations are similar in that both have owners, managers, and employees.

Their structures are different in that the managers who set policy for a corporation—the board of directors—may or may not be stockholders. Most managers of partnerships are partners in the firm.

4. The annual dividends on these preferred stocks are:  
 $\$4$  on the 4%,  $\$100$  par ( $\$100 \times .04$ )  
 $\$3.50$  on the  $\$3.50$ ,  $\$20$  par  
 $\$3$  on the 6%, no par with  $\$50$  stated value ( $\$50 \times .06$ )
5. Issuance of stock increases the assets of the corporation, which receives assets in exchange for stock shares issued. Authorization merely gives the corporation permission to issue stock.
6. Issuance of 1,000 shares of 3.65%,  $\$100$  par preferred stock for  $\$120$  would increase the paid-in capital by  $\$120,000$  ( $1,000 \times \$120$ ). The transaction would *not* increase retained earnings because a company does not earn a profit by selling its stock to its own stockholders. Heinz's annual cash dividend payments would increase by  $\$3,650$  ( $1,000 \times \$100 \text{ par} \times .0365$ ).
7. Two alternative account titles for Paid-in Capital in Excess of Par – Common Stock are Additional Paid-in Capital – Common and Premium on Common Stock.
8. Issuance of 1,000 shares of no par stock for land and a building worth  $\$150,000$  increases paid-in capital and total stockholders' equity by  $\$150,000$ .
9. Current liabilities: Dividends Payable  
 Stockholders' equity: Preferred Stock, Common Stock, Retained Earnings.
10. A preferred stockholder would rather own *cumulative* preferred stock, because any preferred dividends passed by the corporation must be paid before paying dividends to the common stockholders. The corporation would rather the preferred stock be *noncumulative* in order to avoid having to pay dividends in arrears to preferred stockholders.
11. The *market value* of a stock is the price for which a person could buy or sell a single share of the stock. The *book value* of a stock is the amount of owners' equity on the company's books for each share of its stock. Market value is far more important to investors than book value.
12. In a company with both preferred and common stock outstanding, the preferred stockholders have the first claim to owners' equity. The book value of preferred stock is its liquidation value plus any cumulative preferred dividends in arrears, divided by the number of preferred shares outstanding. The remaining equity divided by the number of common shares gives the book value for common stock.
13. A healthy company's return on stockholders' equity should exceed its return on total assets because of the interest expense component of return on assets. Interest expense should be lower than the income a company earns on its investments.
14. Income tax expense is based on income before income tax on the income statement. Income tax expense is an expense used to measure net income. Income tax payable is based on taxable income from the income tax return filed with the Internal Revenue Service. Income tax payable is a liability reported on the balance sheet.

## T Daily Exercises

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(5 min.) **DE 13-3**

(5-10 min.) **DE 13-1**

*Note:* Student responses will vary because different people have various reasons for the decisions they make.

*Reasons for organizing as a corporation:*

1. Ease of transferring ownership if a stockholder wants to sell his or her interest in the business
2. Limited liability of stockholders for the business's debts
3. Ease of raising capital from other investors

*Reasons for not organizing as a corporation:*

1. Double taxation of corporations
2. More government regulation of corporations

(5 min.) **DE 13-2**

1. The *president* is in charge of day-to-day operations.
2. The *controller* manages the accounting.
3. The *treasurer* has primary responsibility for cash.
4. The *stockholders* hold ultimate power in a corporation.
5. The *chairperson* of the board of directors is usually the most powerful person in a corporation.

### **DIFFERENCE:**

If Target was a proprietorship, Stockholders' Equity, with its subdivisions of paid-in capital and retained earnings, would be replaced by a single capital account, Lee Target, Capital.

### **SIMILARITY:**

The assets and the liabilities of the proprietorship balance sheet would be reported the same way for a proprietorship as for a corporation.

(5-10 min.) **DE 13-4**

1. Preferred stockholders have priority over common stockholders in (a) receipt of *dividends* and (b) receipt of *assets* if the corporation liquidates.
2. *Common* stockholders benefit more from a successful corporation because the preferred stockholders' dividends are limited to a specified amount. The common stockholders' potential for gains through an increase in the company's stock price is unlimited.
3. The *common stockholders* are the real owners of a corporation.
4. The right to *vote* on management matters clearly separates a stockholder from a creditor.

(5-10 min.) **DE 13-5**

1. The \$31,968,000 was *paid-in capital*. It was not a profit and therefore had no effect on net income.
2. A company earns no profit when it sells its stock to its stockholders. Therefore issuing stock has no effect on the company's net income, regardless of the par value of the stock.

(5-10 min.) **DE 13-6**

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
			<i>Millions</i>	
1.	Cash		3,451	
	Common Stock			867
	Paid-in Capital in Excess of Par			2,584
	Issued stock.			

2. *Profitable operations* were the main source of stockholders' equity, as shown by the far greater amount of retained earnings than paid-in capital.

(10 min.) **DE 13-7**

	<i>Millions</i>
1. Common stock, December 31, 1999.....	\$ 867
Common stock, December 31, 1998.....	<u>865</u>
Increase during 1999.....	\$ 2
Paid-in capital in excess of par, December 31, 1999..	\$2,584
Paid-in capital in excess of par, December 31, 1998..	<u>2,158</u>
Increase during 1999.....	<u>426</u>
Total increase in paid-in capital during 1999.....	<u>\$428</u>

Coca-Cola must have issued common stock during 1999, as shown by the increase in the Common Stock account.

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
			<i>Millions</i>	
2.	Cash		428	
	Common Stock			2
	Paid-in Capital in Excess of Par			426
	Issued stock.			

3. Coca-Cola had a *profit* during 1999, as indicated by the increase in Retained Earnings.

<b>Journal</b>				
	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
a.	Cash (1,000 × \$30)		30,000	
	Common Stock (1,000 × \$1)			1,000
	Paid-in Capital in Excess of Par-Common			29,000
b.	Cash		32,000	
	Preferred Stock Class A (1,000 × \$10)			10,000
	Paid-in Capital in Excess of Par-Preferred Class A			22,000
c.	Cash (1,000 × \$14)		14,000	
	Preferred Stock Class B			14,000

*Case A – Issue stock and buy the assets in separate transactions:*

<b>Journal</b>				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Cash		700,000	
	Common Stock (10,000 × \$10)			100,000
	Paid-in Capital in Excess of Par			600,000
	Issued stock.			
	Building		480,000	
	Equipment		220,000	
	Cash			700,000
	Purchased plant assets.			

*Case B – Issue stock to acquire the assets:*

<b>Journal</b>				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	Building		480,000	
	Equipment		220,000	
	Common Stock (10,000 × \$10)			100,000
	Paid-in Capital in Excess of Par			600,000
	Issued stock to acquire building and equipment.			

The balances in all accounts are the same:

Building.....	\$480,000
Equipment.....	220,000
Common Stock.....	100,000
Paid-in Capital in Excess of Par.....	600,000

(5-10 min.) **DE 13-10**

	<i>Millions</i>
Stockholders' equity:	
Common stock, \$.01 par, 40.2 shares issued.....	\$ .4
Paid-in capital in excess of par.....	<u>17.3</u>
Total paid-in capital.....	17.7
Retained earnings.....	<u>166.2</u>
Total stockholders' equity.....	<u>\$183.9</u>

(10 min.) **DE 13-11**

		<i>Millions</i>
a.	Net sales.....	\$1,081.5
	Cost of goods sold.....	\$ 588.0
	Operating expenses.....	<u>412.9</u>
	Total expenses.....	<u>1,000.9</u>
	Net income.....	<u>\$ 80.6</u>
b.	Accounts payable.....	\$ 62.4
	Other current liabilities.....	52.3
	Long-term debt.....	<u>7.6</u>
	Total liabilities.....	<u>\$ 122.3</u>
c.	Total liabilities (from <i>Req. b</i> ).....	\$ 122.3
	Total stockholders' equity (from DE 13-10).....	<u>183.9</u>
	Total assets.....	<u>\$ 306.2</u>

## Stockholders' equity:

Preferred stock, 5%, \$8 par, 10,000 shares authorized, 3,000 shares issued.....	\$ 24,000
Paid-in capital in excess of par-preferred [3,000 × (\$25 ! \$8)].....	51,000
Common stock, no-par, 100,000 shares authorized, 50,000 shares issued (50,000 × \$5).....	<u>250,000</u>
Total paid-in capital.....	325,000
Retained earnings (\$110,000 + \$70,000 ! \$15,000).....	<u>165,000</u>
Total stockholders' equity.....	<u>\$490,000</u>

<b>Journal</b>					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
20X3					
Dec.	15	Retained Earnings			
		(\$100,000 × .06) + (\$50,000 × .50)		31,000	
		Dividends Payable			31,000
		Declared a cash dividend.			
	31	Income Summary		85,000	
		Retained Earnings			85,000
		Closed net income to Retained Earnings.			
20X4					
Jan.	4	Dividends Payable		31,000	
		Cash			31,000
		Paid the cash dividend.			

During 20X3, Retained Earnings increased by \$54,000 (net income of \$85,000 ! dividends of \$31,000).

(5-10 min.) **DE 13-14**

1.  $\$40,000 \text{ par} \times .05 = \$2,000$
2. Preferred gets \$2,000.  
Common gets \$18,000 (\$20,000 ! \$2,000)
3. Preferred stock is *cumulative* because it is not specifically designated as noncumulative.
4. Preferred gets:
 

20X2 dividend in arrears ( $\$40,000 \times .05$ ).....	\$2,000
20X3 dividend in arrears.....	2,000
20X4 current-year dividend.....	<u>2,000</u>
Total.....	<u>\$6,000</u>

Common gets (\$9,000 ! \$6,000)..... .. \$3,000

(5-10 min.) **DE 13-16**

- a. Preferred:
 

Liquidation value (400 shares $\times$ \$125).....	\$50,000
Cumulative dividends ( $\$40,000 \times .05 \times 3$ ).....	<u>6,000</u>
Stockholders' equity allocated to preferred.....	<u>\$56,000</u>
Book value per share ( $\$56,000 / 400$ shares).....	<u>\$140.00</u>
- b. Common:
 

Total stockholders' equity.....	\$256,000
Less stockholders' equity allocated to preferred.....	<u>(56,000)</u>
Stockholders' equity allocated to common.....	<u>\$200,000</u>
Book value per share ( $\$200,000 / 4,500$ shares).....	<u>\$ 44.44</u>

(5 min.) **DE 13-15**

	Applies to	
	Preferred	Common
a. Cumulative.....	X	
b. Callable.....	X	
c. Liquidation value.....	X	
d. Stated dividend.....	X	
e. Voting rights.....	X	X
f. Priority to receive assets in the event of liquidation.....	X	

1. An investor is most concerned about the *market value* of a stock. To buy the stock the investor must pay its market price (market value). And when the investor sells the stock, the investor will receive cash equal to the market value of the stock.
2. The *book value* of stockholders' equity may figure into the negotiated purchase price when one company purchases another corporation whose stock is not publicly traded. A corporation may also buy out a retiring executive or other stockholder by agreeing to pay the book value of the person's stock.
3. The manager of a company is most concerned about the *market value* of the company's stock because the company will receive cash equal to the market value of the stock when the company goes public. The market value of the stock determines how much cash the company will receive from selling its stock to the public.

1. a. Rate of return on common stockholders' equity =  $\frac{\text{Net income} - \text{Preferred dividends}}{\text{Average common stockholders' equity}}$
- b. Rate of return on total assets =  $\frac{\text{Net income} + \text{Interest expense}}{\text{Average total assets}}$
2. Preferred stockholders have the first claim to dividends from the company's net income. Therefore, preferred dividends are subtracted from net income to compute the rate of return on common stockholders' equity.
3. Creditors earn interest, and stockholders own the company's net income. The sum of interest expense plus net income is the return to the two groups (creditors and stockholders) who have financed the company's assets.

$$\begin{aligned} \text{Rate of return on total assets} &= \frac{\text{Net income} + \text{Interest expense}}{\text{Average total assets}} = \frac{\$2,431 + \$337}{(\$21,623 + \$19,145) / 2} \\ &= \frac{\$2,768}{\$20,384} = 13.6\% \end{aligned}$$

$$\begin{aligned} \text{Rate of return on common stockholders' equity} &= \frac{\text{Net income} - \text{Preferred dividends}}{\text{Average common stockholders' equity}} = \frac{\$2,431 - \$0}{(\$9,513 + \$8,403) / 2} \\ &= \frac{\$2,431}{\$8,958} = 27.1\% \end{aligned}$$

These rates of return are high.

<b>Journal</b>				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
1.	Income Tax Expense (\$120,000 × .40)		48,000	
	Income Tax Payable (\$90,000 × .40)			36,000
	Deferred Tax Liability			12,000
	Recorded income tax for the year.			

2. **Income statement:**

Income before income tax....	\$120,000
Income tax expense.....	<u>(48,000)</u>
Net income.....	<u>\$ 72,000</u>

**Balance sheet:**

Current liabilities:	
Income tax payable.....	\$36,000
Long-term liabilities:	
Deferred tax liability....	12,000

## T Exercises

(10-15 min.) **E 13-2**

(5-10 min.) **E 13-1**

The first step in organizing a corporation is to obtain a *charter* from the state. The charter authorizes the corporation to issue a certain number of shares of stock to the owners of the business, who are called *stockholders*. The incorporators (Kelly and Lewis) will need a set of *bylaws* to determine how the corporation is to be governed internally. The stockholders will elect a *board of directors* who in turn appoint *officers* to manage the corporation on a day-to-day basis.

*Note:* Student responses may vary.

*Req. 1*

<b>Journal</b>					
DATE		ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
April	19	Cash (1,000 × \$10.50)		10,500	
		Common Stock (1,000 × \$1.50)			1,500
		Paid-in Capital in Excess of Par—Common			9,000
May	3	Cash		12,000	
		Class A Preferred Stock			12,000
	11	Inventory		23,000	
		Equipment		11,000	
		Common Stock (3,300 × \$1.50)			4,950
		Paid-in Capital in Excess of Par—Common			29,050
	15	Cash (1,000 × \$62)		62,000	
		Class B Preferred Stock (1,000 × \$50)			50,000
		Paid-in Capital in Excess of Stated Value—Class B Preferred			12,000

*Req. 2*

Total paid-in capital = \$118,500

$$\begin{aligned}
 &(\$1,500 + \$9,000 + \$12,000 + \$4,950 + \$29,050 + \$50,000 + \$12,000 \\
 &= \$118,500)
 \end{aligned}$$

Req. 1

<b>Journal</b>				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
Aug. 6	Cash		15,000	
	Common Stock (500 × \$1)			500
	Paid-in Capital in Excess of Par—Common			14,500
	Issued common stock.			
12	Cash		18,000	
	Preferred Stock			18,000
	Issued preferred stock.			
14	Land		26,000	
	Common Stock (1,000 × \$1)			1,000
	Paid-in Capital in Excess of Par—Common			25,000
	Issued common stock for land.			
31	Income Summary		13,000	
	Retained Earnings			13,000
	Closed net income to Retained Earnings.			

Req. 2

Stockholders' Equity	
Paid-in capital:	
Preferred stock, \$3, no-par, 100,000 shares authorized, 300 shares issued	\$18,000
Common stock, \$1 par, 500,000 shares authorized, 1,500 shares issued	1,500
Paid-in capital in excess of par—common (\$14,500 + \$25,000)	<u>39,500</u>
Total paid-in capital	59,000
Retained earnings	<u>13,000</u>
Total stockholders' equity	<u><u>\$72,000</u></u>

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
			<i>AMOUNTS IN THOUSANDS</i>	
	Cash (50,000 × \$5)		250	
	Series A Preferred Stock (50,000 × \$2)			100
	Capital in Excess of Par— Series A Preferred			150
	Cash (370,000 × \$10)		3,700	
	Series B Preferred Stock (370,000 × \$2)			740
	Capital in Excess of Par— Series B Preferred			2,960
	Cash		72,370	
	Common Stock (9,000,000 × \$.10)			900
	Capital in Excess of Par— Common			71,470

*Note:* Balance of Capital in excess of par is \$74,580  
 (\$150 + \$2,960 + \$71,470 = \$74,580)

Journal				
DATE	ACCOUNTS AND EXPLANATIONS	POST. REF.	DEBIT	CREDIT
	(a) True no-par stock:			
	Cash (5,000 × \$8)		40,000	
	Common Stock			40,000
	Issued no-par common stock.			
	(b) No-par stock with \$2 stated value:			
	Cash (5,000 × \$8)		40,000	
	Common Stock (5,000 × \$2)			10,000
	Paid-in Capital in Excess of Stated Value—Common			30,000
	Issued no-par common stock with \$2 stated value.			

Stockholders' Equity	
Paid-in capital:	
Class A preferred stock, \$4.50 no-par, 5,000 shares authorized, 300 shares issued	\$ 20,000
Class B preferred stock, 5%, no-par, with \$50 stated value, 1,000 shares authorized and issued	50,000
Paid-in capital in excess of stated value—Class B preferred	10,000
Common stock, \$1 par, 10,000 shares authorized, 5,300 shares issued	5,300
Paid-in capital in excess of par—common	60,700*
Total paid-in capital	146,000
Retained earnings	46,000
Total stockholders' equity	<u>\$192,000</u>

## \*Computation

Nov. 23: 2,000 shares × (\$12.50 ! \$1.00) =.....	\$23,000
Dec. 12: \$25,000 + \$16,000 ! (3,300 shares × \$1) =.....	<u>37,700</u>
	<u>\$60,700</u>

Paid-in capital consists of:	
Preferred equity	
Issued for cash (2,000 shares × \$80)	\$160,000
Common equity	
Issued for cash (26,000 shares × \$11)	286,000
Issued for patent	<u>40,000</u>
Total paid-in capital	<u>\$486,000</u>

Stockholders' Equity	
Paid-in capital:	
Preferred stock, 5%, \$20 par, 20,000 shares authorized, 5,000 shares issued	\$100,000
Paid-in capital in excess of par—preferred	88,000
Common stock, no-par, \$1 stated value, 100,000 shares authorized and issued	100,000
Total paid-in capital	288,000
Retained earnings	119,000
Total stockholders' equity	<u>\$407,000</u>

Preferred stock is *cumulative* because it is not specifically designated as noncumulative.

	PREFERRED	COMMON	TOTAL
20X1—Total dividend			<u>\$10,000</u>
Preferred dividends			
(\$200,000 × .08 = \$16,000; unable to pay the full amount)	<u>\$10,000</u>	<u>-0-</u>	<u>\$10,000</u>
20X2—Total dividend			<u>\$60,000</u>
Preferred dividends in arrears for 20X1:			
(\$16,000 ! \$10,000)	\$ 6,000		
Preferred dividends for current year	<u>16,000</u>		
Total preferred dividends	22,000		\$22,000
Remainder to common		\$38,000	38,000
Total dividends allocated	<u>\$22,000</u>	<u>\$38,000</u>	<u>\$60,000</u>

(15-20 min.) **E 13-10**

	PREFERRED		COMMON	TOTAL
	SERIES A	SERIES B		
20X4—Total dividend	\$ -0-	\$ -0-	\$ -0-	\$ -0-
20X5—Total dividend				\$1,100,000
Preferred dividends in arrears for 20X4:				
Series A preferred (50,000 × \$.40)	\$20,000			
Series B preferred (370,000 × \$1.30)		\$481,000		
Total preferred dividends in arrears				501,000
Remainder				599,000
Current year:				
Series A preferred	20,000			
Series B preferred		481,000		
Total preferred dividends for the current year				501,000
Remainder				98,000
Common			98,000	98,000
Remainder				-0-
Totals	\$40,000	\$962,000	\$98,000	\$1,100,000

(10-15 min.) **E 13-11**

Book value per share of preferred and common stock:	
Preferred:	
Liquidation value	\$ 6,000
Book value per share (\$6,000 / 100 shares)	\$60.00
Common:	
Stockholders equity allocated to common (\$226,800 ! \$6,000)	\$220,800
Book value per share (\$220,800) / 10,000 shares)	\$22.08

(10-15 min.) **E 13-12**

Book value per share of preferred and common stock:	
Preferred:	
Liquidation value	\$ 6,000
Dividends in arrears (\$4,800 × .06 × 3)	864
Total preferred equity	\$ 6,864
Book value per share (\$6,864 / 100 shares)	\$68.64
Common:	
Total stockholders' equity	\$226,800
Less: Total preferred equity	(6,864)
Total common equity	\$219,936
Book value per share (\$219,936 / 10,000 shares)	\$21.99

(10-15 min.) **E 13-13**

$$\text{Rate of Return on assets} = \frac{\text{Net income} + \text{Interest expense}}{\text{Average total assets}} = \frac{\$12,000,000 + \$17,400,000}{(\$326,000,000 + \$317,000,000) / 2} = \frac{\$29,400,000}{\$321,500,000} = .091$$

$$\text{Rate of return on common stockholders' equity} = \frac{\text{Net income} - \text{! preferred dividends}}{\text{Average common stockholders' equity}} = \frac{\$12,000,000 - (100,000 \times \$1.30)}{(\$164,000,000 + \$157,000,000) / 2} = \frac{\$11,870,000}{\$160,500,000} = .074$$

These profitability measures suggest weakness because Weimeyer's 7.4% return on stockholders' equity is low, and it is even less than the company's 9.1% return on assets.

(10-15 min.) **E 13-14**

Req. 1

All amounts in millions

	Income Tax Expense (\$130,000 × .40)	52	
	Income Tax Payable (\$100,000 × .40)		40
	Deferred Tax Liability (\$30,000 × .40)		12

Req. 2

<b>Income statement:</b>	
Income before income tax	\$130
Income tax expense	<u>52</u>
Net income	<u>\$ 78</u>
<b>Balance sheet:</b>	
Current liabilities:	
Income tax payable	\$ 40
Long-term liabilities:	
Deferred tax liability	\$ 12

*Req. 1*

		<i>Millions</i>	
a.	Income Summary	5,377	
	Retained Earnings		5,377
	Closed net income to Retained Earnings.		
b.	Retained Earnings	989	
	Dividends Payable		989
	Declared a cash dividend.		
	Dividends Payable	989	
	Cash		989
	Paid a cash dividend.		
c.	Cash	280	
	Common Stock (\$446 ! \$445)		1
	Capital in Excess of Par Value (\$714 ! \$435)		279
	Issued stock.		

*Req. 2*

		<i>Millions</i>	
	Common stock, Jan. 31, 19X9	\$ 445	
	Issuance of stock for cash		<u>1</u>
	Common stock, Jan. 31, 20X0	<u>\$ 446</u>	
	Capital in excess of par value, Jan. 31, 19X9	\$ 435	
	Issuance of stock for cash		<u>279</u>
	Capital in excess of par value, Jan. 31, 20X0	<u>\$ 714</u>	
	Retained earnings, Jan. 31, 19X9	\$20,741	
	Net income		5,377
	Cash dividends		<u>(989)</u>
	Retained earnings, Jan. 31, 20X0	<u>\$25,129</u>	