

HOMEWORK PROBLEMS 7-1 AND 7-2

Problem 7-1

The Bonn Company was authorized to issue 100,000 shares of common stock with a par value of \$10 and 50,000 shares of \$50 par preferred stock.

20x1

Apr. 25 Bonn Company issued for cash 5,000 shares of common stock with a par value of \$10 and 50,000 shares of \$50 par preferred stock. The following transactions were among those that took place during 20x1:

20x1

Apr. 25 Bonn Company issued for cash 5,000 shares of common stock at \$14 per share.

Aug. 7 Bonn Company issued for cash 1,000 shares of preferred stock at \$54 per share.

Required:

- a. Prepare entries in general journal form for the transactions shown above.
- b. Prepare the stockholders' equity section for the Bonn Company as of August 7, assuming no transactions other than those shown above affected the stockholders' equity section.

Problem 7-2

When Curtis Company started operations in 20x1, they sold 10,000 shares of \$10 par common stock at \$11 per share. No additional shares have been issued since that time. The following transactions were among those that took place during 20x7:

20x7

Mar. 1 Curtis Company reacquired 1,000 shares of common stock at \$15 per share.

Aug. 10 500 of the reacquired shares were sold at \$17 per share.

Dec. 19 The remaining 500 shares of reacquired stock were sold at \$14.25 per share.

Required:

- a. For what reasons might Curtis Company have purchased the treasury stock?
- b. Prepare entries in general journal form for the transactions shown above.
- c. Prepare the stockholders' equity section for the Curtis Company as of September 30, 1997, assuming no transactions other than those shown above affected the stockholders' equity section.
- d. Prepare the stockholders' equity section for the Curtis Company as of December 31, 1997, assuming no transactions other than those shown above affected the stockholders' equity section.