

ACCOUNTING FOR CORPORATIONS PART I

I. ISSUING STOCK

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Darin Jones was ready to start a new business shortly after the liquidation of Darin's Music Emporium. He chose the corporate form of business because he felt the sale of stock would allow for rapid expansion during the 21st century.

On January 3, 1999, Darin Jones began Future Horizons Corporation by investing \$10,000 Cash and Land valued at \$20,000. In return he received 3,000 shares of the 40,000 authorized shares of \$10 Par value Common Stock. Organization costs of \$10,000 were paid on Jan. 4 with 1,000 shares of Common Stock. Friends of Darin's heard of his new venture, and on January 7 he received cash of \$60,000 for 3,000 shares of \$10 Par Common Stock. Remember Par is a reference value and seldom bears any relationship to market value.

Jan. 3	Cash	10,000	
	Land	20,000	
	Common Stock (3,000) (\$10)		30,000
	Issued 3,000 shares of \$10 Par Common Stock.		
Jan. 4	Organization Costs	10,000	
	Common Stock (1,000) (\$10)		10,000
	Issued 1,000 shares of \$10 Par Common Stock.		
Jan. 7	Cash	60,000	
	Common Stock (3,000) (\$10)		30,000
	Contributed Capital in Excess of Par Common Stock (3,000) (\$10)		30,000
	Issued 3,000 shares of \$10 Par Common Stock at \$20/share.		

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Note: Had Darin Jones applied for no Par stock with a stated value of \$10 per share, the entry on Jan. 7 would have been as follows:

Jan. 7	Cash	60,000	
	No Par Common Stock (3,000) (\$10)		30,000
	Contributed Capital in excess of stated value, no Par Common Stock (3,000) (\$10)		30,000
	Issued 3,000 shares of \$10 stated value No Par Common Stock at \$20/share.		

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Business was excellent, and expansion capital was required. On June 30, 1,000 of the 5,000 authorized shares of 8% cumulative \$100 Par, callable at \$110 Preferred Stock were issued at \$105. Preferred Stock was not participating in reference to income nor was it convertible into Common Stock.

June 30	Cash	105,000	
	Preferred Stock (1,000) (\$100)		100,000
	Contributed Capital in Excess of Par, Preferred Stock (1,000) (\$5)		5,000
	Issued 1,000 shares of \$100 Par Preferred Stock at \$105.		

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II. PAYING A CASH DIVIDEND

On December 15, 1999, the Board of Directors of the Future Horizons Corporation declared an annual dividend to stockholders of record as of Jan. 15, 2000, to be distributed on Feb. 15, 2000. Owners of Preferred's 1,000 shares received 8% and Owners of Common's 7,000 shares received 80 cents per share.

Dec. 15	Retained Earnings	13,600	
	Common Stock Dividend Payable (7,000) (\$.80)		5,600
	Preferred Stock Dividend Payable (1,000) (\$100) (.08)		8,000
	Declared Annual dividend.		
Feb. 15	Common Stock Dividend Payable	5,600	
	Preferred Stock Dividend Payable	8,000	
	Cash		13,600
	Paid Annual Dividend.		

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Note: Dividends may also be paid semi-annually and quarterly.