

PRINCIPLES OF ACCOUNTING II
ACC 122

STOCK ISSUANCE

STOCK CERTIFICATES AND TRANSFER OF STOCK

- Each unit of ownership is called a share of stock.
- A stock certificate is a printed document representing a specific number of shares.
- If the stock is traded on a major stock exchange.
 - a. Stock ownership records must be kept by a registrar.
 - b. Another party., called a transfer agent, facilitates stockholder exchange of shares.

AUTHORIZATION AND ISSUANCE OF STOCK

- Capital Stock Authorized
Maximum number of shares a corporation may issue as designated in its charter.
- Capital Stock Issued
Number of shares sold or otherwise transferred to stockholders.
- Unissued Shares
Authorized shares that have not been issued to stockholders.

General:

- a. The corporate charter authorizes a specified number of shares of stock.
- b. A corporation's stock may be either common or preferred.
- c. A corporation cannot issue more than the number of authorized shares.
- d. A corporation's balance sheet must disclose the number of shares authorized and issued.

Accounting Entries:

Sale of stock for cash:

Cash	(debit)	
	Common Stock	(credit)

Issuing stock for noncash assets:

Noncash Asset	(debit)	
<small>record noncash asset at fair market value</small>		
	Common Stock	(credit)

PAR VALUE AND MINIMUM LEGAL CAPITAL

- Par value is the arbitrary amount assigned to each share of stock when it is authorized.
- Total par value establishes minimum legal capital in many states. Laws require stockholders to invest assets equal in value to minimum legal capital, or be liable to corporate creditors for the deficiency.
- Par value **is not** an indication of market value.

STOCK PREMIUMS AND DISCOUNTS

Premiums:

- A premium on stock is the amount in excess of par value paid by purchasers of newly issued stock.
- Premium is called Contributed Capital in Excess of Par Value.
- Contributed Capital in Excess of Par Value is disclosed along with par value in the Stockholder's Equity section of the Balance Sheet.

Discounts:

- A discount on stock is the amount below par value paid by purchasers of newly issued stock.
- Most states prohibit issuing stock for a discount.
- Stockholders are contingently liable to corporate creditors for the amount of any discount.

NO-PAR STOCK

- Most states permit the issuance of stock without par value: no-par stock.
- The advantage of no-par stock is that it may be issued at any price without having a discount liability.
- The entire proceeds from the issuance of no-par stock becomes minimum legal capital.
- In some states the board of directors assigns a stated value to no-par stock.
- In these states, the total stated value of an issue becomes the minimum legal capital.