

16. Statement of Stockholders' Equity

Remember that a company must present an income statement, balance sheet, statement of retained earnings, and statement of cash flows. However, it is also necessary to present additional information about changes in other equity accounts. This may be done by notes to the financial statements or other separate schedules. However, most companies will find it preferable to simply combine the required statement of retained earnings and information about changes in other equity accounts into a single Statement of Stockholders' Equity. Following is an example of such a statement.

Pepper Corporation Statement of Stockholders' Equity For the Year Ending December 31, 20X9					
	Common stock, \$1 Par	Paid-in Capital in Excess of Par	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance on January 1	\$ 20,000,000	\$ 25,000,000	\$ 11,000,000	\$ (5,000,000)	\$ 51,000,000
Issuance of additional shares for cash	3,000,000	12,000,000			15,000,000
Purchase of treasury stock				(2,000,000)	(2,000,000)
Net income			4,000,000		4,000,000
Cash dividends			(1,500,000)		(1,500,000)
Stock dividends	1,150,000	4,600,000	(5,750,000)		
Balance on December 31	<u>\$ 24,150,000</u>	<u>\$ 41,600,000</u>	<u>\$ 7,750,000</u>	<u>\$ (7,000,000)</u>	<u>\$ 66,500,000</u>

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This statement does fulfill the requirement for a statement of retained earnings and additional equity account information disclosures. From the illustration, you can see that the company had several equity transactions during the year, and the retained earnings column roughly corresponds to a statement of retained earnings. In actuality, companies are apt to expand this presentation to include comparative data for multiple years and potentially include information about all other equity accounts (such as the other comprehensive income accounts you learned about in the long-term investments accounting chapter).

To close this chapter, I would encourage you to examine the above statement of stockholders' equity, and be sure you can prepare a journal entry that corresponds to Pepper's share issuance, treasury stock transaction, cash dividend, and stock dividend. You will find it helpful to review the various journal entries illustrated in this chapter as you undertake this effort.