



Chapter 12

Acquiring Additional Capital for a Corporation



Section 12.2

Treasury Stock Transactions

Treasury Stock

- A corporation's own stock that has been issued and reacquired
- Reduces the number of shares outstanding
- Still considered to be issued stock
- Is NOT an asset of the company
- No voting rights associated with treasury stock
- Dividends are not paid on Treasury Stock
- May be given to employees as bonus payments. When this happens, it ceases to be treasury stock and becomes capital stock.
- Held at the price paid regardless of the stock's par or stated value.

Buying Treasury Stock

What do we know:

- On October 24th
- Paid cash
- For 500 shares of \$10 stated value common stock at \$12 per share

Calculate the amounts to be recorded:

No. of shares	500
X Total rcvd per share	<u>\$12</u>
Total cash paid	\$6,000

Transactions will be journalized in the Cash Payments Journal.

Debit Treasury Stock \$6,000

Credit Cash \$6,000

REMEMBER:

A corporation records treasury stock at the price paid regardless of the stock's par or stated value.

Selling Treasury Stock for Original Cost

What do we know:

- On November 21st
- Received cash
- For 100 shares of treasury stock at \$12 per share.
- Treasury stock was originally bought for \$12 per share.

Calculate the amounts to be recorded:

No. of shares	100
X Total rcvd per share	\$12
<hr/>	
Total cash received	\$1,200

Transactions will be journalized in the Cash Receipts Journal.

Debit Cash	\$1,200
Credit Treasury Stock	\$1,200

FYI:

Treasury stock is generally reissued to investors who pay cash for the stock. Investors pay the current market price for the stock.

Selling Treasury Stock for More than the Original Cost

What do we know:

- On November 25th
- Received cash
- For 200 shares of treasury stock at \$15 per share.
- Treasury stock was originally bought for \$12 per share.

Calculate the amounts to be recorded:

No. of shares	200
X Total rcvd per share	<u>\$15</u>
Total cash received	\$3,000

No. of shares	200
X Total rcvd per share	<u>\$12</u>
Total value of shares	\$2,400

Difference of \$600.

Transactions will be journalized in the Cash Receipts Journal.

Debit Cash	\$3,000
Credit Treasury Stock	\$2,400
Credit Paid-in Capital from Sale of Treasury Stock	\$600

Selling Treasury Stock for Less than the Original Cost

What do we know:

- On December 22nd
- Received cash
- For 50 shares of treasury stock at \$10 per share.
- Treasury stock was originally bought for \$12 per share.

Calculate the amounts to be recorded:

No. of shares	50
<u>X Total rcvd per share</u>	<u>\$10</u>
Total cash received	\$500

No. of shares	50
<u>X Total rcvd per share</u>	<u>\$12</u>
Total Value of shares	\$600

Difference of \$100.

Transactions will be journalized in the Cash Receipts Journal.

Debit Cash	\$500
Debit Paid-in Capital from Sale of Treasury Stock	\$100
Credit Treasury Stock	\$600