

## EXERCISE

### STATEMENTS OF SHAREHOLDERS' EQUITY

#### Background

Your client's statement of shareholders' equity is broken down into four categories: Common Stock; Treasury Stock; Additional Paid-In Capital; and Retained Earnings.

#### Instructions

Decide which category of shareholders' equity is affected by each transaction below, noting the reasons for your answers.

Transaction	Category	Reasons
Issuance of 1 million shares of common stock worth \$8 million. The par value of the stock is \$1.00 per share.		
Net income of \$56 million.		
Repurchase of 100,000 shares of common stock for \$900,000. The par value of the stock is \$1 per share.		
Payment of \$1 million in dividends out of earnings.		