Stockholders' Equity & Dividends Master Cheat Sheet

Common vs. Preferred Stock, APIC, Cumulative Arrears, Cash/Stock Dividends & Stock Splits

1. COMPONENTS OF STOCKHOLDERS' EQUITY

Equity Category	Typical Accounts	Normal Balance & Description
Contributed Capital	Preferred Stock, Common Stock, Additional Paid-In Capital (APIC) from Common/Preferred.	**Credit**. Direct capital invested by owners upon initial or secondary share issuance.
Retained Earnings	Unappropriated Retained Earnings, Appropriated for plant expansion.	**Credit**. Cumulative net income retained in business less all cash/stock dividends declared.
AOCI	Accumulated Other Comprehensive Income (pension gains, unrealized AFS gains, currency translation).	**Credit or Debit**. Non-owner balance sheet changes bypassing the standard Income Statement.
Treasury Stock	Treasury Stock (at acquisition cost).	**DEBIT (Contra-Equity)**. Deducted from total stockholders' equity.

2. CASH DIVIDENDS: THE 3 KEY DATES

Key Dividend Date	Mandatory Journal Entry	Financial Impact
1. Declaration Date	**Dr. Cash Dividends (or RE) • Cr. Dividends Payable**	Creates a binding legal obligation; increases current liabilities.
2. Record Date	*NO JOURNAL ENTRY REQUIRED*	Determines registered shareholders entitled to receive payment.
3. Payment Date	**Dr. Dividends Payable • Cr. Cash**	Disburses cash and settles dividend liability.

3. STOCK DIVIDENDS VS. STOCK SPLITS

- **Small Stock Dividend (< 25%):** Capitalize at **Fair Market Value**: Dr. Retained Earnings (FMV) • Cr. Common Stock (Par) • Cr. APIC.
- **Large Stock Dividend (≥ 25%):** Capitalize at **Par Value**: Dr. Retained Earnings (Par) • Cr. Common Stock (Par).
- **Stock Split (e.g. 2-for-1): NO JOURNAL ENTRY!** Doubles shares, halves par value; total equity remains unchanged.

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