CONCEPT: TREASURY STOCK

● ***Treasury Stock*** – common stock that is issued and then later reacquired by the company

□ Treasury Stock is repurchased at the current ________________

□ Treasury Stock does not receive dividends when dividends are declared

- Dividends are only paid on ________________ stock

□ Treasury Stock is a ________________ account, which lowers the value of equity.

□ This lesson focuses on the ***cost method*** of accounting for Treasury Stock

● The company repurchases Treasury Stock from the stockholders:

The Apartment Depot repurchased 10,000 shares of $0.50 par value common stock at the current market price of $25.

Journal Entry:

Assets	=	Liabilities	+	Equity

● The company may later resell the Treasury Stock at a price different than the repurchase price:

Previously, the Apartment Depot repurchased 10,000 shares of $0.50 par value common stock at the current market price of $25. Now, the Apartment Depot will resell 5,000 shares of its Treasury Stock at a price of $30.

Journal Entry:

Assets	=	Liabilities	+	Equity