

CONCEPT: ISSUING COMMON STOCK FOR ASSETS OR SERVICES

- When a company **issues** shares of a common stock, it just means they are selling them to the public
 - **Value Received** – The _____ of the assets or services received
 - **Par Value** – The amount for which a security can be redeemed
 - The par value per share issued still goes to the _____ account
 - **Additional Paid-in Capital** – The amount above _____ of the value received
- A trick that professors use is to give you the seller's book value as well as the fair market value of the assets received:

The Apartment Depot exchanged 100,000 shares of \$0.50 par value common stock for a building. The building had an original cost of \$120,000, while being depreciated using the straight-line method over a twenty-year useful life (accumulated depreciation is currently \$48,000). The fair market value of the building is \$80,000.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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- The value of services should be expensed in the period the benefit is received

The Apartment Depot exchanged 200,000 shares of \$0.50 par value common stock for legal services with a fair market value of \$140,000.

Journal Entry:

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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