

Lesson 22: Stockholders' Equity — Understanding Ownership

Part A: Components of Equity

Match each component to its description:

Component	Description
Common Stock	
Additional Paid-In Capital	
Retained Earnings	
Treasury Stock	
Preferred Stock	

(Descriptions: Shares repurchased by the company | Cumulative undistributed profits | Par value of shares issued | Priority claim on dividends | Amount paid above par value)

Part B: Equity Statement Calculation

Beginning Retained Earnings \$45,000 | Net Income \$22,000 | Dividends Paid \$8,000

Item	Amount (\$)
Beginning Retained Earnings	45,000
+ Net Income	
– Dividends Paid	
= Ending Retained Earnings	

Part C: Short Answer

Explain why treasury stock is shown as a deduction from equity (negative) rather than an asset.
