

ACCOUNTANCY 422
WEIGHTED AVERAGE SHARES EXERCISE
SOLUTION

| | | | |
|----------------------------------|------------|--------------------------------|----------------|
| 2003 | January 1 | $250,000 * 12/12 * 1.20 * 3 =$ | 900,000 |
| | March 1 | $24,000 * 10/12 * 1.20 * 3 =$ | 72,000 |
| | October 1 | $16,000 * 3/12 * 3 =$ | 12,000 |
| | December 1 | $(15,000) * 1/12 * 3 =$ | <u>(3,750)</u> |
| Weighted average shares for 2003 | | | <u>980,250</u> |

Calculate number of
shares outstanding
at the end of 2003:

| | | | |
|--|------------|--------------------|-----------------|
| | January 1 | Balance | 250,000 |
| | March 1 | Issuance | 24,000 |
| | July 24 | 20% stock dividend | 54,800 |
| | October 1 | Issuance | 16,000 |
| | December 1 | Treasury stock | <u>(15,000)</u> |
| Ending balance of shares outstanding, 2003 | | | <u>329,800</u> |

| | | | |
|----------------------------------|-------------|-------------------------|------------------|
| 2004 | January 1 | $329,800 * 12/12 * 3 =$ | 989,400 |
| | September 1 | $60,000 * 4/12 =$ | <u>20,000</u> |
| Weighted average shares for 2004 | | | <u>1,009,400</u> |