

Ennis, Inc. Has 28,000 Common Shares Issued At A \$2.25 Par Value Of Which 17,600 Are Outstanding. If

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This statement lays the foundation for understanding the company's equity structure. Ennis, Inc., like many corporations, has issued common shares to investors, and understanding the nuances of this issuance is vital for investors, analysts, and stakeholders. This article explores the implications of the company's share structure, the difference between issued and outstanding shares, the significance of the par value, and the related financial concepts that come into play when analyzing Ennis, Inc.'s equity.

Understanding the Basic Terminology

Shares Issued vs. Shares Outstanding

One of the fundamental concepts in corporate finance involves differentiating between shares issued and shares outstanding:

- **Shares Issued:** The total number of shares that a company has ever issued to shareholders, including those that have been repurchased or are held in the company's treasury.
- **Shares Outstanding:** The number of shares currently held by shareholders, excluding treasury shares. This is the figure used to calculate metrics like earnings per share (EPS) and market capitalization.

In Ennis, Inc.'s case:

- Total shares issued: 28,000
- Shares outstanding: 17,600

This indicates that the company has repurchased or holds 10,400 shares in its treasury, which can influence the company's share price and earnings metrics.

Par Value of Shares

The par value of a share is a nominal value assigned to each share at the time of issuance, often set at a very low amount, such as \$0.01 or \$2.25 in Ennis, Inc.'s case. Par value does not necessarily reflect the market value or intrinsic value of the share but serves as a legal and accounting concept:

- It establishes the minimum legal capital per share.
- It affects the company's paid-in capital account on the balance sheet.

Financial Implications of Share Structure

Calculation of Share Capital and Additional Paid-In Capital

Given Ennis, Inc.'s issued shares and par value, the company's share capital (or common stock at par) can be calculated:

- **Share Capital (at par):** 28,000 shares × \$2.25 = \$63,000

Since the number of shares outstanding is 17,600, the company may have repurchased or retired 10,400 shares, which could influence its control, EPS, and stock price.

The difference between the total amount received from shareholders (the proceeds from issuance) and the par value is recorded as additional paid-in capital (APIC). If the company issued shares at a price above par, the excess is credited to APIC.

Impact on Financial Statements

Balance Sheet Representation

On the company's balance sheet, the common stock account reflects the total par value of issued shares:

- Common Stock (at par): \$63,000

The APIC account records any amount received over the par value during issuance.

The treasury shares, if any, are recorded as a reduction in shareholders' equity.

Share Repurchases and Treasury Stock

If Ennis, Inc. has repurchased 10,400 shares, it holds these in treasury. Treasury stock is a contra-equity account, reducing total shareholders' equity.

The reasons for repurchasing shares include:

- Increasing earnings per share (EPS) by reducing shares outstanding.
- Providing stock for employee compensation plans.
- Signaling confidence to the market.

Market and Investor Perspectives

Market Capitalization

Market capitalization is a key metric calculated as:

Market Capitalization = Current Market Price per Share × Shares Outstanding

Assuming the market price is \$5 per share, for example:

- Market cap = \$5 × 17,600 = \$88,000

This figure reflects the company's valuation based on market perceptions.

Earnings Per Share (EPS)

EPS is calculated as:

EPS = Net Income / Shares Outstanding

A reduction in shares outstanding through buybacks can enhance EPS, making

the company appear more profitable on a per-share basis.

Legal and Accounting Considerations

Legal Capital and Par Value

The par value concept is rooted in legal requirements to prevent the issuance of shares below a certain minimum. However, in many jurisdictions and modern accounting practices, par value holds little relation to actual market value.

Accounting for Share Transactions

When Ennis, Inc. issues shares:

- The entry records the cash received.
- The common stock account is credited for the par value.
- Any excess over par is credited to APIC.

For treasury stock transactions:

- The company records a debit to treasury stock.
- Cash decreases accordingly.

Strategic Considerations for Ennis, Inc.

Share Repurchase Strategies

By repurchasing shares, Ennis, Inc. can:

- Improve EPS.
- Support the share price.
- Return value to shareholders.

However, repurchases also reduce cash reserves, potentially impacting liquidity.

Impact on Ownership and Control

Reducing the number of shares outstanding can concentrate ownership among remaining shareholders, affecting voting rights and control.

Conclusion

Understanding the nuances of a company's share structure is vital for assessing its financial health and strategic direction. Ennis, Inc.'s issuance of 28,000 common shares at a \$2.25 par value, with 17,600 shares outstanding, reflects its capital structure and potential corporate actions such as share repurchases. The difference between issued and outstanding shares, the role of par value, and the implications for earnings per share, market capitalization, and shareholder control are critical considerations for investors and analysts alike.

In sum, while the nominal figures provide a snapshot of Ennis, Inc.'s equity, deeper analysis requires consideration of market conditions, company strategies, and future prospects. As with any corporate financial assessment, understanding the interplay between share issuance, repurchases, and shareholder equity is key to making informed investment decisions.

Frequently Asked Questions

What is the total authorized share capital of Ennis, Inc. based on the given information?

The total authorized share capital cannot be determined from the given information, as only the issued and outstanding shares are provided. Additional data on authorized shares is needed.

How many shares of Ennis, Inc. are currently issued and outstanding?

Ennis, Inc. has issued 28,000 common shares in total, of which 17,600 are currently outstanding.

What is the par value of each share issued by Ennis, Inc.?

The par value of each share is \$2.25.

What is the total par value of all issued shares for Ennis, Inc.?

The total par value of all issued shares is 28,000 shares multiplied by \$2.25, which equals \$63,000.

How many shares are issued but not outstanding for Ennis, Inc.?

Since 28,000 shares are issued and 17,600 are outstanding, the number of shares issued but not outstanding is $28,000 - 17,600 = 10,400$.

What could be the reason for shares being issued but not outstanding in Ennis, Inc.?

Shares issued but not outstanding may be due to treasury stock holdings, shares held by the company itself, or shares that are restricted from voting or dividends.

How can the number of authorized shares impact Ennis, Inc.'s future issuance?

The number of authorized shares sets the maximum shares the company can issue; if the company needs to raise more capital or issue shares for other purposes, it may need to seek shareholder approval to increase this limit.

Additional Resources

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Understanding the nuances of a company's share structure is vital for investors, analysts, and stakeholders alike. Ennis, Inc., a notable player in the printing industry, provides an interesting case study with its issued and outstanding shares. This article delves into what these figures mean, their implications for the company's financial health, and how they influence shareholder value. We will explore the concepts of issued shares, outstanding shares, par value, and their interconnectedness, offering a comprehensive yet accessible overview.

The Basics: Shares Issued vs. Shares Outstanding

Before analyzing Ennis, Inc.'s specific figures, it's essential to clarify key terminology:

- **Issued Shares:** The total number of shares that a company has ever sold to shareholders, including those that are currently held by shareholders and

those that may have been repurchased by the company and held as treasury shares.

- **Outstanding Shares:** The number of shares currently held by all shareholders, excluding treasury shares. These are the shares actively participating in voting and dividend distribution.

In Ennis, Inc.'s case:

- Shares Issued: 28,000
- Shares Outstanding: 17,600

This discrepancy indicates that the company has repurchased or holds some shares as treasury shares, amounting to the difference of 10,400 shares (28,000 issued minus 17,600 outstanding).

Understanding Par Value and Its Role

The mention of a \$2.25 par value is an important point in corporate finance. Par value is a nominal value assigned to each share at issuance, which often has little bearing on the market price but holds legal significance.

- **Legal and Accounting Significance:** Par value establishes the minimum amount that shareholders must pay per share during issuance, preventing companies from issuing shares below this value.

- **Impact on Share Capital:** The total share capital is calculated as the par value multiplied by the total number of issued shares. For Ennis, this would be:

$$28,000 \text{ shares} \times \$2.25 = \$63,000$$

This figure appears on the company's balance sheet under shareholders' equity, representing the legal capital.

Implications of Share Repurchases

The difference between issued and outstanding shares suggests that Ennis, Inc. has engaged in share repurchase programs. These buybacks are common strategies used by companies for various reasons:

- **Increase in Shareholder Value:** By reducing the number of shares in circulation, earnings per share (EPS) and potentially the stock price can increase.

- **Optimizing Capital Structure:** Repurchasing shares can be a way to return excess cash to shareholders and improve financial ratios.

- **Signaling Confidence:** Buybacks often signal that management believes shares are undervalued.

In Ennis's context, repurchasing 10,400 shares indicates active management of

its capital structure, which could impact investor perceptions and the company's future dividend policies.

The Financial Significance of Outstanding Shares

Outstanding shares are central to many financial metrics:

- **Earnings Per Share (EPS):** Calculated as net income divided by outstanding shares. A lower number of outstanding shares can boost EPS if net income remains constant.
- **Dividend Payments:** Dividends are typically paid per share; thus, fewer outstanding shares may result in higher dividends per share if the total dividend payout remains unchanged.
- **Market Capitalization:** Calculated as share price multiplied by outstanding shares. A reduction in outstanding shares can influence the company's market cap and perceived valuation.

For investors analyzing Ennis, Inc., understanding the number of outstanding shares helps in evaluating profitability, dividend potential, and valuation.

Ownership and Voting Power

Ownership rights and voting power are also tied to outstanding shares:

- **Shareholders' Voting Rights:** Usually proportionate to the number of shares held. With 17,600 outstanding shares, voting influence is concentrated among these shareholders.
- **Control and Influence:** Significant shareholders or institutional investors often track changes in outstanding shares to assess shifts in control or influence within the company.

The Effect of Treasury Shares

Treasury shares are a company's own shares that it has repurchased and holds in its treasury. They do not confer voting rights or dividends, and their presence impacts the company's share count and financial ratios.

In Ennis, Inc., the 10,400 shares that are not outstanding may be held as treasury shares, which the company might reissue later or retire permanently. This flexibility allows Ennis to manage its capital structure dynamically.

Analyzing the Implications for Investors

For current and prospective investors, the share structure of Ennis, Inc. offers several insights:

- **Potential for Share Price Appreciation:** Share repurchases can signal confidence, potentially leading to price increases.

- EPS Growth: Reduced outstanding shares can boost EPS, making the stock more attractive.
- Dividend Policy Considerations: With fewer shares outstanding, dividends per share might increase if total dividends stay the same.
- Ownership Concentration: The distribution of ownership might shift if large shareholders buy or sell shares, affecting voting power.

Limitations and Considerations

While the figures provide valuable insights, they are just part of the overall financial picture:

- Market Price Dynamics: The par value does not indicate the current market price of shares, which is affected by earnings, growth prospects, and market sentiment.
- Treasury Share Policies: The company's plans regarding its treasury shares—whether to reissue, retire, or hold—can influence future share counts and valuation.
- Financial Performance: Share structure alone cannot determine financial health; it must be complemented with income statements, balance sheets, and cash flow analyses.

Conclusion: A Snapshot of Ennis, Inc.'s Share Structure

Ennis, Inc.'s issuance of 28,000 shares at a \$2.25 par value, with 17,600 outstanding, reveals a company actively managing its capital through share repurchases or treasury holdings. This structure influences key financial metrics, shareholder influence, and potential future strategies. While the figures provide a snapshot, understanding the broader context—such as market conditions, company performance, and strategic plans—is essential for a comprehensive analysis.

For investors and stakeholders, keeping an eye on changes in outstanding shares, treasury holdings, and the company's buyback activities can offer valuable clues about management's confidence and strategic direction. As Ennis continues to navigate a competitive industry landscape, its share management decisions will remain a vital aspect of its financial story.

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