

At The End Of The Accounting Period, Harris Company Had \$6,000 Of Par Value Stock Outstanding, Additional

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Understanding the financial standing of a company is essential for investors, management, and stakeholders. When Harris Company reports that, at the end of the accounting period, it had \$6,000 of par value stock outstanding, it provides valuable insights into its equity structure, capital management, and overall financial health. This article explores the significance of par value stock, how it impacts financial statements, and the broader implications for Harris Company and similar enterprises.

What Is Par Value Stock?

Definition and Concept

Par value, also known as face value or nominal value, is the assigned value of a share of stock as specified in the corporate charter. It is a legal and accounting concept that designates the minimum price at which shares can be issued. For example, if Harris Company has \$6,000 of par value stock outstanding, it means that the total of the par value for all issued shares sums to \$6,000.

Historical Significance

Originally, par value was established to protect creditors by ensuring that shares couldn't be issued below a certain minimum price. Over time, the importance of par value has diminished, especially with the rise of no-par stock, but it still holds significance in accounting and legal contexts.

Accounting Implications of Par Value Stock

Recording Par Value Stock

When a company issues stock with a specified par value, the accounting treatment involves:

- Credit to Common Stock (or Preferred Stock) account for the total par value of shares issued.
- Credit to Additional Paid-In Capital (or Share Premium) for any amount received over par value.

For Harris Company, if it issued shares with a total par value of \$6,000, the journal entry upon issuance would be:

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Debit Cash (or other consideration received)
Credit Common Stock (par value) $6,000
Credit Additional Paid-In Capital (if applicable)
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Impact on Financial Statements

- Balance Sheet: The common stock account reflects the total par value of issued shares. Additional paid-in capital captures amounts received over par.
- Equity Section: The sum of common stock and additional paid-in capital constitutes total shareholders' equity.

Understanding Additional Paid-In Capital

Definition and Role

Additional Paid-In Capital (APIC) represents the amount investors pay over the par value of stock during issuance. It is a critical component because it often constitutes the bulk of a company's contributed capital beyond nominal value.

Harris Company's Context

If Harris Company's total stock outstanding has a par value of \$6,000 but the total amount received from shareholders exceeds this, the excess is recorded as APIC. For example, if Harris issued stock with a total consideration of \$10,000, then:

- Common Stock (par value): \$6,000
- Additional Paid-In Capital: \$4,000

This distinction helps maintain clarity about the source of the company's equity funds.

The Significance of Par Value in Corporate Finance

Legal and Regulatory Aspects

While par value is largely a legal artifact today, it still influences:

- Minimum issuance price: Legally, shares cannot be issued below par value.
- Protection of creditors: Ensures a baseline valuation of issued shares.
- Tax and accounting implications: The accounting treatment for par value stock helps in tracking the source and nature of contributed capital.

Market Value vs. Par Value

It's important to distinguish between:

- Par value: An arbitrary, nominal figure with limited relation to market value.
- Market value: The actual trading price of shares, which can be significantly higher or lower than par value.

For Harris Company, the par value of \$6,000 provides a baseline on the balance sheet, but the market perception might value the company differently.

Impact of Stock Outstanding on Company Valuation

Number of Shares Outstanding

The value of stock outstanding, expressed in dollars of par value, combined with the number of shares issued, gives insight into:

- Shareholder ownership percentages
- Dilution risks
- Potential for future capital raising

Calculating Per-Share Values

Knowing the total par value and the number of shares issued, investors can calculate:

- Par value per share
- Market value per share (if known)

Suppose Harris issued 1,000 shares, then:

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Par value per share = $6,000 / 1,000 = $6 per share
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This metric is essential for understanding the company's capital structure.

Additional Considerations and Best Practices

Par Value vs. No-Par Stock

Some companies issue no-par stock, which has no specified face value. This simplifies accounting but removes the legal minimum issuance price. Harris Company's use of par value provides a legal safeguard but may involve more complex accounting.

Share Repurchases and Dividends

The outstanding stock's par value impacts decisions on:

- Dividends: Usually paid based on earnings, not par value.
- Stock repurchases: May alter the number of shares outstanding without affecting par value.

Reporting and Disclosure

Harris Company must accurately report:

- Total par value of issued shares
- Additional paid-in capital
- Authorized, issued, and outstanding shares

These disclosures are vital for transparency and compliance with regulatory requirements.

Conclusion

At the end of the accounting period, Harris Company's holding of \$6,000 of par value stock outstanding signifies its legal capital contribution from shareholders. While the par value itself is a nominal figure, it plays a crucial role in accounting, legal protections, and financial reporting. Understanding how par value interacts with additional paid-in capital, stock issuance, and overall equity provides stakeholders with a clearer picture of the company's financial health.

In summary, the \$6,000 of par value stock outstanding reflects Harris Company's foundational capital, serving as a baseline for equity calculations and legal compliance. Proper management and reporting of this figure ensure transparency, aid in financial analysis, and support strategic decision-making for future growth.

Key Takeaways:

- Par value is a nominal value assigned to shares, influencing accounting treatments.
- Harris Company's \$6,000 of par value stock represents legal capital.
- Additional paid-in capital reflects excess amounts received over par.
- The balance sheet's equity section accurately depicts the composition of shareholder contributions.
- Understanding these concepts aids investors, management, and regulators in assessing the company's financial health and legal standing.

Frequently Asked Questions

What does it mean when Harris Company has \$6,000 of

par value stock outstanding at the end of the accounting period?

It indicates that the total face value of all issued shares of Harris Company's stock is \$6,000, representing the legal capital recorded on the company's books.

How does the par value of stock affect Harris Company's financial statements?

Par value is recorded as part of the paid-in capital in the equity section and does not directly impact the company's profitability but influences the legal capital and stock issuance accounting.

If Harris Company issues additional stock, how will the par value impact the total outstanding stock?

Any new shares issued will add to the total amount of stock outstanding, increasing the total par value accordingly, assuming the new stock has the same par value or as specified.

What is the significance of additional paid-in capital in Harris Company's financials when there is stock with a \$6,000 par value outstanding?

Additional paid-in capital represents the amount received from shareholders over the par value, highlighting how much shareholders have paid above the legal minimum per share.

How does the par value relate to Harris Company's stockholders' equity at the end of the period?

The par value contributes to the common stock account within stockholders' equity, which, combined with additional paid-in capital and retained earnings, determines total equity.

Can Harris Company have stock outstanding with a par value of \$6,000 and still issue more shares?

Yes, Harris Company can issue additional shares with the same or different par value, increasing the total stock outstanding and affecting the overall par value accordingly.

How do changes in the number of shares outstanding impact Harris Company's stock valuation?

While the total number of shares affects market perceptions, the stock's market value depends on company performance and investor sentiment, not just the par value or outstanding shares.

What accounting entries are made when Harris Company issues new stock with a par value of \$6,000?

The journal entry typically debits cash and credits common stock for the par value amount, with any excess over par credited to additional paid-in capital.

Why is understanding the par value of stock important for Harris Company's investors and management?

Understanding par value helps clarify the legal capital and ensures compliance with corporate laws, while also providing insight into the company's equity structure.

Additional Resources

Equity Financing

At the conclusion of an accounting period, understanding the nuances of a company's stock structure is vital for investors, financial analysts, and management alike. One such element that often draws attention is the status of a company's stock outstanding—particularly when it involves par value stock such as the case with Harris Company, which reported \$6,000 of par value stock outstanding, with additional details to follow. This article offers an in-depth look into what this means, the significance of par value stock, and how this impacts the company's financial health and investor perception.

Understanding Par Value Stock and Its Significance

What Is Par Value Stock?

Par value stock refers to the nominal or face value assigned to each share of stock when it is authorized and issued by the corporation. Historically, par value served as a legal safeguard to prevent corporations from issuing shares at prices below a certain minimum; however, today, its practical significance has diminished in many jurisdictions.

For Harris Company, the statement that it had \$6,000 of par value stock outstanding indicates that the total face value of all shares held by shareholders at the end of the accounting period sums to \$6,000.

Key points about par value stock:

- Legal minimum: Par value establishes the lowest legal price at which shares can be issued.
- Account classification: Par value is recorded in the stockholders' equity section as "Common Stock" or "Preferred Stock," depending on the class of

stock.

- Impact on accounting: The total par value of issued stock is used to determine the initial amount credited to the common stock account.

Why Par Value Matters

Although for many modern corporations, par value is a largely symbolic figure, it remains a critical component for several reasons:

- Legal protection: Ensures that shares are not issued below a specified minimum, reducing the risk of undervaluation or fraudulent issuance.
- Accounting implications: The par value multiplied by the number of shares issued determines the amount credited to the stock account, with excess proceeds often recorded as additional paid-in capital.
- Investor perception: Par value can influence investor confidence, especially in jurisdictions where legal requirements are strict.

Analyzing Harris Company's Stock Outstanding

Details of the Stock Outstanding

The phrase "had \$6,000 of par value stock outstanding, additional" suggests that the company's stock outstanding at the period's end had a total face value of \$6,000. To understand this figure fully, consider these components:

- Number of shares issued: This is calculated by dividing the total par value by the par value per share.
- Par value per share: Typically specified in the company's articles of incorporation; common values include \$1, \$5, or \$10.

Example calculation:

Suppose Harris Company's stock has a par value of \$1 per share:

- Total shares outstanding = $\$6,000 / \$1 = 6,000$ shares.

Alternatively, if the par value per share is \$2:

- Total shares outstanding = $\$6,000 / \$2 = 3,000$ shares.

Implications:

- The number of shares outstanding can influence market perceptions and voting power.
- The par value per share, combined with the total, helps in determining the legal capital of the company.

Additional Information: Beyond Par Value

Beyond the basic par value, the phrase hints that Harris Company might have additional components influencing its equity structure—like additional paid-in capital, retained earnings, or treasury stock. These elements are vital in understanding the full picture of the company's financial position.

Impact on Financial Statements and Equity Structure

Recording Stock and Par Value

When Harris Company issues stock, the accounting entries typically follow this pattern:

1. At issuance:

- Debit Cash (or other consideration received)
- Credit Common Stock (at par value)
- Credit Additional Paid-in Capital (the excess over par)

Example:

Suppose Harris issues 6,000 shares with a par value of \$1 for \$10 per share:

- Total proceeds = 6,000 shares × \$10 = \$60,000
- Par value of issued shares = 6,000 × \$1 = \$6,000
- Additional paid-in capital = \$60,000 - \$6,000 = \$54,000

The journal entry:

| Account | Debit | Credit |
|----------------------------|----------|----------|
| Cash | \$60,000 | |
| Common Stock | | \$6,000 |
| Additional Paid-in Capital | | \$54,000 |

2. At the end of the period:

The par value stock outstanding is reflected in the stockholders' equity section of the balance sheet:

- Common Stock: \$6,000 (or equivalent based on shares and par value)
- Additional Paid-in Capital: The excess of proceeds over par value

Effect on Equity and Company Valuation

The total equity attributable to common stock includes:

- Par value of issued shares
- Additional paid-in capital
- Retained earnings (accumulated net income)
- Less any treasury stock

In Harris Company's case, the \$6,000 of par value stock outstanding forms the core of the company's legal capital, which provides a baseline for assessing shareholder equity.

Legal and Practical Considerations

Legal Capital and Its Role

Legal capital, represented by the par value of issued stock, traditionally serves to protect creditors by ensuring that a minimum amount of assets remains invested in the company. Although modern corporate laws have evolved, many jurisdictions still recognize legal capital as a significant concept.

Implications:

- Dividend restrictions: Dividends cannot typically be paid out of the legal capital.
- Shareholder rights: Par value influences voting rights and ownership distribution.
- Restructuring and liquidation: Legal capital often acts as a floor below which assets cannot be distributed.

Additional Considerations

- Stock splits: Adjustments to the number of shares and par value can impact the legal capital.
- No-par stock: Some companies issue no-par stock, which simplifies accounting but may have different legal implications.
- Market perception: While par value is often set low (e.g., \$0.01), investors look at market price and earnings for valuation, not par value.

Conclusion: The Significance of Harris Company's Stock Outstanding

Understanding that Harris Company had \$6,000 of par value stock outstanding at the end of the accounting period provides a window into its capital structure and financial health. Par value, while somewhat symbolic today, remains essential for legal and accounting purposes, influencing how the company reports its equity and manages its legal obligations.

For investors, analysts, and stakeholders, recognizing the distinction

between par value, additional paid-in capital, and other equity components is key to forming a comprehensive view of the company's financial position. The size of the stock outstanding, the par value assigned, and the presence of additional capital all contribute to assessing the company's stability, growth potential, and legal standing.

As Harris Company continues to evolve, maintaining clarity around its stock structure and understanding the implications of its outstanding shares will be critical for strategic decision-making, investor confidence, and compliance with legal standards. Whether viewed through the lens of accounting, legal protections, or investment valuation, the details surrounding the company's stock outstanding are foundational to its financial narrative.

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