

Applied Case #5 (Chapters 10 and 11)

Answer the following six questions based on the provided excerpts from a selection of greater Washington area public companies' 10-Ks for recent year-ends.

Part I: Marriott International Inc.'s (NASDAQ: MAR; Bethesda, MD)

The Long-Term Debt footnote from Marriott's 2014 10-K (p. 79) includes the following information:

In the 2013 third quarter, we issued \$350 million aggregate principal amount of 3.4 percent Series M Notes due 2020 (the "Series M Notes"). We received net proceeds of approximately \$345 million from the offering, after deducting the underwriting discount and estimated expenses. We pay interest on the Series M Notes on April 15 and October 15 of each year, commencing on April 15, 2014.

These Series M Notes are described as:

Series M Notes, interest rate of 3.4%, face amount of \$350, maturing October 15, 2020 (effective interest rate of 3.6%)

1. What journal entry would have been recorded in the third quarter of 2013 to record the issuance of the Series M Notes?
2. Record the interest payment and interest expense on April 15 and October 15, 2014.

April 15:

October 15:

Part II: Booz Allen Hamilton Holding Corporation (NYSE: BAH; McLean, VA)

Answer the following questions based on the Booz Allen Consolidated Balance Sheets for March 31, 2015 and 2014 (hereafter, FY15 and FY14), which is excerpted and presented on the next page:

3. The decreases in Class B, Class C, and Class E shares are because those shares were converted to Class A shares. Assume that the remaining increase in Class A share is due to new share issuances for cash. What journal entry would the Company have recorded for the issuance of those new shares?

4. There were no sales of Treasury Stock during FY15. What was the average share price at which the Company repurchased additional Treasury Stock shares during FY15?

5. There were no usual transactions affecting the Company's Retained Earnings during FY15. If Net Income for FY2015 was \$232,569 thousand, what was the value of dividends declared during the year?

Part III: Under Armour, Inc. (NYSE: UA; Baltimore, MD)

6. On June 15, 2015, Under Armour announced the creation of a new class of non-voting common stock, the Class C common stock. The press release stated that:

Under Armour expects to issue Class C stock through a stock dividend to all existing holders of Under Armour's Class A and Class B common stock, which will have the same effect as a two-for-one stock split. Each holder of a share of Class A or Class B stock will receive one share of the new Class C stock.

Do you agree or disagree that the effect of the Class C stock dividend will be the same as a two-for-one stock split? As an example, assume the transaction would have occurred on January 1, 2015. On the basis of the information on Under Armour's Consolidated Balance Sheet for December 31, 2014 (excerpted and presented on page 4 of this assignment), what journal entry would be required on January 1, 2015 to record (a) a two-for-one stock split, and (b) the Class C stock dividend?

BOOZ ALLEN HAMILTON HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

	March 31, 2015	March 31, 2014		
	(Amounts in thousands, except share and per share data)			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 207,217	\$ 259,994		
Accounts receivable, net of allowance	857,310	916,737		
Deferred income taxes	14,539	29,687		
Prepaid expenses and other current assets	84,142	49,559		
Total current assets	1,163,208	1,255,977		
Property and equipment, net of accumulated depreciation	111,367	129,427		
Deferred income taxes	14,758	—		
Intangible assets, net of accumulated amortization	219,382	220,887		
Goodwill	1,304,231	1,273,789		
Other long-term assets	64,547	60,738		
Total assets	<u>\$ 2,877,493</u>	<u>\$ 2,940,818</u>		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	\$ 57,063	\$ 73,688		
Accounts payable and other accrued expenses	481,815	488,807		
Accrued compensation and benefits	279,239	331,440		
Other current liabilities	30,877	23,169		
Total current liabilities	848,994	917,104		
Long-term debt, net of current portion	1,569,272	1,585,231		
Income tax reserve	58,444	57,406		
Deferred income taxes	—	8,231		
Other long-term liabilities	214,285	201,210		
Total liabilities	2,690,995	2,769,182		
Commitments and contingencies (Note 20)				
Stockholders' equity:				
Common stock, Class A — \$0.01 par value — authorized, 600,000,000 shares; issued, 150,237,675 shares at March 31, 2015 and 143,962,073 shares at March 31, 2014; outstanding, 147,238,282 shares at March 31, 2015 and 143,352,448 shares at March 31, 2014	1,502	1,440		
Non-voting common stock, Class B — \$0.01 par value — authorized, 16,000,000 shares; issued and outstanding, 0 shares at March 31, 2015 and 582,080 shares at March 31, 2014	—	6		
Restricted common stock, Class C — \$0.01 par value — authorized, 5,000,000 shares; issued and outstanding, 0 shares at March 31, 2015 and 935,871 shares at March 31, 2014	—	9		
Special voting common stock, Class E — \$0.003 par value — authorized, 25,000,000 shares; issued and outstanding, 1,851,589 shares at March 31, 2015 and 4,424,814 shares at March 31, 2014	6	13		
Treasury stock, at cost — 2,999,393 shares at March 31, 2015 and 609,625 shares at March 31, 2014	(72,293)	(10,153)		
Additional paid-in capital	174,985	144,269		
Retained earnings	104,457	42,688		
Accumulated other comprehensive loss	(22,159)	(6,636)		
Total stockholders' equity	186,498	171,636		
Total liabilities and stockholders' equity	<u>\$ 2,877,493</u>	<u>\$ 2,940,818</u>		

The accompanying notes are an integral part of these Consolidated Financial Statements.

Under Armour, Inc. and Subsidiaries

Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 593,175	\$ 347,489
Accounts receivable, net	279,835	209,952
Inventories	536,714	469,006
Prepaid expenses and other current assets	87,177	63,987
Deferred income taxes	52,498	38,377
Total current assets	1,549,399	1,128,811
Property and equipment, net	305,564	223,952
Goodwill	123,256	122,244
Intangible assets, net	26,230	24,097
Deferred income taxes	33,570	31,094
Other long term assets	57,064	47,543
Total assets	<u>\$ 2,095,083</u>	<u>\$ 1,577,741</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Revolving credit facility	\$ —	\$ 100,000
Accounts payable	210,432	165,456
Accrued expenses	147,681	133,729
Current maturities of long term debt	28,951	4,972
Other current liabilities	34,563	22,473
Total current liabilities	421,627	426,630
Long term debt, net of current maturities	255,250	47,951
Other long term liabilities	67,906	49,806
Total liabilities	<u>744,783</u>	<u>524,387</u>
Commitments and contingencies (see Note 7)		
Stockholders' equity		
Class A Common Stock, \$0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2014 and 2013; 177,295,988 shares issued and outstanding as of December 31, 2014 and 171,628,708 shares issued and outstanding as of December 31, 2013.	59	57
Class B Convertible Common Stock, \$0.0003 1/3 par value; 36,600,000 shares authorized, issued and outstanding as of December 31, 2014 and 40,000,000 shares authorized, issued and outstanding as of December 31, 2013.	12	13
Additional paid-in capital	508,350	397,248
Retained earnings	856,687	653,842
Accumulated other comprehensive income (loss)	(14,808)	2,194
Total stockholders' equity	<u>1,350,300</u>	<u>1,053,354</u>
Total liabilities and stockholders' equity	<u>\$ 2,095,083</u>	<u>\$ 1,577,741</u>

See accompanying notes.