Exercise 19-1

Allied Paper Products, Inc., offers a restricted stock award plan to its vice presidents. On January 1, 2021, the company granted 16 million of its $1 par common shares, subject to forfeiture if employment is terminated within two years. The common shares have a market price of $5 per share on the grant date.

Part 1: Determine the total compensation cost pertaining to the restricted stock.

Number of restricted shares 16 million
Market value of shares on grant date x $5
Total compensation cost $80 million

Part 2: Prepare the appropriate journal entries related to the restricted stock through December 31, 2022.

Total compensation expense over the two year vesting period = $80 million. Each year, half of that or $40 million should be recognized as compensation expense.

12/31/21 Compensation expense 40
    Paid in capital – restricted stock 40

12/31/22 Compensation expense 40
    Paid in capital – restricted stock 40
    Paid in capital – restricted stock 80
    Common stock (16 million x $1) 16
    Paid in capital – excess of par (16 million x $4) 64