Treasury Stock and Retained Earnings analysis

This assignment focuses on treasury stock. Treasury stock becomes part of the company’s holdings when previously issued stock is repurchased by the company. Rather than paying dividends to stockholders, the company’s board of directors can offer cash for shares of ownership. The stockholder who surrenders shares for cash also relinquishes shares of ownership in the company.

When the company engages in repurchases of stock, the stock may be held for future reissue or may be retired. Once the stock is retired, it cannot be reissued. It is important to note that repurchases of stock do not affect the cash position of the company because total assets and total liabilities are not affected by the transaction. Accountants must enter a memorandum of the transaction to show the decrease in the number of outstanding shares.

For the assignment, write a paper to address the issues below. Begin by retrieving 2016 Under Armour financial statements at www.sec.gov by clicking on Filings and then searching for Under Armour under Company Filings. When you see the list of filings for the company, select the Form 10-K for 2016. Be sure to retrieve the 2016 financial statements, not any other year. In particular, this case uses the company’s Consolidated Balance Sheets and Consolidated Statements of Stockholders’ Equity for the year 2016. Include a reference and web link to the Form 10-K in your paper.

In your paper, address the following:

Give an overview of the company.

As of the end of December 31, 2016, determine how many shares of common stock the company has authorized? Issued? Outstanding? Explain who benefits from this information.

Refer to Note 7 – Stockholders’ Equity for the year 2016. What is the difference between Under Armour’s Class A Common Stock and Class B Convertible Common Stock? Are there any restrictions on who can own Class B stock? If you had $10,000 to invest in Under Armour stock, which class of stock would you purchase and why?

Did the company issue any new shares of Class A Common Stock during 2016? How can you tell?

Prepare a T-account to show the beginning and ending balances plus all activity in Retained Earnings for 2016.

If you had invested $5,000 in Class A stock and $5,000 in Class B on December 31 of 2016, what would be the value based on today’s share price? Would you sell your shares or hold for another year?