

# ACCOUNTING

## in the headlines

### What does the 2% stock dividend at Arrow Financial Services mean for shareholders?

Arrow Financial Corporation (AROW) declared a stock dividend on August 28, 2013. The following news release appeared in PR Newswire:

*“GLENS FALLS, N.Y., Aug. 28, 2013 /PRNewswire/ – Thomas J. Murphy, President and CEO, announced that a 2% stock dividend was declared on August 28, 2013 and will be distributed on September 27, 2013. Shareholders of record on September 19, 2013, will receive two additional shares of Arrow Common Stock for every one hundred shares owned. They will also receive the cash equivalent of any fractional shares which they are entitled, since no partial shares will be issued.”*

### Questions

1. Specify the following dates:
  - a. Date of declaration
  - b. Date of record
  - c. Date of distribution
2. If a shareholder owned 1,250 shares of Arrow Financial on September 19, 2013, how many shares of Arrow Common Stock would she have received for the stock dividend? Assume that the per-share price for one share of Arrow Financial on September 19, 2013, was \$25.83. How much cash would the shareholder have received from the stock dividend?
3. Again assume that the per-share price for one share of Arrow Financial on September 19, 2013, was \$25.83. If a shareholder owned 98 shares on September 19, 2013, what would be the total number of shares of stock the shareholder would have received on the date of distribution? What would be the total amount of cash she would have received on the date of distribution?
4. Why would a company want to issue a stock dividend?