

ACCOUNTING in the headlines

What is the balance sheet impact of the \$400 million Netflix just borrowed?

In February 2014, [Netflix](#) took out a [\\$400 million loan](#). Netflix is using these funds to help to create original programming, such as its hit series “[House of Cards](#),” and to expand to Europe.

Netflix is a publicly-held company trading on NASDAQ under the symbol NFLX. On March 10, 2014, Netflix common stock was selling for about \$438.38 per share. As of [December 31, 2012](#), Netflix had more than 55,587,000 shares of common stock outstanding.

Questions

1. What is the impact on Netflix’s accounting equation from borrowing the \$400 million?
2. Rather than borrowing the \$400 million, Netflix could have issued common stock. Using the market price given in the article, how many shares of common stock would Netflix had to have issued to realize \$400 million (ignore underwriting and broker fees)?
3. What are some possible reasons that Netflix chose to borrow the \$400 million rather than issue stock?