

ACCOUNTING in the headlines

How does the new equity issued by Sonos, the wireless internet-enabled speaker maker, affect its financial statements?

Sonos is a maker of wireless internet-enabled speaker systems. It was founded in California in 2002 and has experienced rapidly growing sales. Its CEO, John MacFarlane, indicated that Sonos would exceed \$1 billion in sales in 2014. In December 2014, the privately-held Sonos issued an additional \$130 million in new equity. It will be using part of the funds to make future acquisitions. In addition, Sonos is expanding its headquarters to more than 100,000 square feet in downtown Santa Barbara, California. The expansion also includes an extensive remodel of the facility.

Questions

1. When Sonos issued the \$130 million in equity, how was the balance sheet impacted? What accounts would be affected?
2. When Sonos issued the \$130 million in equity, how was the income statement impacted, if at all?
3. How is the \$130 million in new equity issuance reported on the statement of cash flows?
4. What are the benefits to Sonos for using equity instead of borrowing funds? What are the disadvantages to Sonos of issuing additional equity?
5. How will the expansion and remodeling of Sonos' headquarters impact its balance sheet? Its income statement? Its statement of cash flows?