

# ACCOUNTING

## in the headlines

**How would Reverb, the online marketplace for musicians, record its issuance of \$25 million of stock?**

Started in 2013, Reverb is a company that provides an online marketplace for musicians to buy and sell gear. Its investors include country music superstar Brad Paisley and Rick Nielsen of Cheap Trick.

Reverb can be thought of as the “Ebay for musicians.” The wide scope of the Ebay marketplace makes it hard at times to locate or sell specific musician gear. For example, a search for “Fender Mustang” on Ebay may turn up car parts or a guitar. Reverb is focused solely on musicians, so search results are likely relevant.

Reverb is growing rapidly. It issued \$25 million in stock in late 2015 to help to finance its growth.

### **Questions**

1. Why might Reverb choose to use equity funding rather than debt financing?
2. Assuming the entire \$25 million was issued in one transaction, would journal entry would Reverb make to record the stock issuance in 2015?