

What is the impact on Snapchat's balance sheet from its latest issuance of stock?

[Snapchat](#) is one of the fastest growing social media platforms with 16 to 24 year olds. Snapchat is privately-held, which means its stock cannot be purchased on a stock exchange. It may be getting ready for an IPO (initial public offering) sometime later in 2016 or 2017. In the meantime, Snapchat is obtaining funding for operations and growth by issuing stock to private investors.

On May 26, 2016, Snapchat Inc., filed a form with the SEC notifying it that it would be issuing additional stock to private investors.

Questions

1. Assume that Snapchat issues \$10 million of no-par stock to private investors in exchange for cash. What would be the journal entry?
2. What would be the impact on Snapchat's assets, liabilities, and equity of this hypothetical issuance of \$10 million no-par stock in exchange for cash?
3. At this point, why might Snapchat be choosing equity funding (stock issuance) rather than debt financing?