Share repurchases

Letters: 1999, 2011, 2016 · Difficulty: Intro

> *"We will not repurchase shares unless we believe Berkshire stock is selling well below intrinsic value, conservatively calculated." (1999)*

1. Net income is $500 and 250 shares are outstanding. The company buys back 50 shares. What is EPS after the buyback ($)? **2.50**

2. Which account is debited when a company buys back its own shares?

   A. Common Stock expense

   B. Treasury Stock (contra-equity)

   C. Cash

   D. Retained Earnings

Source: Warren E. Buffett, Letters to Berkshire Hathaway Shareholders: 1999, 2011, 2016 (berkshirehathaway.com/letters). Quotation © Berkshire Hathaway Inc., all rights reserved; quoted for non-commercial teaching. Numbers in the questions are made up unless stated.