

Stockholders' equity, reported on the balance sheet, consists of which of the following accounts?
(Check all that apply.)

✓ Your answer is correct.



Read about this

✓ Retained Earnings

✓ Paid-in Capital

Corporate Liabilities

Dividends

Challenge

OK

When a corporation declares and pays a cash dividend, there are three notable important dates. Which date does *not* require a formal journal entry to the financial statements?

✓ Your answer is correct.



Read about this



Date of record

Date of declaration

Date of payment

Challenge

OK

The correct answer is shown.

Carefree, Inc. has 20,000 shares issued and outstanding. On August 1, the board authorizes a 20% stock dividend. This is considered a (large/small) **small** stock dividend.

✓ Your answer is correct.



Read about this

Challenge

OK

Zinc, Inc. has 10,000 shares of \$5 par, 5% preferred stock, and 5,000 shares of \$10 par common stock issued and outstanding. If the board of directors authorizes a \$15,000 dividend, the payments to preferred shareholders will total _____.

✓ Your answer is correct.



Read about this

\$500

\$750



\$2,500

10,000 shares x \$5 x .05 = \$2,500.

Challenge

OK

Identify the disadvantages of the corporate form of business. (Check all that apply.)

✓ Your answer is correct.



Read about this

Lack of mutual agency



Government regulation

Transferable ownership rights

Limited liability



Corporate taxation

Challenge

OK

_____ stock is the number of shares that a corporation's charter allows it to sell.

✓ Your answer is correct.



Read about this

✓ Authorized

Outstanding

Issued

Challenge

OK

Identify the advantages of the corporate form of business. (Check all that apply.)

✓ Your answer is correct.



Read about this

✓ Ease of capital accumulation

Corporate taxation

Government regulation

✓ Limited liability of stockholders

✓ Continuous life

Challenge

OK

The correct answer is shown.

A stock dividend that is greater than 25% of the previously outstanding shares of stock is considered to be a (small/large) **large** stock dividend.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

Rush, Inc.'s charter authorized 500,000 shares of stock with a par value of \$1 per share. Rush issues 10 shares at a market value of \$10 per share. The journal entry to record this transaction will include a (debit/credit) **credit** to the Common Stock, \$1 par account in the amount of **\$10**.

✓ Your answer is correct.



Read about this

Challenge

OK

The board of directors of Anchor, Inc. authorizes a \$0.50 cash dividend to its 100,000 shares of common stock issued and outstanding. On the date of payment, a journal entry will include which of the following accounts? (Check all that apply.)

✓ Your answer is correct.



Read about this

Credit to Common Dividend Payable

Debit to Retained Earnings

✓ Credit to Cash

Debit to Cash

Credit to Retained Earnings

✓ Debit to Common Dividend Payable

Challenge

OK

The account that consists of a company's cumulative net income less any losses and dividends declared since its inception is called _____.

✓ Your answer is correct.



Read about this

Common Stock

Stockholders' Equity

Net Income

✓ Retained Earnings

Challenge

OK

The correct answer is shown.

Jordan Inc.'s charter states that there are 50,000 shares of stock authorized with a par value of \$5 per share. This typically means that investors must pay a (minimum/maximum) **minimum** of \$5 per share to invest in the corporation.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

Corporations can be separated into two types. A **privately** held corporation does *not* offer its stock for public sale and usually has few stockholders. A **publicly** held corporation offers its stock for public sale and can have thousands of stockholders.

✓ Your answer is correct.



Read about this

Challenge

OK

When all authorized shares of stock have the same rights and characteristics, the stock is called _____ stock.

✔ Your answer is correct.



Read about this

corporate

preferred



common

general

Challenge

OK

Vanya Inc.'s charter authorizes 1,000 shares of stock at a stated value of \$1 per share. Vanya sells 50 shares of stock at its initial offering for \$10 per share. The journal entry to record this transaction will include which of the following entries? (Check all that apply.)

✓ Your answer is correct.



Read about this

Debit to Common Stock for \$100.

✓ Credit to Paid-In Capital, in Excess of Stated Value for \$450.

✓ Credit to Common Stock for \$50.

Credit to Cash for \$500.

✓ Debit to Cash for \$500.

Credit to Common Stock for \$500.

Challenge

OK

On May 25, Tyler, Inc. issues 100 shares of \$10 par value preferred stock for \$5,000 cash. The entry to record this transaction would include a (debit/credit) _____ to the preferred stock account in the amount of _____.

✓ Your answer is correct.



Read about this

debit; \$5,000

credit; \$5,000

debit; \$1,000



credit; \$1,000

Challenge

OK

Gomez Inc.'s charter authorizes 1,000 shares of stock at a par value of \$1 per share. Gomez sells 200 shares of stock at its initial offering for \$1 per share. The journal entry to record this transaction will include which of the following entries? (Check all that apply.)

✓ Your answer is correct.



Read about this

Debit to Common Stock, \$1 par for \$200.

✓ Credit to Common Stock, \$1 par for \$200.

✓ Debit to Cash for \$200.

Credit to Cash for \$200.

Challenge

OK

The correct answer is shown.

Martin, Inc.'s charter authorizes 50,000 shares of stock with a par value of \$1 per share. 1,000 shares of stock are issued at a market value of \$5 per share. This means that the shares of stock are issued at a (premium/discount) **premium**.

✓ Your answer is correct.



Read about this

Challenge

OK

Bing Inc.'s charter authorizes 500 shares of stock with no par value. Bing sells 100 shares of stock at its initial offering for \$5 per share. The journal entry to record this transaction will include a (debit/credit) _____ to Common Stock for _____.

✓ Your answer is correct.



Read about this



credit; \$500

debit; \$2,500

credit; \$2,500

debit; \$500

Challenge

OK

Rank the following groups in order of authority—with the highest authority at the top.

✓ Your answer is correct.



Read about this

✓ 1 Stockholders

✓ 2 Board of directors

✓ 3 President, vice president, and other officers

✓ 4 Employees

Challenge

OK

The correct answer is shown.

The board of directors authorizes a cash **dividend** or distribution of cash to its investors.

✓ Your answer is correct.



Read about this

Challenge

OK

_____ has/have special rights that give it priority over other types of stock in one or more areas.

✓ Your answer is correct.



Read about this

Common stock

Employee options



Preferred stock

Corporate stock

Challenge

OK

The correct answer is shown.

When the board of directors authorizes a cash dividend to investors, there are three important dates involved—the date of declaration, date of record, and date of **payment**.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

On June 1, the board of directors of Dylan, Inc. declare a cash dividend of \$1 per share. On June 1, there are 1,000 shares of stock issued and outstanding. The journal entry required on the date of declaration will include a (debit/credit) **credit** to the Common Dividend Payable account.

✓ Your answer is correct.



Read about this

Challenge

OK

A _____ dividend, declared by a corporation's directors, is a distribution of additional shares of the corporation's own stock.

✓ Your answer is correct.



Read about this

preferred

cash



stock

Challenge

OK

Zion, Inc. declares a 10% stock dividend when there are 10,000 shares of \$1 par value stock issued and outstanding and the market value is \$5 per share. On the date of payment, Zion will issue the stock and record the transaction with which of the following entries? (Check all that apply.)

✓ Your answer is correct.

 Read about this



Credit to Common Stock for \$1,000.

Debit to Common stock Dividend Distributable for \$5,000.

Credit to Cash for \$5,000.

Credit to Common Stock for \$5,000.



Debit to Common Stock Dividend Distributable for \$1,000.

Challenge

OK

Vernon, Inc.'s charter did *not* assign a par-value to its authorized stock. However, Vernon's directors assigned a(n) _____ value per share. This value becomes the minimum legal capital per share in this case.

✓ Your answer is correct.



Read about this

allocated

adjusted-par



stated

Challenge

OK

John Kim agrees to contribute equipment with a fair market value of \$5,000 in exchange for 100 shares of Rio Inc.'s common stock with a par value of \$1 per share. Rio will record this transaction as a credit to which of the following accounts? (Check all that apply.)

✓ Your answer is correct.

 Read about this

Paid-in Capital in Excess of Land

✓ Paid-in Capital in Excess of Par Value

Cash

✓ Common Stock

Equipment

Challenge

OK

J. Flores owns a business and is trying to decide whether to incorporate. While researching corporations, she has determined the following facts. Which of these facts is *not correct*?

✓ Your answer is correct.



Read about this

Corporations incur double taxation.

Corporations have lack of mutual agency.

Corporations limit shareholders' liability.



Corporations dissolve when owners transfer rights.

Corporations have ease of capital accumulation.

Challenge

OK

The market value per share is the price at which stock is bought and sold. Which of the following factors does *not* influence market value?

✓ Your answer is correct.



Read about this



Par value

Dividends

Expected future earnings

Growth

Challenge

OK

When a corporation purchases shares of its own stock, it is called _____ stock.

✔ Your answer is correct.



Read about this

callable

convertible



treasury


preferred

Challenge

OK

_____ value stock is stock *not* assigned a value per share by the corporate charter. Its advantage is that it can be issued at any price without the possibility of a minimum legal capital.

✓ Your answer is correct.

 [Read about this](#)

✓ No-par

General

Par

Challenge

OK

The correct answer is shown.

Avery, Inc. held 100 shares of its own \$10 par value common stock purchased for \$15 per share. On December 1, Avery sold 10 shares at \$15 per share. The journal entry to record the sale of treasury stock would include a (debit/credit) **credit** to Treasury Stock in the amount of \$**150**.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

Mario Hernandez owns 25 shares of \$100 par, 5% cumulative preferred stock. During the current year, no dividends are declared or paid. The unpaid amount of \$125 is considered dividends in arrears.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

Stockholders have the right to **vote** at stockholders' meetings.

✓ Your answer is correct.



Read about this

Challenge

OK

Organization expenses, or the costs to organize a corporation, include which of the following? (Check all that apply.)

✓ Your answer is correct.



Read about this

Dividends



Legal fees



Charter fees

Depreciation

Challenge

OK

The correct answer is shown.

Long, Inc. purchased 50 shares of its own \$10 par value common stock for \$50 per share. The journal entry to record this transaction would include a debit to the **Treasury** Stock account in the amount of **\$2500**.

✓ Your answer is correct.



Read about this

Challenge

OK

Logan, Inc. held 500 shares of treasury stock with a cost of \$10 per share. In December, Logan sold 10 shares at \$20 per share. The journal entry to record the sale of treasury stock using the cost method would include a (debit/credit) _____ to Treasury Stock in the amount of _____.

✓ Your answer is correct.



Read about this

debit; \$100

credit; \$200

debit; \$200



credit; \$100

Challenge

OK

Bryce, Inc. declared a 50% stock dividend on March 15, when there were 1,000 shares of \$1 par value stock issued and outstanding, and the market value was \$5. The entry to record the declaration will include (debit/credit)_____ to the Retained Earnings account, in the amount of _____.

✓ Your answer is correct.

 Read about this

credit; \$500

✓ debit; \$500

50% is a large stock dividend. Therefore, Retained earnings is debited for the par value of the stock issued. $1,000 \times \$1 \times 50\% = \500 .

debit; \$1,000

credit; \$1,000

Challenge

OK

_____ preferred stockholders have a right to be paid both the current and all prior periods' unpaid dividends before any dividend is paid to common stockholders.

✓ Your answer is correct.



Read about this

Nonparticipating

Participating

Noncumulative



Cumulative

Challenge

OK

A stock _____ is the distribution of additional shares to stockholders according to their percent ownership. When this occurs, the corporation "calls in" its outstanding shares and issues more than one new share in exchange for each old share.

✓ Your answer is correct.



Read about this

dividend



split

conversion

Challenge

OK

The correct answer is shown.

Roger Hillcrest owns 100 shares of \$10 par, 5% noncumulative preferred stock. During the current year, there are no dividends declared or paid. If there is a large cash dividend paid in the following year, Roger would be entitled to up to \$0 for the previous year before common shareholders are paid.

✓ Your answer is correct.



Read about this

Only cumulative preferred stockholders have the right to be paid both current and prior periods' unpaid dividend.

Challenge

OK

The correct answer is shown.

The closing process requires that end of the year revenue accounts are closed with a (debit/credit) **debit**.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

Capital **stock** is a general term that refers to any shares issued to obtain capital (owner financing).

✓ Your answer is correct.



Read about this

Challenge

OK

Which of the following statements is *false* regarding stock splits?

✓ Your answer is correct.



Read about this

Stock splits decrease the par value of each share of stock.

Stock splits increase the number of shares of stock issued.

✓ Stock splits increase retained earnings.

Challenge

OK

Preferred stock usually carries a preference for dividends, meaning that:

✓ Your answer is correct.



Read about this

preferred shareholders will receive a higher percentage of dividend payouts



dividends are allocated to preferred shareholders before they are issued to common shareholders

preferred shareholders are guaranteed dividend payments each year

Challenge

OK

The correct answer is shown.

A(n) **registrar** keeps stockholder records and prepares official lists of stockholders for stockholder meetings and dividend payments.

✓ Your answer is correct.



Read about this

Challenge

OK

Corrections of material errors in prior period financial statements, such as arithmetic errors, unacceptable accounting, and missed facts are reported in the statement of stockholders' equity as:

✓ Your answer is correct.



Read about this



prior period adjustments

previous errors

changes to equity

Challenge

OK

A corporation can purchase its own stock and retire it. Retiring stock reduces the number of _____ shares.

✓ Your answer is correct.



Read about this



issued

authorized

excess

Challenge

OK

_____ reflects the amount of equity applicable to common shares on a per share basis. It is computed by taking stockholders' equity applicable to common shares and dividing it by the number of common shares outstanding.

✓ Your answer is correct.



Read about this

Dividend yield



Book value per common share

Price-earnings ratio

Basic earnings per share

Challenge

OK

The correct answer is shown.

Ace, Inc.'s stockholders' equity applicable to common shares is \$60,000. The number of common shares outstanding is 1,000 and the number of preferred shares outstanding is 500. The current market value for common stock is \$80 per share and preferred stock is \$95 per share. The book value per common share is \$60.

✓ Your answer is correct.



Read about this

Challenge

OK

The correct answer is shown.

A **discount** on stock occurs when a corporation issues its stock for less than par (or stated) value; however, most states prohibit stock to be sold for less than the par (or stated) value.

✓ Your answer is correct.



Read about this

Challenge

OK

The formula to compute dividend yield takes annual cash dividends per share divided by:

✔ Your answer is correct.



Read about this



market value per share

par value per share

weighted-average common shares outstanding

price-earnings ratio

Challenge

OK

The correct answer is shown.

A charter application usually must be signed by the prospective stockholders called incorporators or **promoters**. Then, it is filed with the appropriate state official.

✓ Your answer is correct.



Read about this

Challenge

OK

Accounting for stock issuances is similar in U.S. GAAP and IFRS. Identify which of the following is a key difference in IFRS reporting.

✓ Your answer is correct.



Read about this

Companies cannot report gains and losses on sales of treasury stock.

✓ Preferred stock that is redeemable at the option of the stockholder is reported as a liability under IFRS reporting.

The procedures that are used to issue common stock at par, at a premium, and at a discount differ.

Challenge

OK

The correct answer is shown.

Treasury stock is a(n) **contra** equity account, with a normal debit balance. It is reported on the stockholders' equity section of the balance sheet as a reduction to stockholders' equity.

✓ Your answer is correct.



Read about this

Challenge

OK

The formula for book value per preferred share is stockholders' equity applicable to preferred shares divided by:

✓ Your answer is correct.

 [Read about this](#)

earnings per share

✓ number of preferred shares outstanding

weighted-average of preferred shares outstanding

Challenge

OK

Franz Inc. declared a 50% stock dividend when there were 10,000 shares of \$1 par value stock issued and outstanding, and the market value was \$5 per share. On the date of payment, the entry to record distribution of stock will include a (debit/credit) _____ to the common stock dividend distributable account, in the amount of 0.

✓ Your answer is correct.

 Read about this

✓ debit; 5,000

credit; 25,000

debit; 25,000

credit; 5,000

Challenge

OK

The correct answer is shown.

A **proxy** is a document that gives a designated agent the right to vote the stock.

✓ Your answer is correct.



Read about this

Challenge

OK

Identify the formula to compute basic earnings per share.

✓ Your answer is correct.



Read about this

Net income/weighted-average common shares outstanding

Weighted-average common shares outstanding/net income

✓ (Net income - preferred dividends)/weighted-average common shares outstanding

Challenge

OK

The correct answer is shown.

A corporation with a (debit/credit) **debit** balance for retained earnings is said to have a retained earnings deficit. This can arise when a company incurs cumulative losses or pays more dividends than total earnings.

✓ Your answer is correct.



Read about this

Challenge

OK

Stock _____ are rights to purchase common stock at a fixed price over a specified period. As the stock's price rises, the value of these rights increases.

✓ Your answer is correct.



Read about this

splits

convertibles



options

Challenge

OK

The correct answer is shown.

Peas, Inc. has 1,000 shares of \$5 par value common stock outstanding. The annual cash dividend per share was \$6.00; market value per share was \$30; and net income during the period was \$65,000. Dividend yield equals 20%.

✓ Your answer is correct.



Read about this

$\$6/30 = .2 = 20\%$.

Challenge

OK

The correct answer is shown.

On June 1, the board of directors of Big, Inc. declare a 20% stock dividend. On this date, there were 10,000 shares of \$1 par value stock issued and outstanding and the market value was \$5 per share. The entry to record this transaction would include a (debit/credit) **debit** to Retained Earnings in the amount of \$**10000**.

✓ Your answer is correct.

 Read about this

Challenge

OK

Which of the following is *not* a reason that a corporation would issue preferred stock?

✓ Your answer is correct.



Read about this

To appeal to certain investors who want less risk

✓ To obtain a tax advantage over corporations with no preferred stock

To boost the return earned by common stockholders

To raise capital without sacrificing control

Challenge

OK

Corporations commonly report a(n) _____, instead of a statement of retained earnings. This statement lists the beginning and ending balances of key equity accounts and describes the changes that occur during the period.

✓ Your answer is correct.



Read about this

statement of retained earnings



statement of stockholders' equity

income statement

Challenge

OK

The correct answer is shown.

Investors who buy a corporation's stock sometimes receive a stock **certificate** as proof of share ownership.

✓ Your answer is correct.



Read about this

Challenge

OK

There are several reasons why a board of directors would authorize a stock dividend. Which of the following is *not* a reason for a stock dividend?

✓ Your answer is correct.



Read about this

✓ To reduce the par value of the stock

To keep the market price of the stock affordable

To provide evidence of management's confidence in the corporation

Challenge

OK

Corporations purchase and hold their own stock, known as treasury stock, for several reasons. Identify which of the following is *not* a reason that a corporation would buy treasury stock.

✓ Your answer is correct.



Read about this

To use their shares to acquire another corporation

To show management confidence in the price

To reissue them to employees



To reduce the market value of the common shares outstanding

Challenge

OK

One way to help identify whether a stock is an income stock or a growth stock is to analyze its _____, by taking annual cash dividends per share divided by market value per share.

✓ Your answer is correct.



Read about this

book value per common share



dividend yield

price-earnings ratio

basic earnings per share

Challenge

OK

The correct answer is shown.

Crystal, Inc. has 500 shares of outstanding \$10 par common stock, with a current market value of \$20 per share. Earnings per share is \$2.00. The price-earnings ratio is 10.

✓ Your answer is correct.



Read about this

$\$20/2=10.$

Challenge

OK

Maria Simmons owns 100 shares of \$10 par, 5% participating preferred stock. Which of the following statements is *true*?

✓ Your answer is correct.



Read about this

Maria will get 5% of all dividends declared.

✓ Maria will be entitled to \$50 and may receive additional dividends.

Maria's maximum dividend payment will be \$50.

Challenge

OK