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

- Retained Earnings
- Paid-in Capital

Your answer is correct.
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?

- Date of declaration
- Date of record
- Date of payment

Your answer is correct.
Carefree, Inc. has 20,000 shares issued and outstanding. On August 1, the board authorizes a 20% stock dividend. This is considered a small stock dividend.

Your answer is correct.
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.

- $500
- $750
- $2,500

$2,500

10,000 shares x $5 x 0.05 = $2,500.
Identify the disadvantages of the corporate form of business. (Check all that apply.)

- Lack of mutual agency
- Government regulation
- Transferable ownership rights
- Limited liability
- Corporate taxation

Your answer is correct.
Authorized stock is the number of shares that a corporation's charter allows it to sell.
Identify the advantages of the corporate form of business. (Check all that apply.)

- Your answer is correct.
  - ✔ Ease of capital accumulation
  - ✔ Corporate taxation
  - ✔ Government regulation
  - ✔ Limited liability of stockholders
  - ✔ Continuous life
A stock dividend that is greater than 25% of the previously outstanding shares of stock is considered to be a **large** stock dividend.
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.
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.)

- Credit to Common Dividend Payable
- Debit to Retained Earnings
- Credit to Cash
- Debit to Cash
- Credit to Retained Earnings
- Debit to Common Dividend Payable

Your answer is correct.
The account that consists of a company's cumulative net income less any losses and dividends declared since its inception is called **Retained Earnings**.

Your answer is correct.
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 of $5 per share to invest in the corporation. 

Your answer is correct.
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.
When all authorized shares of stock have the same rights and characteristics, the stock is called ________ stock.

- corporate
- preferred
- common
- general

Your answer is correct.
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.)

- 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.

Your answer is correct.
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 ______.

<table>
<thead>
<tr>
<th>Choice</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>debit; $5,000</td>
<td>Your answer is correct. credit; $5,000</td>
</tr>
<tr>
<td>credit; $5,000</td>
<td></td>
</tr>
<tr>
<td>debit; $1,000</td>
<td></td>
</tr>
<tr>
<td><strong>credit; $1,000</strong></td>
<td></td>
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</tbody>
</table>
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.)

- 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.
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.
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.

credit; $500

debit; $2,500

credit; $2,500

debit; $500
Rank the following groups in order of authority—with the highest authority at the top.

- Your answer is correct.

1. Stockholders
2. Board of directors
3. President, vice president, and other officers
4. Employees
The correct answer is shown.
The board of directors authorizes a cash dividend or distribution of cash to its investors.

Your answer is correct.
Preferred stock has/have special rights that give it priority over other types of stock in one or more areas.
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.
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.
A dividend, declared by a corporation's directors, is a distribution of additional shares of the corporation's own stock.
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.)

- 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.
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.

allocated

adjusted-par

stated
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.)

- **Paid-in Capital in Excess of Par Value**
- **Common Stock**
- **Equipment**

- Your answer is correct.

Read about this: [Link](#)
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?

- 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.

Your answer is correct.
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?

- Par value
- Dividends
- Expected future earnings
- Growth

Your answer is correct.
When a corporation purchases shares of its own stock, it is called **treasury** stock.

- Your answer is correct.
_______ 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.

- No-par
- General
- Par
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.
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.
The correct answer is shown.

Stockholders have the right to vote at stockholders' meetings.

Your answer is correct.

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

- Dividends
- Legal fees
- Charter fees
- Depreciation

Your answer is correct.
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.
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.

- debit; $100
- credit; $200
- debit; $200
- credit; $100
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.

credit; $500

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

debit; $1,000

credit; $1,000
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.
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.

- dividend
- split
- conversion
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.

Only cumulative preferred stockholders have the right to be paid both current and prior periods' unpaid dividend.
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.
Capital stock is a general term that refers to any shares issued to obtain capital (owner financing).
Which of the following statements is false regarding stock splits?

- Stock splits decrease the par value of each share of stock. (Correct)
- Stock splits increase the number of shares of stock issued. (Correct)
- Stock splits increase retained earnings. (Correct)
Preferred stock usually carries a preference for dividends, meaning that:

- 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.
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.
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.

prior period adjustments

previous errors

changes to equity
A corporation can purchase its own stock and retire it. Retiring stock reduces the number of **issued** shares.
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.

<table>
<thead>
<tr>
<th>Your answer is correct.</th>
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</thead>
<tbody>
<tr>
<td>Dividend yield</td>
</tr>
<tr>
<td><strong>Book value per common share</strong></td>
</tr>
<tr>
<td>Price-earnings ratio</td>
</tr>
<tr>
<td>Basic earnings per share</td>
</tr>
</tbody>
</table>

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

- market value per share
- par value per share
- weighted-average common shares outstanding
- price-earnings ratio

Your answer is correct.
A charter application usually must be signed by the prospective stockholders called incorporators or promoters. Then, it is filed with the appropriate state official.
Accounting for stock issuances is similar in U.S. GAAP and IFRS. Identify which of the following is a key difference in IFRS reporting.

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

- Your answer is correct.

- Number of preferred shares outstanding

- Weighted-average of preferred shares outstanding
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.

- debit; 5,000
- credit; 25,000
- debit; 25,000
- credit; 5,000
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.
Identify the formula to compute basic earnings per share.

- Your answer is correct.

- Net income/weighted-average common shares outstanding
- Weighted-average common shares outstanding/net income
- (Net income - preferred dividends)/weighted-average common shares outstanding
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.
Stock options 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.
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%.

$6/30=.2=20%.
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 $10,000.
Which of the following is *not* a reason that a corporation would issue preferred stock?

- 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

Your answer is correct.

- 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
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.

- 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.
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?

- 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

Your answer is correct.

To keep the market price of the stock affordable

To provide evidence of management's confidence in the corporation
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.

- 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

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

$20/2 = 10.
Maria Simmons owns 100 shares of $10 par, 5% participating preferred stock. Which of the following statements is true?

- 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.

Your answer is correct.