Second Semester 2020 Second Year		University of Assiut Faculty of Commerce English Program
"Corporation Accounting"		
	"Test Bank"	

Multiple Choice Questions:

1. Each of the following decreases total stockholders' equity except a

- **a. cash dividend.**
- **b. liquidating dividend.**
- **c. stock dividend.**
- **d. All of these decrease total stockholders' equity.**

2. Which one of the following is not necessary in order for a corporation to pay a cash dividend.

- **a. Adequate cash.**
- **b. Approval of stockholders.**
- **c. Declaration of dividends by the board of directors.**
- **d. Retained earnings.**

3. If a corporation declares a dividend based upon paid-in capital, it is known as a

- **a. scrip dividend.**
- **b. property dividend.**
- **c. paid dividend.**
- **d. liquidating dividend.**

4. The date on which a cash dividend becomes a binding legal obligation is one the

- **a. declaration date.**
- **b. date of record.**
- **c. payment date.**
- **d. last day of the fiscal year-end.**

5. **Common Stock Dividends Distributable is classified as a(n)**
   a. asset account.
   b. stockholders' equity account.
   c. expense account.
   d. liability account.

6. **If a corporation declares a 10% stock dividend on its common stock, the account to be debited on the date of declaration is**
   a. Common Stock Dividends Distributable.
   b. Common Stock.
   c. Paid-in Capital in Excess of Par.
   d. Retained Earnings.

7. **Dividends are predominantly paid in**
   a. scrip.
   b. property.
   c. cash.
   d. stock.

8. **Of the four dividends types, the two most common types in practice are**
   a. cash and scrip.
   b. cash and property.
   c. cash and stock.
   d. property and stock.

9. **Which of the following is not a significant date with respect to dividends?**
   a. The declaration date.
   b. The incorporation date.
   c. The record date.
   d. The payment date.

10. Dividends Payable is classified is a
- **a. long-term liability.**
- **b. contra stockholders' equity account to Retained Earnings.**
- **c. current liability.**
- **d. stockholders' equity account.**

11. The declaration and distribution of a stock dividend will
- **a. increase total stockholders' equity.**
- **b. increase total assets.**
- **c. decrease total assets.**
- **d. have no effect on total assets.**

12. A stockholder who receives a stock dividend would
- **a. expect the market price per share to increase.**
- **b. own more shares of stock.**
- **c. expect retained earnings to increase.**
- **d. expect the par value of the stock to change.**

13. A small stock dividend is defined as
- **a. less than 30% but greater than 25% of the corporation's issued stock.**
- **b. between 50% and 100% to the corporation's issued stock.**
- **c. more than 30% of the corporation's issued stock.**
- **d. less than 20-25% of the corporation's issued stock.**

14. The declaration of a stock dividend will.
- **a. increase paid-in capital.**
- **b. change the total of stockholders' equity.**
- **c. increase total liabilities.**
- **d. increase total assets.**

15. A stock spit.
    a. may occur in the absence of retained earnings.
    b. will increase total paid-in capital.
    c. will increase the total par value of the stock.
    d. will have no effect on the par value per share of stock.

16. The following selected amounts are available for Sanders Company.

Retained earnings (beginning)	$1,000
Net loss	100
Cash dividends declared	100
Stock dividends declared	50

    What is its ending retained earnings balance?
    a. $850.
    b. $900.
    c. $750.
    d. $800.

17. A prior period adjustment that corrects income of a prior period requires that an entry be made to
    a. an income statement account.
    b. a current year revenue or expense account.
    c. the retained earnings account.
    d. an asset account.

18. A credit balance in retained earnings represents
    a. the amount of cash retained in the business.
    b. a claim on specific assets of the corporation.
    c. a claim on the aggregate assets of the corporation.
    d. the amount of stockholders' equity exempted from the stockholders' claim on total assets.

19. Retained earnings is increased by each of the following expect.

- **a. net income.**
- **b. prior period adjustments.**
- **c. some disposals of treasury stock.**
- **d. All of these increase retained earnings.**

20. The return on common stockholders' equity is computed by dividing net income available to common stockholders by

- **a. ending total stockholders' equity.**
- **b. ending common stockholders' equity.**
- **c. average total stockholders' equity.**
- **d. average common stockholders' equity.**

21. Income statements for corporations are the same as the income statements for proprietorships except for the reporting of

- **a. cost of goods sold.**
- **b. income taxes.**
- **c. gross profit.**
- **d. other revenues and other expenses.**

22. Each of the following statements is correct except that earnings per share is reported

- **a. below net income.**
- **b. for both common and preferred stock.**
- **c. on the face of the income statement.**
- **d. based on the weighted-average number of common shares outstanding.**

23. Prior period adjustments

- **a. may only increase retained earnings.**
- **b. may only decrease retained earnings.**
- **c. may either increase or decrease retained earnings.**
- **d. do not affect retained earnings.**

24. The return on common stockholders' equity is computed by dividing

- **a. net income by ending common stockholders' equity.**
- **b. net income by average common stockholders' equity.**
- **c. net income minus preferred dividends by ending common stockholders' equity.**
- **d. net income minus preferred dividends by average common stockholders' equity.**

25. When a corporation has both preferred and common stock outstanding, earnings per share is computed by dividing net income.

- **a. by ending common shares outstanding.**
- **b. by weighted average common shares outstanding.**
- **c. less preferred dividends by ending common shares outstanding.**
- **d. less preferred dividends by the weighted average of common shares outstanding.**

26. Secured bonds are bonds that

- **a. are in the possession of a bank.**
- **b. are registered in the name of the owner.**
- **c. have specific assets of the issuer pledged as collateral.**
- **d. have detachable interest coupons.**

27. Which of the following is not an advantage of issuing bonds instead of common stock?

- **a. Stockholder control is not affected.**
- **b. Earnings per share on common stock may be lower.**
- **c. Income to common shareholders may increase.**
- **d. Tax savings result.**

28. Bonds that mature at a single specified future date are called

- **a. coupon bonds.**
- **b. term bonds.**
- **c. serial bonds.**
- **d. debentures.**

29. Bonds that may be exchanged for common stock at the option of the bondholders are called

- **a. options.**
- **b. stock bonds.**
- **c. convertible bonds.**
- **d. callable bonds.**

30. Bonds that are subject to retirement at a stated dollar amount prior to maturity at the option of the issuer are called

- **a. callable bonds.**
- **b. early retirement bonds.**
- **c. options.**
- **d. debentures.**

31. At the time of acquisition of a debt investment.

- **a. no journal entry is required.**
- **b. the cost principle applies.**
- **c. the Stock Investments account is debited when bonds are purchased.**
- **d. the Investment account is credited for its cost plus brokerage fees.**

32. Which of the following is not a true statement regarding short-term debt investments?

- **a. The securities usually pay interest.**
- **b. Investments are frequently government or corporate bonds.**

- c. **This type of investment must be currently traded in the securities market.**
- d. **Any bond premium or discount is amortized to interest revenue.**

33. The cost of debt investments includes each of the following except

- a. **brokerage fees.**
- b. **commissions.**
- c. **accrued interest.**
- d. **the price paid.**

34. Which of the following would not be reported under "Other Revenues and Gains" on the income statement?

- a. **Unrealized gain on available-for-sale securities.**
- b. **Dividend revenue.**
- c. **Interest revenue.**
- d. **Gain on sale of short-term debt investments.**

35. The balance in the Unrealized Loss-Equity account will

- a. **appear on the balance sheet as a contra asset.**
- b. **appear on the income statement under Other Expenses and Losses.**
- c. **appear as a deduction in the stockholders' equity section.**
- d. **not be shown on the financial statements until the securities are sold.**

36. The dominant form of business organization in the United States in terms of dollar sales volume, earnings, and employees is

- a. **the sole proprietorship.**
- b. **the partnership.**
- c. **the corporation.**
- d. **not known.**

37. Under the corporate form of business organization

    a. a stockholder is personally liable for the debts of the corporation.

    b. stockholders' acts can bind the corporation even though the stockholders have not been appointed as agents of the corporation.

    c. the corporation's life is stipulated in its charter.

    d. stockholders wishing to sell their corporation shares must get the approval of other stockholders.

38. Stockholders of a corporation directly elect

    a. the president of the corporation.

    b. the board of directors.

    c. the treasurer of the corporation.

    d. all of the employees of the corporation.

39. A factor which distinguishes the corporate form of organization from a sole proprietorship or partnership is that a

    a. corporation is organized for the purpose of making a profit.

    b. corporation is subject to numerous federal and state government regulations.

    c. corporation is an accounting economic entity.

    d. corporation's temporary accounts are closed at the end of the accounting period.

40. The two ways that a corporation can be classified by ownership are

    a. publicly held and privately held.

    b. stock and non-stock.

    c. inside and outside.

    d. majority and minority.

41. Which of the following statements reflects the transferability of ownership rights in a corporation?

a. if a shareholder decides to transfer ownership, he must transfer all of his shares.

b. A shareholder may dispose of part or all of his shares.

c. A shareholder must obtain permission from the board of directors before selling shares.

d. A shareholder must obtain permission from at least three other stockholders before selling shares.

42. A corporate board of directors does not generally

a. select officers.

b. formulate operating policies.

c. declare dividends.

d. execute policy.

43. Which of the following statements is not considered a disadvantage of the corporate form of organization?

a. Additional taxes

b. Government regulations

c. Limited liability of stockholders

d. Separation of ownership and management

44. What is ordinarily the first step in the formation of a corporation?

a. Development of by-laws for the corporation

b. Issuance of the corporate charter

c. Application for incorporation to the appropriate Secretary of State

d. Registration with the SEC

45. If no-par stock is issued without a stated value, then

- **a. the par value is automatically $1 per share.**
- **b. the entire proceeds are considered to be legal capital.**
- **c. there is no legal capital.**
- **d. the corporation is automatically in violation of its state charter.**

46. If a corporation has only one class of stock, it is referred to as

- **a. Classless Stock.**
- **b. Preferred Stock.**
- **c. Solitary Stock.**
- **d. Common Stock.**

47. If an investment firm underwrites a stock issue, the

- **a. risk of being unable to sell the shares stays with the issuing corporation.**
- **b. corporation obtains cash immediately from the investment firm.**
- **c. investment firm has guaranteed profits on the sale of the stock.**
- **d. issuance of stock is likely to be directly to creditors.**

48. The par value of a stock

- **a. is legally significant.**
- **b. reflects the most recent market price.**
- **c. is selected by the SEC.**
- **d. is indicative of the worth of the stock.**

49. The authorized stock of a corporation

- **a. only reflects the initial capital needs of the company.**
- **b. is indicated in its by-laws.**
- **c. is indicated in its charter.**
- **d. must be recorded in a formal accounting entry.**

50. Owners' equity for a corporation is identified as each of the following except

- **a. corporate capital.**
- **b. paid-in capital.**
- **c. shareholders' equity.**
- **d. stockholders' equity.**

51. Dividends are declared out of

- **a. Capital Stock.**
- **b. Paid-in Capital in Excess of Par Value.**
- **c. Retained Earnings.**
- **d. Treasury Stock.**

52. Retained earnings is

- **a. always equal to the amount of cash that the corporation has generated from operations.**
- **b. a part of the paid-in capital of the corporation.**
- **c. a part of the stockholders' claim on the total assets of the corporation.**
- **d. closed at the end of each accounting period.**

53. If stock is issued for a non-cash asset, the asset should be recorded on the books of the corporation at

- **a. fair market value.**
- **b. cost.**
- **c. zero.**
- **d. a nominal amount.**

54. In the financial statements, organization costs appears

- **a. immediately below Retained Earnings in he stockholders' equity section.**
- **b. in the income statement.**
- **c. as part of paid-in capital in the stockholders' equity section.**
- **d. as an intangible asset.**

55. Which of the following represents the largest number of common shares?

- **a. Treasury shares**
- **b. Issued shares**
- **c. Outstanding shares**
- **d. Authorized shares**

56. Each of the following is correct regarding treasury stock except that it has been

- **a. issued.**
- **b. fully paid for.**
- **c. reacquired.**
- **d. retired.**

57. Treasury stock should be reported in the financial statements of a corporation as a(n)

- **a. investment.**
- **b. liability.**
- **c. deduction from total paid-in capital.**
- **d. deduction from total paid-in capital and retained earnings.**

58. Accounting for treasury stock is done by the

- **a. FIFO method.**
- **b. LIFO method.**
- **c. cost method.**
- **d. lower of cost or market method.**

59. When preferred stock is cumulative, preferred dividends not declared in a period are

- **a. considered a liability.**
- **b. called dividends in arrears.**
- **c. distributions of earnings.**
- **d. never paid.**

60. Which of the following is not a right or preference associated with preferred stock?

- **a. The right to vote**
- **b. First claim to dividends**
- **c. Preference to corporate assets in cash of liquidation**
- **d. To receive dividends in arrears before common stockholders receive dividends**