**Corporation\_normal\_AccountingMentor**

**Concept-Based MCQs (20 Questions)**

**1. What is the primary purpose of retained earnings?**

A) To determine net income  
B) To report total dividends paid  
C) To reinvest in the business or distribute to shareholders  
D) To report total revenue for the period

**2. Which of the following is NOT a necessary condition for a company to declare cash dividends?**

A) Adequate retained earnings  
B) Sufficient cash balance  
C) Approval by the board of directors  
D) A high market price of stock

**3. What is the effect of a stock dividend on total stockholders’ equity?**

A) Increases stockholders’ equity  
B) Decreases stockholders’ equity  
C) No effect on stockholders’ equity  
D) Decreases assets

**4. Which date related to dividends requires a journal entry?**

A) Date of declaration  
B) Date of record  
C) Date of stock issuance  
D) Date of market valuation

**5. How does a stock split affect the par value of stock?**

A) It increases the par value per share  
B) It decreases the par value per share  
C) It has no effect on par value  
D) It increases the total par value of stock

**6. How does a stock dividend differ from a cash dividend?**

A) Stock dividends increase cash reserves  
B) Stock dividends distribute additional shares to shareholders  
C) Stock dividends are paid in the form of liabilities  
D) Stock dividends decrease retained earnings and cash

**7. A company’s retained earnings statement begins with:**

A) Total revenue for the period  
B) Ending balance of stockholders’ equity  
C) Beginning balance of retained earnings  
D) Net income for the period

**8. What is the effect of a stock dividend on earnings per share (EPS)?**

A) Increases EPS  
B) Decreases EPS  
C) No effect on EPS  
D) Increases net income

**9. What type of account is Dividends Payable?**

A) Expense  
B) Asset  
C) Liability  
D) Equity

**10. What happens to the market price of a stock after a stock split?**

A) It increases  
B) It decreases  
C) It remains the same  
D) It depends on net income

**11. What is the purpose of a retained earnings restriction?**

A) To prevent stockholders from selling shares  
B) To allocate funds for legal or contractual obligations  
C) To increase the dividend payout  
D) To raise additional capital

**12. Which financial statement shows retained earnings?**

A) Income statement  
B) Balance sheet  
C) Retained earnings statement  
D) Cash flow statement

**13. A small stock dividend typically consists of:**

A) Less than 20-25% of outstanding shares  
B) More than 50% of outstanding shares  
C) 100% of outstanding shares  
D) No specific percentage

**14. What is the main reason companies issue stock dividends instead of cash dividends?**

A) To avoid taxes  
B) To conserve cash while rewarding shareholders  
C) To reduce net income  
D) To reduce market price per share

**15. Retained earnings are part of which section of the balance sheet?**

A) Assets  
B) Liabilities  
C) Stockholders’ equity  
D) Revenue

**16. What does a high payout ratio indicate?**

A) The company is reinvesting earnings  
B) The company is paying out a large portion of earnings as dividends  
C) The company has low dividends per share  
D) The company is increasing stockholder equity

**17. Which of the following transactions decreases retained earnings?**

A) Issuance of new shares  
B) Declaration of dividends  
C) Sale of treasury stock  
D) Repurchase of stock

**18. If a company declares a 10% stock dividend, what happens to total stockholders’ equity?**

A) It increases  
B) It decreases  
C) It remains the same  
D) It depends on market price

**19. When are stockholders entitled to receive dividends?**

A) When the board declares a dividend  
B) When the dividend is paid  
C) On the ex-dividend date  
D) When the company is profitable

**20. What is the primary reason for a company to repurchase its own stock?**

A) To increase stockholder ownership  
B) To decrease stock price  
C) To increase earnings per share  
D) To increase cash reserves

**Math-Based MCQs (20 Questions)**

**21. A company has retained earnings of $500,000 at the beginning of the year. Net income for the year is $120,000, and dividends declared are $30,000. What is the retained earnings balance at year-end?**

A) $590,000  
B) $620,000  
C) $650,000  
D) $530,000

**22. A company declares a 10% stock dividend when the stock's market value is $50 per share. If there are 10,000 shares outstanding, what is the total amount transferred from retained earnings?**

A) $5,000  
B) $50,000  
C) $100,000  
D) $500,000

**23. A company declares a $1.50 per share dividend on 50,000 outstanding shares. What is the total dividend payment?**

A) $50,000  
B) $75,000  
C) $100,000  
D) $125,000

**24. A company’s net income is $200,000. If its total dividends declared are $50,000, what is the dividend payout ratio?**

A) 20%  
B) 25%  
C) 30%  
D) 40%

**25. A company declares a 2-for-1 stock split. If an investor owns 500 shares before the split, how many shares will they own afterward?**

A) 250  
B) 500  
C) 1,000  
D) 2,000

**26. If a company has net income of $180,000 and 60,000 shares outstanding, what is its earnings per share (EPS)?**

A) $2.50  
B) $3.00  
C) $3.50  
D) $4.00

**27. A company has common stock of $400,000 and retained earnings of $600,000. If it issues $100,000 in new stock, what will be total stockholders’ equity?**

A) $900,000  
B) $1,000,000  
C) $1,100,000  
D) $1,200,000

**28. A company has total stockholders’ equity of $750,000 and 50,000 shares outstanding. What is the book value per share?**

A) $10  
B) $12  
C) $15  
D) $18

**29. A corporation declares a 5% stock dividend on 20,000 shares outstanding. If the par value per share is $10 and market value is $30, what is the total amount transferred to common stock?**

A) $10,000  
B) $20,000  
C) $30,000  
D) $50,000

**30. A company reports net income of $250,000 and has weighted-average shares of 100,000. What is the EPS?**

A) $1.50  
B) $2.00  
C) $2.50  
D) $3.00

**31. A company declares a 3-for-2 stock split. If an investor owns 600 shares before the split, how many shares will they own after?**

A) 900  
B) 1,200  
C) 300  
D) 800

**32. If a company has total revenue of $500,000 and total expenses of $350,000, what is the net income?**

A) $100,000  
B) $150,000  
C) $200,000  
D) $250,000

**33. A company has $80,000 in net income and total dividends of $20,000. What is the retention ratio?**

A) 50%  
B) 60%  
C) 70%  
D) 75%

**34. If a company has a dividend yield of 5% and the stock price is $40, what is the annual dividend per share?**

A) $1.00  
B) $1.50  
C) $2.00  
D) $2.50

**35. A company declares a $2 per share cash dividend on 25,000 shares. How much is the total dividend liability?**

A) $25,000  
B) $50,000  
C) $75,000  
D) $100,000

**36. A company has retained earnings of $300,000. After declaring a $50,000 dividend, what will retained earnings be?**

A) $250,000  
B) $275,000  
C) $300,000  
D) $350,000

**37. A company pays $5 per share in dividends and has a market price of $100 per share. What is the dividend yield?**

A) 2%  
B) 3%  
C) 4%  
D) 5%

**38. If net income is $120,000 and preferred dividends are $20,000, what is earnings available for common stockholders?**

A) $80,000  
B) $100,000  
C) $120,000  
D) $140,000

**39. What happens to the par value per share after a 4-for-1 stock split if it was originally $10 per share?**

A) $2.50  
B) $5.00  
C) $10.00  
D) $40.00

**40. A company issues 5,000 new shares at $20 per share. How much is added to stockholders’ equity?**

A) $50,000  
B) $100,000  
C) $150,000  
D) $200,000