**Concept Based**

**Question 1**

**Stem:**  
A corporation declares a 10% stock dividend when its market price per share is 50andparvalueis50*andparvalueis*5. How does this transaction affect total stockholders' equity?

**Choices:**  
A) Increases due to the additional shares issued.  
B) Decreases because retained earnings are reduced.  
C) Remains unchanged; only the composition of equity changes.  
D) Decreases due to the dilution of existing shares.

**Question 2**

**Stem:**  
Under IFRS, how is a gain from the revaluation of a previously impaired asset reported in the financial statements?

**Choices:**  
A) As part of retained earnings.  
B) As other comprehensive income.  
C) As an extraordinary item on the income statement.  
D) Directly to paid-in capital.

**Question 3**

**Stem:**  
A company with cumulative preferred stock (dividends in arrears for 2 years) declares a cash dividend. How is the dividend allocation prioritized?

**Choices:**  
A) First to common shareholders, then to preferred.  
B) First to preferred for current year only.  
C) First to preferred for all arrears plus current year, then to common.  
D) Pro rata between preferred and common.

**Question 4**

**Stem:**  
A corporation reports net income of 1millionbuthasa1*millionbuthasa*200,000 unrealized loss on available-for-sale securities. What is comprehensive income?

**Choices:**  
A) 1,000,000

B)800,000  
C) 1,200,000

*D*)200,000

**Question 5**

**Stem:**  
How does a stock split differ from a large stock dividend in terms of accounting treatment?

**Choices:**  
A) A stock split increases retained earnings.  
B) A large stock dividend reclassifies equity but does not change total equity.  
C) A stock split requires debiting retained earnings.  
D) Both are recorded at market value.

**Question 6**

**Stem:**  
A company reacquires its own shares at a price above par value but below original issue price. How is the excess of cost over par recorded?

**Choices:**  
A) Debited to Retained Earnings.  
B) Credited to Additional Paid-in Capital.  
C) Debited to Treasury Stock.  
D) Debited to Loss on Repurchase.

**Question 7**

**Stem:**  
Which scenario would *not* require a prior-period adjustment to retained earnings?

**Choices:**  
A) Correction of a mathematical error in depreciation.  
B) Change from FIFO to LIFO inventory valuation.  
C) Settlement of a lawsuit related to a prior year.  
D) Discovery of fraud in a previous fiscal year.

**Question 8**

**Stem:**  
What is the impact of declaring a property dividend (non-cash asset) on the accounting equation?

**Choices:**  
A) No effect until distribution.  
B) Decreases assets and retained earnings.  
C) Increases liabilities and decreases equity.  
D) Requires revaluation of the asset at historical cost.

**Question 9**

**Stem:**  
Under U.S. GAAP, where is the appropriation of retained earnings for bond sinking funds reported?

**Choices:**  
A) As a contra-equity account.  
B) As a footnote disclosure only.  
C) As a reduction to paid-in capital.  
D) As a current liability.

**Question 10**

**Stem:**  
A firm has 100,000 shares outstanding and declares a 2-for-1 stock split. How does this affect the book value per share?

**Choices:**  
A) Doubles.  
B) Halves.  
C) Remains unchanged.  
D) Depends on retained earnings.

**Math Based**

Question 1

Stem:

A company has 200,000 shares of common stock outstanding (par value $1). It declares a 15% stock dividend when the market price is $25 per share. What is the total reduction in retained earnings due to this dividend?

Choices:

A) $30,000

B) $750,000

C) $300,000

D) $500,000

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Question 2

Stem:

A corporation has $500,000 in retained earnings and declares a 2-for-1 stock split (par value $2 → $1). After the split, what is the new balance in retained earnings?

Choices:

A) $250,000

B) $500,000

C) $1,000,000

D) $0

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Question 3

Stem:

A company reports net income of $1,200,000, pays $200,000 in preferred dividends, and has 500,000 common shares outstanding. If it declares a $0.50 per share cash dividend, what is the total reduction in retained earnings?

Choices:

A) $200,000

B) $450,000

C) $650,000

D) $1,000,000

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Question 4

Stem:

A firm has $800,000 in retained earnings and 100,000 shares outstanding (par $5). It declares a 40% stock dividend when the market price is $20. What is the new par value per share after the dividend?

Choices:

A) $3.57

B) $5.00

C) $2.50

D) $4.00

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Question 5

Stem:

A company has $2,000,000 in net income, $300,000 in unrealized losses (OCI), and $100,000 in foreign currency translation gains. What is comprehensive income?

Choices:

A) $1,600,000

B) $1,800,000

C) $2,200,000

D) $2,400,000

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Question 6

Stem:

A firm repurchases 10,000 treasury shares at $30 (original issue price was $25). Later, it reissues 5,000 shares at $35. What is the impact on additional paid-in capital (APIC)?

Choices:

A) $25,000 increase

B) $50,000 increase

C) $75,000 increase

D) No effect

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Question 7

Stem:

A corporation has $1,500,000 in retained earnings and $200,000 in cash dividends declared but not yet paid. What is the maximum legal dividend it can declare if state law requires a capital impairment restriction?

Choices:

A) $1,300,000

B) $1,500,000

C) $1,700,000

D) $200,000

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Question 8

Stem:

A company reports net income of $800,000, depreciation of $100,000, and a $50,000 increase in accounts receivable. What is its cash flow from operations (indirect method)?

Choices:

A) $750,000

B) $850,000

C) $950,000

D) $650,000

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Question 9

Stem:

A firm has $10,000,000 in assets, $6,000,000 in liabilities, and 500,000 shares outstanding. If it declares a $1.00 per share dividend, what is the new debt-to-equity ratio?

Choices:

A) 1.25

B) 1.50

C) 1.75

D) 2.00

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Question 10

Stem:

A company has $2,500,000 in net income, $400,000 in preferred dividends, and 1,000,000 common shares outstanding. If it pays a $0.75 dividend per share, what is its dividend payout ratio?

Choices:

A) 20%

B) 30%

C) 40%

D) 50%

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