**Concept Based**

1. Which of the following best describes a "dividend"?

A) A distribution of profits to bondholders.

B) A reduction in the par value of common stock.

C) A distribution of earnings to shareholders.

D) A mandatory payment to creditors.

2. Retained earnings represent:

A) Cash reserved for future expansion.

B) Cumulative net income not distributed as dividends.

C) The total amount of shareholders' equity.

D) The market value of a corporation’s stock.

3. A company declares a cash dividend. What is the impact on the accounting equation?

A) Assets decrease, liabilities increase.

B) Liabilities increase, retained earnings decrease.

C) Assets decrease, shareholders’ equity decreases.

D) No effect until the dividend is paid.

4. Which of the following is NOT a requirement for declaring a cash dividend?

A) Sufficient retained earnings.

B) Approval by the board of directors.

C) Positive net income in the current year.

D) Adequate cash availability.

5. Stock dividends differ from cash dividends in that stock dividends:

A) Reduce total shareholders’ equity.

B) Increase the corporation’s assets.

C) Do not affect total shareholders’ equity.

D) Are taxable to the shareholders.

6. A small stock dividend (less than 20-25%) is recorded at:

A) Par value.

B) Market value.

C) Book value.

D) Historical cost.

7. Prior period adjustments are reported in the financial statements as:

A) An expense on the income statement.

B) A direct adjustment to retained earnings.

C) A liability on the balance sheet.

D) A footnote disclosure only.

8. Comprehensive income includes all of the following EXCEPT:

A) Net income.

B) Unrealized gains on available-for-sale securities.

C) Dividends paid to shareholders.

D) Foreign currency translation adjustments.

9. Which statement about retained earnings restrictions is TRUE?

A) They increase the amount of cash available.

B) They are legally required for all corporations.

C) They limit the ability to pay dividends.

D) They are reported as a liability.

10. A corporation’s statement of retained earnings shows:

A) All changes in cash during the period.

B) Net income, dividends, and prior period adjustments.

C) Only the ending balance of retained earnings.

D) The market value of equity.

11. A stock split will:

A) Increase total shareholders’ equity.

B) Reduce retained earnings.

C) Decrease the market price per share.

D) Be recorded as a journal entry to adjust par value.

12. The payout ratio is calculated as:

A) Dividends per share / Earnings per share.

B) Total dividends / Net income.

C) Retained earnings / Total equity.

D) Dividends / Total assets.

13. Which of the following does NOT affect retained earnings?

A) Declaration of a cash dividend.

B) Net loss for the year.

C) Issuance of new common stock.

D) Prior period adjustment.

14. A large stock dividend (over 20-25%) is recorded at:

A) Market value.

B) Par value.

C) Book value.

D) Fair value.

15. Dividends in arrears apply to:

A) Common stock.

B) Treasury stock.

C) Cumulative preferred stock.

D) Noncumulative preferred stock.

16. The purpose of appropriating retained earnings is to:

A) Increase dividend payments.

B) Set aside earnings for specific future uses.

C) Reduce tax liabilities.

D) Inflate reported net income.

17. Earnings per share (EPS) is calculated as:

A) Net income / Total shares authorized.

B) (Net income – Preferred dividends) / Weighted-average common shares outstanding.

C) Total dividends / Common shares outstanding.

D) Retained earnings / Total shares issued.

18. Which of the following is reported in the stockholders’ equity section?

A) Dividends payable.

B) Accumulated other comprehensive income.

C) Accounts payable.

D) Bonds payable.

19. A company with a high dividend yield is likely:

A) A growth stock with low payouts.

B) A mature company with stable earnings.

C) A startup with no profits.

D) A company with declining share price.

20. Comprehensive income is reported in:

A) The balance sheet only.

B) The income statement only.

C) A separate statement or within the income statement.

D) The statement of cash flows.

**Math Based**

1. A company has 50,000 shares of $10 par value common stock outstanding. If it declares a 10% stock dividend when the market price is $15 per share, what is the total amount debited to Retained Earnings?

A) $50,000

B) $75,000

C) $100,000

D) $150,000

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2. A corporation reports net income of $200,000 and has 100,000 common shares outstanding. If it declares $0.50 per share in dividends, what is the payout ratio?

A) 10%

B) 25%

C) 50%

D) 75%

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3. A company has 20,000 shares of 6%, $100 par cumulative preferred stock and 50,000 shares of common stock. If no dividends were paid last year and net income this year is $300,000, what is the dividend per common share if the company pays the maximum dividends possible?

A) $1.20

B) $2.40

C) $3.60

D) $4.80

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4. A company’s retained earnings at the beginning of the year were $500,000. Net income for the year was $150,000, and cash dividends declared were $50,000. What is the ending retained earnings balance?

A) $450,000

B) $550,000

C) $600,000

D) $700,000

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5. A company declares a 3-for-1 stock split when the market price is $60 per share. What is the new market price per share after the split?

A) $10

B) $20

C) $30

D) $60

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6. A company has 10,000 shares of $5 par common stock outstanding. If it declares a 30% stock dividend when the market price is $8 per share, what is the debit to Retained Earnings?

A) $15,000

B) $24,000

C) $30,000

D) $40,000

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7. A corporation has net income of $180,000, preferred dividends of $30,000, and 50,000 common shares outstanding. What is earnings per share (EPS)?

A) $2.00

B) $3.00

C) $3.60

D) $4.20

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8. A company has 100,000 shares outstanding and declares a $0.25 cash dividend. What is the total dividend payment?

A) $25,000

B) $50,000

C) $100,000

D) $250,000

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9. A company’s retained earnings at the beginning of the year were $400,000. If net income is $120,000 and dividends are $80,000, what is the ending retained earnings?

A) $320,000

B) $440,000

C) $480,000

D) $600,000

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10. A company has 5,000 shares of 8%, $50 par preferred stock and 20,000 common shares. If total dividends declared are $40,000, how much goes to common shareholders?

A) $0

B) $20,000

C) $30,000

D) $40,000

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11. A company has 200,000 shares outstanding and declares a 5% stock dividend when the market price is $20. What is the debit to Retained Earnings?

A) $100,000

B) $200,000

C) $400,000

D) $1,000,000

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12. A company reports net income of $500,000, preferred dividends of $50,000, and has 100,000 common shares outstanding. What is the EPS?

A) $4.00

B) $4.50

C) $5.00

D) $5.50

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13. A company declares a 2-for-1 stock split when the par value is $10. What is the new par value?

A) $2

B) $5

C) $10

D) $20

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14. A company has 50,000 shares outstanding and declares a $0.40 dividend per share. What is the total cash dividend paid?

A) $10,000

B) $20,000

C) $40,000

D) $60,000

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15. A company reports net income of $1,000,000, preferred dividends of $100,000, and has 200,000 common shares outstanding. What is the EPS?

A) $4.00

B) $4.50

C) $5.00

D) $5.50

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16. A company has retained earnings of $300,000, net income of $80,000, and declares $20,000 in dividends. What is the ending retained earnings?

A) $260,000

B) $360,000

C) $380,000

D) $400,000

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17. A company has 10,000 shares of 5%, $100 par preferred stock and 40,000 common shares. If total dividends declared are $80,000, how much goes to common shareholders?

A) $0

B) $30,000

C) $50,000

D) $80,000

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18. A company declares a 15% stock dividend when the market price is $12 per share and there are 100,000 shares outstanding. What is the debit to Retained Earnings?

A) $120,000

B) $150,000

C) $180,000

D) $1,200,000

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19. A company has 25,000 shares outstanding and declares a $0.60 dividend per share. What is the total cash dividend paid?

A) $12,500

B) $15,000

C) $25,000

D) $30,000

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20. A company reports net income of $750,000, preferred dividends of $50,000, and has 100,000 common shares outstanding. What is the EPS?

A) $6.00

B) $7.00

C) $7.50

D) $8.00