**Corporates\_Hard\_Wolfram**

**Concept-Based Questions**

**1. Which of the following statements regarding retained earnings is most accurate?**

A) Retained earnings represent cash available for dividends.  
B) Retained earnings reflect cumulative net income minus dividends declared.  
C) Retained earnings are recorded as an expense on the income statement.  
D) Retained earnings are included under liabilities on the balance sheet.

**2. When a corporation declares a cash dividend, which of the following occurs?**

A) Liabilities increase and stockholders’ equity increases.  
B) Liabilities decrease and stockholders’ equity decreases.  
C) Liabilities increase and stockholders’ equity decreases.  
D) Liabilities remain unchanged, but stockholders’ equity decreases.

**3. Which type of dividend does not reduce total stockholders' equity?**

A) Cash dividend  
B) Stock dividend  
C) Property dividend  
D) Liquidating dividend

**4. How does a prior period adjustment to correct an error affect the financial statements?**

A) It is recorded as an expense on the current income statement.  
B) It is reported as an adjustment to beginning retained earnings.  
C) It affects net income for the current period.  
D) It is disclosed in the footnotes but does not impact the statements.

**5. How do stock splits affect a corporation’s financial statements?**

A) Decrease total stockholders’ equity  
B) Increase total assets  
C) Increase the number of outstanding shares without changing total stockholders' equity  
D) Decrease net income

**6. Which of the following is NOT a reason a corporation may restrict retained earnings?**

A) To comply with loan agreements  
B) To legally reserve funds for future investments  
C) To distribute excess profits as dividends  
D) To protect creditor claims

**7. The return on common stockholders’ equity (ROE) ratio measures:**

A) The percentage of net income distributed as dividends  
B) The profitability of common stockholders' investment  
C) The efficiency of asset utilization  
D) The proportion of retained earnings to net income

**8. A corporation with a net loss during the year will still report positive retained earnings if:**

A) It issues additional common stock  
B) Its beginning retained earnings balance is positive and exceeds the net loss  
C) It pays no dividends during the year  
D) It records deferred tax assets

**9. What is the effect of a stock dividend on stockholders' equity?**

A) Increases common stock and decreases retained earnings  
B) Decreases assets and decreases retained earnings  
C) Increases liabilities and decreases stockholders' equity  
D) No effect on stockholders' equity

**10. How does a stock repurchase (treasury stock transaction) affect the balance sheet?**

A) Increases stockholders' equity  
B) Decreases stockholders' equity  
C) Increases retained earnings  
D) Increases liabilities

**Math-Based Questions**

**11. A corporation declares a $1.50 per share dividend on 400,000 shares. If 60,000 shares are treasury stock, how much will be paid in dividends?**

A) $600,000  
B) $510,000  
C) $450,000  
D) $600,000

**12. A company has net income of $250,000 and pays dividends of $40,000. Beginning retained earnings were $160,000. What are ending retained earnings?**

A) $450,000  
B) $370,000  
C) $290,000  
D) $210,000

**13. A firm issues 5,000 shares of $5 par value stock at $18 per share. What is the total additional paid-in capital (APIC)?**

A) $90,000  
B) $65,000  
C) $25,000  
D) $50,000

**14. If a company reports net income of $800,000, has average common equity of $4,000,000, and pays $200,000 in preferred dividends, what is its return on common equity (ROE)?**

A) 15%  
B) 20%  
C) 25%  
D) 30%

**15. A company declares a 10% stock dividend when its stock is trading at $40 per share. If it has 50,000 shares outstanding, how much is transferred from retained earnings?**

A) $50,000  
B) $200,000  
C) $500,000  
D) $1,000,000

Here are five more **very hard math-based MCQs** to complete the set of 20.

**16. A company has total stockholders’ equity of $2,500,000, including $600,000 of retained earnings and $400,000 in treasury stock. If common stock has a $5 par value and there are 200,000 shares issued, what is the total additional paid-in capital (APIC)?**

A) $1,900,000  
B) $1,100,000  
C) $500,000  
D) $400,000

**17. A corporation has net income of $900,000, pays $120,000 in preferred dividends, and has 300,000 common shares outstanding. What is its earnings per share (EPS)?**

A) $2.60  
B) $3.00  
C) $2.80  
D) $2.40

**18. A corporation’s beginning retained earnings were $1,200,000. During the year, it reported net income of $350,000 and paid $80,000 in dividends. It also made a prior-period adjustment increasing retained earnings by $40,000. What is its ending retained earnings balance?**

A) $1,430,000  
B) $1,510,000  
C) $1,590,000  
D) $1,610,000

**19. A corporation has 800,000 shares of common stock outstanding and declares a 5% stock dividend. If the stock is trading at $50 per share, what is the total value transferred from retained earnings?**

A) $2,000,000  
B) $2,500,000  
C) $3,000,000  
D) $4,000,000

**20. A company reports net income of $1,200,000 and has an average stockholders' equity of $6,000,000. The company’s dividend payout ratio is 40%. What is the return on stockholders' equity (ROE)?**

A) 16%  
B) 18%  
C) 20%  
D) 22%