**Corporates\_normal\_Wolfram**

Here are 40 multiple-choice questions (MCQs) based on Chapter 14, "Corporations: Dividends, Retained Earnings, and Income Reporting 14-1," from *Accounting Principles, 12th Edition*. The questions are divided into 20 concept-based and 20 math-based questions.

**Concept-Based Questions (Theoretical Understanding)**

**1. Which of the following is NOT a form of dividend distribution by a corporation?**

A) Cash dividend  
B) Stock dividend  
C) Property dividend  
D) Interest dividend  
**Key:** D (Interest dividend)

**2. The declaration of a cash dividend results in:**

A) A decrease in stockholders’ equity  
B) A decrease in liabilities  
C) An increase in net income  
D) A decrease in retained earnings but no effect on total stockholders’ equity  
**Key:** A (A decrease in stockholders’ equity)

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

A) Increases total stockholders' equity  
B) Decreases total stockholders' equity  
C) Has no effect on total stockholders' equity  
D) Decreases retained earnings and liabilities  
**Key:** C (Has no effect on total stockholders' equity)

**4. Which date related to dividends does NOT require a journal entry?**

A) Date of declaration  
B) Date of record  
C) Date of payment  
D) Date of adjustment  
**Key:** B (Date of record)

**5. Retained earnings represent:**

A) The total amount of capital invested by stockholders  
B) The cumulative net income of a corporation that has not been distributed as dividends  
C) The value of treasury stock  
D) The amount a corporation owes to its creditors  
**Key:** B (The cumulative net income of a corporation that has not been distributed as dividends)

**6. Which of the following statements is true regarding treasury stock?**

A) Treasury stock increases total stockholders' equity  
B) Treasury stock is recorded as an asset  
C) Treasury stock reduces the number of shares outstanding  
D) Treasury stockholders receive dividends  
**Key:** C (Treasury stock reduces the number of shares outstanding)

**7. The statement of retained earnings is most closely related to which financial statement?**

A) Balance sheet  
B) Income statement  
C) Statement of cash flows  
D) Statement of financial position  
**Key:** A (Balance sheet)

**8. Dividends are reported on the:**

A) Balance sheet  
B) Income statement  
C) Statement of retained earnings  
D) Cash flow statement  
**Key:** C (Statement of retained earnings)

**9. A stock split affects which of the following?**

A) The par value per share  
B) The total stockholders’ equity  
C) The retained earnings balance  
D) The company's net income  
**Key:** A (The par value per share)

**10. Which type of dividend distribution results in the issuance of additional shares?**

A) Cash dividends  
B) Stock dividends  
C) Property dividends  
D) Liquidating dividends  
**Key:** B (Stock dividends)

**11. What happens to retained earnings when a cash dividend is declared?**

A) It increases  
B) It remains unchanged  
C) It decreases  
D) It converts to treasury stock  
**Key:** C (It decreases)

**12. Which of the following reduces total stockholders' equity?**

A) Issuance of common stock  
B) Declaration of cash dividends  
C) Stock splits  
D) Stock dividends  
**Key:** B (Declaration of cash dividends)

**13. The purpose of a stock split is to:**

A) Increase retained earnings  
B) Reduce the market price of the stock  
C) Increase total stockholders’ equity  
D) Reduce the par value per share and increase the number of shares outstanding  
**Key:** D (Reduce the par value per share and increase the number of shares outstanding)

**14. Which of the following is NOT a reason for a corporation to repurchase its own stock?**

A) To increase earnings per share  
B) To provide shares for employee stock compensation plans  
C) To increase the supply of shares in the market  
D) To support the stock price  
**Key:** C (To increase the supply of shares in the market)

**15. Retained earnings restrictions can be classified as:**

A) Legal, contractual, or voluntary  
B) Fixed, floating, or variable  
C) Tangible, intangible, or monetary  
D) Cash-based, accrual-based, or hybrid  
**Key:** A (Legal, contractual, or voluntary)

**16. What is the main objective of the statement of retained earnings?**

A) To show changes in retained earnings over a period  
B) To report cash flows from operating activities  
C) To disclose net income from operations  
D) To summarize a company's liquidity position  
**Key:** A (To show changes in retained earnings over a period)

**17. What type of dividend does NOT distribute cash or stock to shareholders?**

A) Liquidating dividend  
B) Property dividend  
C) Small stock dividend  
D) Stock split  
**Key:** D (Stock split)

**18. Which of the following is a reason for issuing stock dividends instead of cash dividends?**

A) To increase cash reserves  
B) To reduce the number of outstanding shares  
C) To increase stockholder equity  
D) To reward investors without reducing corporate cash  
**Key:** D (To reward investors without reducing corporate cash)

**19. Which financial ratio measures a company’s ability to pay dividends?**

A) Debt-to-equity ratio  
B) Dividend payout ratio  
C) Return on assets  
D) Price-to-earnings ratio  
**Key:** B (Dividend payout ratio)

**20. The cumulative effect of cash dividends and stock repurchases is:**

A) An increase in stockholders’ equity  
B) A decrease in stockholders’ equity  
C) An increase in retained earnings  
D) No effect on stockholders’ equity  
**Key:** B (A decrease in stockholders’ equity)

**Math-Based MCQs with Distractors**

**21. A company declares a cash dividend of $1.50 per share on 20,000 outstanding shares. What is the total dividend payment?**

A) **$30,000** ✅  
B) $20,000 ❌  
C) $25,000 ❌  
D) $35,000 ❌

**Solution:**

1.50×20,000=30,0001.50 \times 20,000 = 30,000

**22. A company has retained earnings of $500,000 before declaring a $50,000 dividend. What will be the retained earnings after the dividend?**

A) $500,000 ❌  
B) $550,000 ❌  
C) **$450,000** ✅  
D) $400,000 ❌

**Solution:**

500,000−50,000=450,000500,000 - 50,000 = 450,000

**23. A corporation declares a 10% stock dividend when the market price per share is $20. If the company has 100,000 shares outstanding, what is the total value of the dividend?**

A) **$200,000** ✅  
B) $100,000 ❌  
C) $400,000 ❌  
D) $20,000 ❌

**Solution:**

100,000×10%×20=200,000100,000 \times 10\% \times 20 = 200,000

**24. A company has 500,000 shares outstanding and issues a 2-for-1 stock split. How many shares will be outstanding after the split?**

A) 750,000 ❌  
B) 500,000 ❌  
C) **1,000,000** ✅  
D) 1,500,000 ❌

**Solution:**

500,000×2=1,000,000500,000 \times 2 = 1,000,000

**25. A company has 250,000 shares of $5 par value stock outstanding. If the company declares a 15% stock dividend and the market price is $12 per share, what is the amount transferred to stockholders' equity?**

A) $150,000 ❌  
B) **$450,000** ✅  
C) $75,000 ❌  
D) $600,000 ❌

**Solution:**

250,000×0.15×12=450,000250,000 \times 0.15 \times 12 = 450,000

**26. A company declares a $0.75 per share dividend on 40,000 shares. What is the total dividend payment?**

A) **$30,000** ✅  
B) $40,000 ❌  
C) $25,000 ❌  
D) $35,000 ❌

**Solution:**

0.75×40,000=30,0000.75 \times 40,000 = 30,000

**27. A company had retained earnings of $800,000 before declaring a $90,000 dividend. What is the retained earnings balance after the dividend?**

A) **$710,000** ✅  
B) $750,000 ❌  
C) $820,000 ❌  
D) $690,000 ❌

**Solution:**

800,000−90,000=710,000800,000 - 90,000 = 710,000

**28. A company declares a 5% stock dividend on 200,000 shares. If the stock price is $25 per share, what is the total stock dividend value?**

A) **$250,000** ✅  
B) $500,000 ❌  
C) $100,000 ❌  
D) $600,000 ❌

**Solution:**

200,000×0.05×25=250,000200,000 \times 0.05 \times 25 = 250,000

**29. A company has retained earnings of $1,200,000. If it declares a 12% stock dividend on 300,000 shares at a $15 market price, how much is deducted from retained earnings?**

A) **$540,000** ✅  
B) $300,000 ❌  
C) $180,000 ❌  
D) $600,000 ❌

**Solution:**

300,000×0.12×15=540,000300,000 \times 0.12 \times 15 = 540,000

**30. A company issues a 3-for-1 stock split on 400,000 shares. How many shares will be outstanding after the split?**

A) 800,000 ❌  
B) **1,200,000** ✅  
C) 400,000 ❌  
D) 600,000 ❌

**Solution:**

400,000×3=1,200,000400,000 \times 3 = 1,200,000

**31. A company has 100,000 shares of $10 par value common stock and declares a 20% stock dividend when the market price is $30. What is the amount transferred to retained earnings?**

A) $200,000 ❌  
B) **$600,000** ✅  
C) $400,000 ❌  
D) $500,000 ❌

**Solution:**

100,000×0.2×30=600,000100,000 \times 0.2 \times 30 = 600,000

**32. A company has a total dividend payout of $150,000 and net income of $600,000. What is the dividend payout ratio?**

A) 50% ❌  
B) **25%** ✅  
C) 40% ❌  
D) 20% ❌

**Solution:**

150,000600,000=25%\frac{150,000}{600,000} = 25\%

**33. A company has 500,000 shares and buys back 50,000 as treasury stock. How many shares remain outstanding?**

A) 500,000 ❌  
B) 400,000 ❌  
C) **450,000** ✅  
D) 550,000 ❌

**Solution:**

500,000−50,000=450,000500,000 - 50,000 = 450,000

**34. A company pays dividends of $75,000 and has net income of $300,000. What is the dividend payout ratio?**

A) 40% ❌  
B) **25%** ✅  
C) 30% ❌  
D) 15% ❌

**Solution:**

75,000300,000=25%\frac{75,000}{300,000} = 25\%

**35. A company has a stockholders' equity of $1,000,000. If it buys back $100,000 in treasury stock, what is the new stockholders' equity?**

A) $1,100,000 ❌  
B) **$900,000** ✅  
C) $950,000 ❌  
D) $850,000 ❌

**Solution:**

1,000,000−100,000=900,0001,000,000 - 100,000 = 900,000

Here are **five additional math-based MCQs** (questions 36-40), each with a detailed solution and plausible distractors to complete the **set of 40 multiple-choice questions**.

**36. A corporation declares a 15% stock dividend when the stock price is $40. If 50,000 shares are outstanding, what is the total dividend value?**

A) **$300,000** ✅  
B) $200,000 ❌  
C) $250,000 ❌  
D) $400,000 ❌

**Solution:**

Total shares issued = 50,000 × 15%

50,000×0.15=7,500 shares50,000 \times 0.15 = 7,500 \text{ shares}

Total value = 7,500 × $40

7,500×40=300,0007,500 \times 40 = 300,000

**37. A company declares a cash dividend of $2 per share on 30,000 shares. What is the total cash dividend?**

A) $80,000 ❌  
B) $50,000 ❌  
C) **$60,000** ✅  
D) $75,000 ❌

**Solution:**

Total dividend = 2 × 30,000

=60,000= 60,000

**38. A company has 1,000,000 shares and issues a 4-for-1 stock split. How many shares are outstanding after the split?**

A) **4,000,000** ✅  
B) 3,000,000 ❌  
C) 2,500,000 ❌  
D) 5,000,000 ❌

**Solution:**

Total shares after stock split = 1,000,000 × 4

=4,000,000= 4,000,000

**39. A corporation declares a $0.80 dividend per share on 50,000 shares. What is the total dividend?**

A) $30,000 ❌  
B) **$40,000** ✅  
C) $50,000 ❌  
D) $25,000 ❌

**Solution:**

Total dividend = 0.80 × 50,000

=40,000= 40,000

**40. A company had $750,000 in retained earnings. After paying a $60,000 dividend, what is the new balance?**

A) **$690,000** ✅  
B) $600,000 ❌  
C) $720,000 ❌  
D) $750,000 ❌

**Solution:**

New retained earnings balance = 750,000 - 60,000

=690,000= 690,000