1. The number of shares that a corporation's charter allows it to sell is referred to as:   
 

|  |  |
| --- | --- |
| A. | Issued stock. |

|  |  |
| --- | --- |
| B. | Outstanding stock. |

|  |  |
| --- | --- |
| C. | Common stock. |

|  |  |
| --- | --- |
| D. | Preferred stock. |

|  |  |
| --- | --- |
| **E.** | Authorized stock. |

2. A corporation issued 6,000 shares of its $2 par value common stock in exchange for land that has a market value of $84,000. The entry to record this transaction would include:   
 

|  |  |
| --- | --- |
| A. | A debit to Common Stock for $12,000. |

|  |  |
| --- | --- |
| B. | A debit to Land for $12,000. |

|  |  |
| --- | --- |
| C. | A credit to Land for $12,000. |

|  |  |
| --- | --- |
| **D.** | A credit to Paid-in Capital in Excess of Par Value, Common Stock for $72,000. |

|  |  |
| --- | --- |
| E. | A credit to Common Stock for $84,000. |

3. Preferred stock which confers rights to prior periods' unpaid dividends even if they were not declared is called:   
 

|  |  |
| --- | --- |
| A. | Noncumulative preferred stock. |

|  |  |
| --- | --- |
| B. | Participating preferred stock. |

|  |  |
| --- | --- |
| C. | Callable preferred stock. |

|  |  |
| --- | --- |
| **D.** | Cumulative preferred stock. |

|  |  |
| --- | --- |
| E. | Convertible preferred stock. |

4. Torino Company has 10,000 shares of $5 par value, 4% cumulative and nonparticipating preferred stock and 100,000 shares of $10 par value common stock outstanding. The company paid total cash dividends of $1,000 in its first year of operation. The cash dividend that must be paid to preferred stockholders in the second year before any dividend is paid to common stockholders is:   
 

|  |  |
| --- | --- |
| A. | $1,000. |

|  |  |
| --- | --- |
| B. | $2,000. |

|  |  |
| --- | --- |
| **C.** | $3,000. |

|  |  |
| --- | --- |
| D. | $4,000. |

|  |  |
| --- | --- |
| E. | $0. |
|  |  |

Preferred stock dividend: 10,000 shares \* $5/share \* 4% = $2,000  
Prior year: Dividend Paid = $1,000; $1,000 in arrears  
Current year: $1,000 in arrears + $2,000 current dividend = $3,000

5. Gracey's Department Stores has $200,000 of 6% noncumulative, nonparticipating, preferred stock outstanding. Gracey's also has $600,000 of common stock outstanding. During its first year, the company paid cash dividends of $30,000. This dividend should be distributed as follows:   
 

|  |  |
| --- | --- |
| A. | $15,000 preferred; $15,000 common. |

|  |  |
| --- | --- |
| B. | $6,000 preferred; $24,000 common. |

|  |  |
| --- | --- |
| C. | $30,000 preferred; $0 common. |

|  |  |
| --- | --- |
| **D.** | $12,000 preferred; $18,000 common. |

|  |  |
| --- | --- |
| E. | $0 preferred; $30,000 common. |

Preferred stock dividend: $200,000 \* 6% = $12,000;  
Common stock dividend: $30,000 - $12,000 = $18,000