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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | Par value of a stock refers to the:      |  |  | | --- | --- | | A. | Issue price of the stock. |  |  |  | | --- | --- | | **B.** | Value assigned per share by the corporate charter. |  |  |  | | --- | --- | | C. | Market value of the stock on the date of the financial statements. |  |  |  | | --- | --- | | D. | Maximum selling price of the stock. |  |  |  | | --- | --- | | E. | Dividend value of the stock. | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Retained earnings:      |  |  | | --- | --- | | **A.** | Generally consists of a company's cumulative net income less any net losses and dividends declared since its inception. |  |  |  | | --- | --- | | B. | Can only be appropriated by setting aside a cash fund. |  |  |  | | --- | --- | | C. | Represent an amount of cash available to pay shareholders. |  |  |  | | --- | --- | | D. | Are never adjusted for anything other than net income or dividends. |  |  |  | | --- | --- | | E. | Represents the amount shareholders are guaranteed to receive upon company liquidation. | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | A company had a beginning balance in retained earnings of $430,000. It had net income of $60,000 and paid out cash dividends of $56,250 in the current period. The ending balance in retained earnings equals:       |  |  | | --- | --- | | A. | $546,250. |  |  |  | | --- | --- | | B. | $426,250. |  |  |  | | --- | --- | | C. | $116,250. |  |  |  | | --- | --- | | **D.** | $433,750. |  |  |  | | --- | --- | | E. | $490,000. |  |  |  | | --- | --- | | Beginning balance | $430,000 | | Plus net income | 60,000 | | Less dividends | (56,250) | | Ending balance | $433,750 | |

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| 4. | | Comfort Mattresses, Inc. sold 26,000 shares of its $1 par value common stock at a cash price of $12 per share. The entry to record this transaction would be:      |  |  | | --- | --- | | **A.** | Debit Cash $312,000; credit Common Stock $26,000; credit Paid-in Capital in Excess of Par Value, Common Stock $286,000. |  |  |  | | --- | --- | | B. | Debit Cash for $312,000; credit Common Stock $312,000. |  |  |  | | --- | --- | | C. | Debit Common Stock $26,000; debit Paid-in Capital in Excess of Par Value, Common Stock $286,000; credit Cash $312,000. |  |  |  | | --- | --- | | D. | Debit Cash $312,000; credit Stock Liability $286,000; credit Common Stock $26,000. |  |  |  | | --- | --- | | E. | Debit Common Stock $26,000; credit Cash $26,000. | | |
| 5. | 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. | | |
| 6. | A company issued 60 shares of $100 par value common stock for $7,000 cash. The journal entry to record the issuance is:       |  |  | | --- | --- | | A. | Debit Cash $7,000; credit Common Stock $7,000. |  |  |  | | --- | --- | | B. | Debit Investment in Common Stock $7,000; credit Cash $7,000. |  |  |  | | --- | --- | | **C.** | Debit Cash $7,000; credit Common Stock $6,000; credit Paid-in Capital in Excess of Par Value, Common Stock $1,000. |  |  |  | | --- | --- | | D. | Debit Common Stock $6,000; debit Investment in Common Stock $1,000; credit Cash $7,000. |  |  |  | | --- | --- | | E. | Debit Cash $7,000; credit Paid-in Capital in Excess of Par Value, Common Stock $6,000; credit Common Stock $1,000. | | |
| 7. | A company's board of directors votes to declare a cash dividend of $0.75 per share of common stock. The company has 15,000 shares authorized, 10,000 issued, and 9,500 shares outstanding. The total amount of the cash dividend is:       |  |  | | --- | --- | | A. | $10,250. |  |  |  | | --- | --- | | B. | $14,625. |  |  |  | | --- | --- | | **C.** | $7,125. |  |  |  | | --- | --- | | D. | $7,500. |  |  |  | | --- | --- | | E. | $11,250. |   $0.75 \* 9,500 shares outstanding = $7,125 | |
| 8. | A company's board of directors votes to declare a cash dividend of $1.00 per share on its 12,000 common shares outstanding. The journal entry to record the declaration of the cash dividend is:      |  |  | | --- | --- | | A. | Debit Dividend Expense $12,000; credit Cash $12,000. |  |  |  | | --- | --- | | B. | Debit Dividend Expense $12,000; credit Common Dividend Payable $12,000. |  |  |  | | --- | --- | | C. | Debit Common Dividend Payable $12,000; credit Cash $12,000. |  |  |  | | --- | --- | | **D.** | Debit Retained Earnings $12,000; credit Common Dividend Payable $12,000. |  |  |  | | --- | --- | | E. | Debit Common Dividend Payable $12,000; credit Retained Earnings $12,000. | | |

At the end of the accounting period, Houston Company had $12,000 of par value common stock issued, additional paid in capital of $11,000, retained earnings of $12,000, and $4,000 of treasury stock. The total amount of stockholders' equity is:   
A. $37,000.  
B. $39,000.  
C. $19,000.  
D. $31,000.

Which answer would represent the financial statement presentation of stockholders' equity after the following transactions?   
1) Issued 200 shares of $20 par value common stock for $50 a share. Five hundred shares are authorized.  
2) Purchased 75 shares of treasury stock at $44 a share.

A.   
B.   
C.   
D. 

Llewelyn Company purchased 1,000 shares of its own $10 par value common stock when the market price of the stock was $36 per share. Select the journal entry that correctly records Llewelyn's purchase of treasury stock.

A.   
B.   
C.   
D. 