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Exam: 061582RR - Corporations

When you have completed your exam and reviewed your answers, click **Submit Exam**. Answers will not be recorded until you hit **Submit Exam**. If you need to exit before completing the exam, click **Cancel Exam**.

Questions 1 to 20: Select the best answer to each question. Note that a question and its answers may be split across a page break, so be sure that you have seen the *entire* question and *all* the answers before choosing an answer.

1. Knutson Company reacquired 5,000 shares of its $15-par common stock for $13/share. The debit to Treasury Stock is

A. $75,000.

B. $8,000.

C. $10,000.

D. $65,000.

2. On the income statement, extraordinary items are reported

A. before the operating income section.

B. immediately after the continuing operations section.

C. immediately before the discontinued operations section.

D. net of income tax or net of income tax savings.

3. The formula for computing additional paid-in capital in excess of par is shares of stock times

A. selling price per share minus par value per share.

B. par value per share of stock.

C. selling price per share plus par value per share.

D. selling price per share of stock.

4. Motor Works, Inc. has declared a $20,000 cash dividend to shareholders. The company has 5,000 shares of $15-par, 10% preferred stock and 10,000 shares of $20-par common stock. The preferred stock is cumulative. How much will be distributed to the preferred and common stockholders on the date of payment if the preferred stock is $8,000 in arrears?

A. $15,500 preferred, $4,500 common

B. $7,500 preferred, $12,500 common

C. $20,000 preferred, $0 common

D. $8,000 preferred, $12,000 common

5. For the years 2012, 2013, and 2014, the sales of Red Line, Inc. are $40,000, $60,000 and $80,000, respectively. If 2012 is the base year, the trend percentage for 2013 was

A. 0%.

B. 200%.

C. 133%.

D. 150%.

6. A/ An _______ is added back to net income in the operating section of an indirect cash flow statement.

A. increase in inventory

B. decrease in accounts payable

C. depreciation

D. increase in accounts receivable

7. A company sold an asset with a book value of $56,000 for $35,000 cash. Which of the following is a *true* statement?

A. Loss on sale equals $56,000 and Cash inflow equals $56,000.

B. Loss on sale equals $21,000 and Cash inflow equals $35,000.

C. Loss on sale equals $35,000 and Cash inflow equals $35,000.

D. Loss on sale equals $35,000 and Cash inflow equals $21,000.

8. Galaxy Donuts has a cash conversion cycle of _______ days, which is a very healthy turnover rate.

A. 30

B. 120

C. 60

D. 90

9. Which is a value placed on a certificate for a share of the company's stock?

A. Stated value

B. Paid-in capital

C. Market value

D. Additional paid-in capital

10. R&R Heating, Inc. has 350,000 shares of $3-par common stock outstanding. They have declared a 5% stock dividend. The current market price of the common stock is $7.50 per share. The amount that will be credited to common stock on the date of declaration is

A. $52,500.

B. $78,750.

C. $131,250.

D. $183,750.

11. Allied Industrial has net sales of $1,200,000, net income of $85,000, average current assets of $53,000, average fixed assets of $184,000, and average total assets of $237,000. What is Allied Industrial's total asset turnover ratio?

A. 22.64

B. 6.52

C. 5.06

D. 0.20

12. Which is *not* included in paid-in capital?

A. Preferred Stock

B. Common Stock

C. Cash

D. Additional Paid-in Capital

13. Tucker, Inc.'s net sales decreased from $90,000 in year one to $45,000 in year two, and its cost of goods sold decreased from $30,000 in year one to $20,000 in year two. The vertical analysis based on sales for cost of goods sold for the two periods (rounded to nearest tenth of a percent) is

A. 225% and 300%.

B. 300% and 225%.

C. 44.4% and 33.3%.

D. 33.3% and 44.4%.

14. Choose the correct formula to determine a trend percentage.

A. An item from the base year multiplied by the same item from the current year.

B. Net profit of the current year divided by net profit of a base year.

C. The total income of the current year, minus the total income from a base year.

D. An item from any year divided by the same item from a base year, multiplied by 100.

15. Frank's Taxidermy has a cash conversion cycle of _______ days, which means the business may be facing a cash flow crunch.

A. 100

B. 40

C. 70

D. 10

16. The following information is available for Allsport Company:

Cost of goods sold	$545,000
Merchandise inventory, 12/31/13	$105,000
Merchandise inventory, 12/31/14	$112,000
Accounts payable, 12/31/13	$98,500
Accounts payable, 12/31/14	$101,300

What amount was paid for merchandise during 2014?

A. $545,000

B. $554,800

C. $549,200

D. $540,800

17. On the _______ of a cash dividend, no journal entry is required.

A. date of record

B. declaration date

C. payment date

D. preferred date

18. Which of the following is *not* a part of financing activities?

A. Buying land

B. Paying off loans

C. Paying dividends

D. Issuing stock

19. An example of a cash outflow from investing activities is

A. making a loan to another company.

B. paying cash dividends.

C. issuance of a note payable.

D. the purchase of treasury stock.

20. Operating activities are transactions and events associated with selling a product or providing a service related to the

A. net income reported on the statement of retained earnings.

B. assets and liabilities reported on the balance sheet.

C. revenues and expenses reported on the income statement.

D. retained earnings reported on the balance sheet.

End of exam