

The following questions were taken directly from your ADMS2500.com past EXAMS.

This package contains only questions that relate to the ***EQUITY*** module.

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Winter 2012 Final Exam

Dawson Corporation had profit of \$120,000. Dawson paid \$20,000 in dividends to the preferred shareholders and \$40,000 in dividends to the common shareholders. Dawson had 15,000 preferred shares and 50,000 common shares issued all year.

Earnings per share is:

- a. \$1.20.
- b. \$2.00.**
- c. \$1.85.
- d. \$2.40.

Winter 2012 Final Exam

Bush Corporation reacquired 2,000 shares of its own \$10 par value common stock for \$30 per share. If it reissues all of the treasury stock for \$35 per share, the entry to record the reissue stock would be

- a). **Cash \$70,000**
Treasury Stock \$60,000
Paid-in Capital from Treasury Stock Transaction \$10,000
- b). Cash \$70,000
Common Stock \$70,000
- c). Cash \$70,000
Common Stock \$10,000
Paid-in Capital in Excess of Par \$60,000
- d). Cash \$70,000
Treasury Stock \$70,000

Winter 2012 Final Exam

If a company has 300,000 common shares authorized, and has 250,000 shares issued at \$3 a share, the Common Shares account would have a balance of:

- a. \$250,000.
- b. \$300,000.
- c. \$750,000.**
- d. \$900,000.

Winter 2012 Final Exam

Cooper Corporation has 100,000 common shares issued at an average price of \$20 per share. Cooper reacquires 1,000 shares for \$19,500 and cancels them. The journal entry would include:

- a. a \$19,500 debit to cash.
- b. a \$500 debit to Loss on Reacquisition of Common Shares.
- c. a \$500 credit to Gain on Reacquisition of Common Shares.
- d. a \$20,000 debit to Common Shares.**

Winter 2013 Final Exam

The “pre-emptive “ right of a shareholder refers to the right to:

- a). sell one’s shares to a third party without company consent
- b). maintain one’s proportionate interest in the company in the event of future share issues**
- c). convert one’s shares to a debt instrument (bond or note payable)
- d). speak at the annual shareholders meeting
- e). none of the above

Winter 2013 Final Exam

The primary reason for a corporation to have a stock split is to

- a). decrease the number of shares of stock outstanding
- b). increase the book value of the stock
- c). decrease the market price of the stock**
- d). increase the amount of money available for dividends
- e). improve its debt to equity ratio

Fall 2015 Final Exam

The “pre-emptive “ right of a shareholder refers to the right to:

- a). sell one’s shares to a third party without company consent
- b). maintain one’s proportionate interest in the company in the event of future share issues
- c). convert one’s shares to a debt instrument (bond or note payable)
- d). speak at the annual shareholders meeting
- e). none of the above

Fall 2015 Final Exam

The primary reason for a corporation to have a stock split is to

- a). decrease the number of shares of stock outstanding
- b). increase the book value of the stock
- c). decrease the market price of the stock**
- d). increase the amount of money available for dividends
- e). improve its debt to equity ratio

Winter 2016 Final Exam

Donald's Inc. would like to declare a cash dividend. Partial financial information for Donald's Inc. is below.

Cash balance.....	\$52,000
Retained Earnings.....	\$50,000
Accounts Receivable.....	\$27,500
Dividends receivable.....	\$19,200
Shareholder's equity.....	\$129,000

What is the maximum cash dividend that Donald's Inc. can declare and pay given the above financial information?

- A. \$50,000**
- B. \$52,000
- C. \$109,800
- D. \$148,200
- E. None of the above.

Winter 2016 Final Exam

Doug & Beatie's Inc., a large, private company, declared and distributed a fifty percent stock dividend to its shareholders. If Doug & Beatie's Inc. had instead done a stock split, which of the following stock splits would have had the same effect as the fifty percent stock dividend on the number of Doug & Beatie's Inc. shares outstanding?

- A. 5 for 4
- B. 3 for 2**
- C. 2 for 1
- D. 4 for 3
- E. None of the above.

Winter 2016 Final Exam

Company XYZ issued shares in 2014 at \$20 per share. In 2015, Company XYZ repurchased these same shares at \$30 per share. In 2016, Company XYZ resold the shares at \$40 per share. Assume the number of shares included in the above transactions is 100.

What is the entry that Company XYZ will record when it resells the shares in 2016 at \$40 per share?

- A. Dr. Cash \$400. Cr. Treasury Shares \$300. Cr. Contributed Surplus \$100.
- B. Dr. Cash \$4,000. Cr. Treasury Shares \$3,000. Cr. Contributed Surplus \$1,000**
- C. Dr. Cash \$4,000. Cr. Treasury Shares \$3,000. Cr. Gain on Treasury shares \$1,000.
- D. Dr. Cash \$4,000. Cr. Retained Earnings \$,3000. Cr. Treasury shares \$1,000.
- E. None of the above.

Winter 2016 Final Exam

Consider the following statements and determine which is true:

- I. The distribution of a stock dividend usually reduces the market value per share.
- II. A stock split usually does not affect Retained Earnings.
- III. A stock dividend does not affect Retained Earnings.

A. Only I is true.

B. I and II are true.

C. I and III are true.

D. I, II and III are true.

E. I, II and III are false.

Fall 2016 Final Exam

Which of the following statement is correct?

- (A) Stock split will increase the number of shares outstanding and the value in common shares.
- (B) Cash dividend when declared and not paid will decrease assets and shareholder's equity.
- (C) Stock dividend will decrease assets and shareholder's equity.
- (D) The debt to equity ratio will decrease when property dividend is declared.
- (E) **The debt to equity ratio will increase when cash dividend is declared and not paid.**

Fall 2016 Final Exam

Skyway Inc. started its business on January 1, 2016. Skyway has outstanding shares as follows as at December 31, 2018:

Preferred shares (5,000 issued and outstanding), cumulative \$ 125,000 and common shares unlimited number of shares authorized, 20,000 shares issued and 15,000 shares outstanding, \$1,500,000. The normal dividend rate for the preferred shares is 6% of its share value when declared. The results of the company's operation were loss of \$ 74,200 in 2016, profit of \$61,000 in 2017, and profit of \$ 103,000 in 2018.

How much dividend can Skyway pay to its shareholders?

- (A) Skyway can pay \$ 7,500 dividend to preferred shareholders in 2017.
- (B) Skyway can pay \$ 15,000 dividend to preferred shareholders in 2017.
- (C) Skyway can pay \$ dividends to common shareholders up to 61,000 in 2017.
- (D) Skyway can pay \$ 7,500 dividend to preferred shareholders and \$ 53,500 in 2017.
- (E) Skyway cannot pay any dividend to preferred and common shareholders in 2017.**

Skyway paid dividends of \$ 60,000 in 2018. The dividend should be distributed as follows.

- (A) \$ 7,500 to preferred shareholder and \$ 52,500 to common shareholders.
- (B) \$ 15,000 to preferred shareholder and \$ 45,000 to common shareholders.
- (C) \$ 22,500 to preferred shareholder and \$ 37,500 to common shareholders.**
- (D) None to preferred shareholder and \$ 60,000 to common shareholders.
- (E) \$ 60,000 to preferred shareholders and none to common shareholders.

Which of the following statement is correct?

- (A) Total retained earnings for 2018 is \$ 43,000 assuming dividend of \$ 60,000 is declared in 2018.
- (B) Cumulative preferred shares means that the shareholders can ask Skyway to buy their shares back any time they see fit.
- (C) Number of treasury shares is 5,000 at the end of 2018.**
- (D) Dividend declaration is mandatory when the company generates profits in a particular year.
- (E) Total shareholder's equity for 2018 is \$ 1,668,000.

Winter 2017 Final Exam

Which is not true about preferred shares?

- (A) They usually do not carry voting rights.
- (B) The same capital accounts are used to record the issuance of preferred shares and common shares.**
- (C) Preferred shareholders receive dividends in arrears only if the shares are cumulative.
- (D) Preferred shares are either cumulative or noncumulative.
- (E) All of the above is true.

Winter 2017 Final Exam

Which of the following represents the maximum number of shares issuable to the public?

- (A) Authorized shares**
- (B) Issued shares
- (C) Outstanding shares
- (D) Treasury shares
- (E) None of the above

Winter 2017 Final Exam

If a company issues a 10% stock dividend when you are holding 400 shares of the company's stock:

- (A) You can expect to receive an additional 400 shares in the mail
- (B) You can expect to receive an additional 40 shares in the mail
- (C) The aggregate market value of your holdings will probably not change on the immediate receipt of the additional shares
- (D) The additional shares give you a larger voting interest (more control) of the company
- (E) Two of the above statements are incorrect**

Winter 2017 Final Exam

True North Company reported total stockholders' equity of \$85,000 on its balance sheet dated December 31, 2006. During 2007, it reported a net income of \$10,000, declared and paid a cash dividend of \$1,000, and issued additional capital stock of \$30,000. Therefore, total stockholders' equity at December 31, 2007, was

- A) \$85,000
- B) \$124,000**
- C) \$95,000
- D) \$126,000
- E) None of the above

Winter 2017 Final Exam

Dix-Trente Inc. started its business on January 1, 2011. On December 31, 2013, Dix-Trente has outstanding shares as follows:

- a) preferred shares (5,000 shares), 6% cumulative, \$125,000, and
- b) common shares, unlimited # of shares authorized, 20,000 shares issued, and 15,000 shares outstanding.

The results of company's operations (net income) were: \$(62,800) in 2011, \$56,500 in 2012, and \$93,000 in 2013.

Which of the following statements is correct?

- (A) Dix-Trente can pay \$7,500 dividends to preferred shareholders in 2012.
- (B) Dix-Trente can pay \$15,000 dividends to preferred shareholders in 2012.
- (C) Dix-Trente can pay dividends to common shareholders up to \$41,500 in 2012.
- (D) Dix-Trente cannot pay dividends to preferred nor common shareholders in 2012.**
- (E) None of the above is correct.

Dix-Trente paid dividends of \$60,000 in 2013. The dividend should be distributed as follows:

- (A) \$1.50/preferred share; \$2.63/common share.
- (B) \$1.50/preferred share; \$3.50/common share.
- (C) \$3.00/preferred share; \$3.00/common share.
- (D) \$4.50/preferred share; \$2.50/common share.**
- (E) None of the above is correct.

Summer 2017 Final Exam

Common shareholders of a company have which of the following basic rights:

- A) Pre-emptive right
- B) Unlimited voting rights
- C) Ability to receive dividends
- D) Only A and C above**
- E) All of A, B and C

Summer 2017 Final Exam

Alexander's Inc. reported total stockholders' equity of \$85,000 on its balance sheet dated December 31, 2016. During 2017, it reported a net income of \$10,000, declared and paid a cash dividend of \$1,000, and issued additional capital stock of \$30,000. Therefore, total stockholders' equity at December 31, 2017, was:

- A) \$85,000
- B) \$124,000**
- C) \$95,000
- D) \$126,000
- E) None of the above

Summer 2017 Final Exam

Which of the following statements is correct regarding stock dividends?

- A) In a stock dividend transaction a company re-distributes its issued shares so that shareholders' receive a dividend by way of this re-distribution
- B) A stock dividend requires the shareholder to hold the stock dividend received for a minimum period of time before selling
- C) When a stock dividend is declared the company would debit retained earnings and credit common shares
- D) When a company issues a stock dividend it issues its own unissued shares**
- E) None of the above

Summer 2017 Final Exam

Bella's Inc. issues par value shares on December 31, 2016 in return for cash. The par value of the shares is \$10 each. One share was issued at \$20, one share was issued at \$50 and one share was issued at \$100. How does Bella's Inc. record the share issuance if par value shares are allowed in its jurisdiction?

- A) Dr. Cash \$170, Cr. Common Shares \$170
- B) Dr. Cash \$10, Cr. Common Shares \$10
- C) Dr. Cash \$170, Cr. Par value shares premium \$170
- D) Dr. Cash \$170, Cr. Common Shares \$30, Cr. Premium on Common Shares \$140**
- E) None of the above