

Corporate Work Sheets, Taxes, and Dividends

STUDY GUIDE QUESTIONS

PART 1 True/False

For each of the following statements, circle T if the statement is true and F if the statement is false.

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| T | F | 1. Retained earnings should be appropriated only when required by law. |
| T | F | 2. The account Retained Earnings Appropriated for Contingencies is part of Stockholders' Equity. |
| T | F | 3. The issuance of a stock dividend results in a decrease in the assets of a corporation. |
| T | F | 4. Dividends are declared only by a vote of the board of directors. |
| T | F | 5. A stock split normally requires an entry that is a debit to Retained Earnings. |
| T | F | 6. The Income Tax Expense account is closed directly into the Retained Earnings account. |
| T | F | 7. The entry to record a cash dividend is made on the date of declaration. |
| T | F | 8. Liquidating dividends are normally paid on a yearly basis. |
| T | F | 9. When retained earnings are appropriated for plant expansion, cash is set aside to pay for the expansion. |
| T | F | 10. Stock Dividend Distributable is classified as a stockholders' equity account. |

PART 2 Completion—Language of Business

Complete each of the following statements by writing the appropriate word(s) in the spaces provided.

- _____ is an accounting rule stating that, when accountants are faced with major uncertainties over which accounting procedure to apply, they should choose the procedure that is least likely to overstate a firm's financial position.
- A written narrative of all actions taken at official meetings of a corporation's board of directors is called a(n) _____.
- The portion of retained earnings available for distribution as dividends to the stockholders is called _____.
- A restriction of a portion of retained earnings designated for a specific purpose is called a(n) _____.

5. _____ is an accounting rule requiring that financial statements and their accompanying footnotes contain all information that would influence a user's understanding of a firm's financial position.
6. A deliberate reduction of the par value or stated value of a corporation's stock and the issuing of a proportionate number of additional shares is called a(n) _____.
7. Distribution of a corporation's earnings to stockholders in the form of cash is called a(n) _____.
8. Distribution of assets to stockholders when a corporation is going out of existence or is permanently reducing the size of operations is called a(n) _____.
9. _____ is an accounting guideline for determining the items that significantly affect a firm's financial position.
10. Distribution of a corporation's retained earnings to stockholders in the form of shares of the corporation's own stock is called a(n) _____.

PART 3 Determining Retained Earnings, Equity, and Dividends

The following accounts appear in a corporation's balance sheet:

Dividends Payable	\$ 28,560
Retained Earnings Appropriated for Contingencies	53,000
Stock Dividend Distributable (10 Percent)	32,600
Paid-in Capital from Donation	3,500
Preferred 9 Percent Stock (\$100 par)	143,000
Preferred 9 Percent Stock Subscribed	42,000
Retained Earnings Appropriated for Plant Expansion	102,000
Common Stock (\$10 stated value)	325,000
Subscriptions Receivable, Preferred 9 Percent Stock	12,000
Paid-in Capital in Excess of Stated Value	195,000
Discount on Preferred 9 Percent Stock	1,900
Retained Earnings	245,000

1. What is total retained earnings, including appropriations? _____
2. What is the total paid-in capital? _____
3. What is the number of shares involved in the stock dividend? _____
4. What is the total stockholders' equity? _____