

# Final exam: classes of stocks



----- 1) The Sarbanes-Oxley Act requires that all publicly traded companies maintain a system of internal controls. Internal controls can be defined as a plan to A. safeguard assets B. monitor balance sheets C. control liabilities D. evaluate capital stock

----- 2) The purchase of treasury stock A. decreases common stock authorized B. decreases common stock issued C. decreases common stock outstanding D. has no effect on common stock outstanding ----- ) Marsh Company has other

operating expenses of \$240, 000. There has been an increase in prepaid expenses of \$16, 000 during the year, and accrued liabilities are \$24, 000 lower than in the prior period. Using the direct method of reporting cash flows from operating activities, what were Marsh's cash payments for operating expenses? A. \$228, 000 B. \$232, 000 C. \$200, 000 D. \$280, 000

----- 4) Where would the event purchased land for cash appear, if at all, on the indirect statement of cash flows? A. Operating activities section

B. Investing activities section C. Financing activities section D. Does not represent a cash flow ----- 5) In performing a

vertical analysis, the base for cost of goods sold is A. total selling expenses B. net sales C. total revenues D. total expense

----- 6) Blanco, Inc. has the following income statement (in millions):

BLANCO, INC. Income Statement For the Year Ended			
December 31, 2011	Net Sales .....	\$200	Cost of Goods Sold .....
	20	Gross Profit .....	80
	Operating Expenses .....	44	Net Income .....
			\$ 36

Using

vertical analysis, what percentage is assigned to Net Income? A. 100% B. 82% C. 18% D. 25% ----- 7) Dawson Company issued 500 shares of no-par common stock for \$4, 500. Which of the following journal entries would be made if the stock has a stated value of \$2 per share? A. Cash ..... \$4, 500 Common Stock 4, 500 B.

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Cash ..... \$4, 500 Common Stock 1, 000 Paid-In Capital in Excess of Par 3, 500 C. Cash ..... \$4, 500 Common Stock 1, 000 Paid-In Capital in Excess of Stated Value 3, 500 D. Common Stock ..... \$4, 500 Cash 4, 500

----- 8) Andrews, Inc. paid \$45, 000 to buy back 9, 000 shares of its \$1 par value common stock. This stock was sold later at a selling price of \$6 per share. The entry to record the sale includes a A. credit to Paid-In Capital from

Treasury Stock for \$9, 000 B. credit to Retained Earnings for \$9, 000 C. debit to Pain-In Capital from Treasury Stock for \$45, 000 D. debit to Retained Earnings for \$45, 000 ----- 9) Which of the

following is a fundamental factor in having an effective, ethical corporate culture? A. Efficient oversight by the company's Board of Directors B. Workplace ethics C. Code of conduct D. Ethics management programs

----- 10) Two individuals at a retail store work the same cash register. You evaluate this situation as A. violation of establishment of responsibility B. a violation of segregation of duties C. supporting the establishment of responsibility D. supporting internal

independent verification ----- 11) The Sarbanes-Oxley Act imposed which new penalty for executives? A. Fines B. Suspension C. Criminal prosecution for executives D. Return of ill-gotten gains ----- 12) Hahn Company uses the percentage of sales method for recording bad debts expense. For the year, cash sales are \$300, 000 and credit sales are \$1, 200, 000.

Management estimates that 1% is the sales percentage to use. What adjusting entry will Hahn Company make to record the bad debts expense?

- |                            |           |  |           |                            |           |  |           |
|----------------------------|-----------|--|-----------|----------------------------|-----------|--|-----------|
| A. Bad Debts Expense ..... | \$15, 000 | Allowances for Doubtful Accounts ..... | \$15, 000 | B. Bad Debts Expense ..... | \$12, 000 | Allowances for Doubtful Accounts ..... | \$12, 000 |
| Expense .....              |           | Expense .....                          | \$12, 000 | Expense .....              | \$12, 000 | Accounts Receivable .....              | \$12, 000 |
| Receivable .....           | 15, 000   | Expense .....                          |           | Expense .....              |           | Accounts Receivable .....              | \$15, 000 |

----- 13) Using the percentage of receivables method for recording bad debts expense, estimated uncollectible accounts are \$15, 000. If the balance of the Allowance for Doubtful Accounts is \$3, 000 credit before adjustment, what is the amount of bad debts expense for that period? A. \$15, 000 B. \$12, 000 C. \$18, 000 D. \$8, 000

----- 14) Intangible assets A. should be reported under the heading Property, Plant, and Equipment B. should be reported as a separate classification on the balance sheet C. should be reported as Current Assets on the balance sheet D. are not reported on the

balance sheet because they lack physical substance  
----- 15) Intangible assets are the rights and privileges that result from ownership of long-lived assets that A. must be generated internally B. are depletable natural resources C. do not have physical substance D. have been exchanged at a gain  
----- 16) The book value of an asset is equal to the  
A. asset's market value less its historic cost B. blue book value relied on by secondary markets C. replacement cost of the asset D. asset's cost less accumulated depreciation ----- 17) Gains on an exchange of plant assets that has commercial substance are A. deducted from the cost of the new asset acquired B. deferred C. not possible D. recognized immediately ----- 18) Ordinary repairs are expenditures to maintain the operating efficiency of a plant asset and are referred to as A. capital expenditures  
B. expense expenditures C. improvements D. revenue expenditures  
----- 19) When an interest-bearing note matures, the balance in the Notes Payable account is A. less than the total amount repaid by the borrower B. the difference between the maturity value of the note and the face value of the note C. equal to the total amount repaid by the owner D. greater than the total amount repaid by the owner  
----- 20) The interest charged on a \$200, 000 note payable, at a rate of 6%, on a 2-month note would be A. 12, 000 B. \$6, 000 C. \$3, 000 D. \$2, 000 ----- 21) Costs incurred to increase the operating efficiency or useful life of a plant asset are

referred to as A. capital expenditures B. expense expenditures C. ordinary repairs D. revenue expenditures -----

22) If a corporation issued \$3, 000, 000 in bonds which pay 10% annual interest, what is the annual net cash cost of this borrowing if the income tax rate is 30%? A. \$3, 000, 000 B. \$90, 000 C. \$300, 000 D. \$210, 000

----- 3) Hilton Company issued a four-year interest-bearing note payable for \$300, 000 on January 1, 2011. Each January the company is required to pay \$75, 000 on the note. How will this note be reported on the December 31, 2012 balance sheet? A. Long-term debt, \$300, 000. B. Long-term debt, \$225, 000. C. Long-term debt, \$150, 000; Long-term debt due within one year, \$75, 000. D. Long-term debt, \$225, 000; Long-term debt due within one year, \$75, 000.

----- 24) A corporation issued \$600, 000, 10%, 5-year bonds on January 1, 2011 for 648, 666, which reflects an effective-interest rate of 8%.

Interest is paid semiannually on January 1 and July 1. If the corporation uses the effective-interest method of amortization of bond premium, the amount of bond interest expense to be recognized on July 1, 2011, is A. \$30, 000 B. \$24, 000 C. \$32, 434 D. \$25, 946 -----

25) When the effective-interest method of bond discount amortization is used A. the applicable interest rate used to compute interest expense is the prevailing market interest rate on the date of each interest payment date B. the carrying value of the bonds will decrease each period C. nterest expense will not be a constant dollar amount over the life of the bond D. interest paid to bondholders will be a function of the effective-interest rate on the date the

bonds were issued ----- 26) If a corporation has only one class of stock, it is referred to as A. classless stock B. preferred stock C. solitary stock D. common stock -----

27) Capital stock to which the charter has assigned a value per share is called A. par value stock B. no-par value stock C. stated value stock

D. assigned value stock ----- 28) ABC, Inc. has 1, 000 shares of 5%, \$100 par value, cumulative preferred stock and 50, 000 shares of \$1 par value common stock outstanding at December 31, 2011. What is the annual dividend on the preferred stock? A. \$50 per share B. \$5, 000 in total C. \$500 in total D. \$. 50 per share -----

29) Manner, Inc. has 5, 000 shares of 5%, \$100 par value, noncumulative preferred stock and 20, 000 shares of \$1 par value common stock outstanding at December 31, 2011.

There were no dividends declared in 2010. The board of directors declares and pays a \$45, 000 dividend in 2011. What is the amount of dividends received by the common stockholders in 2011? A. \$0 B. \$25, 000 C. \$45, 000 D. \$20, 000 ----- 30) When the selling price of

treasury stock is greater than its cost, the company credits the difference to A. Gain on Sale of Treasury Stock B. Paid-in Capital from Treasury Stock C. Paid-in Capital in Excess of Par Value D. Treasury Stock