

ACCTG 002 – Corporation Accounting

1. A corporation whose stock can be purchased by anyone and is traded in stock exchange is known as a(an)
 - a. Government-owned corporation
 - b. Close corporation
 - c. **Open corporation**
 - d. non-for-profit corporation
2. When organizing a corporation, the incorporators submit articles of incorporation to
 - a. A judge
 - b. **the SEC**
 - c. the NBI
 - d. the DTI
3. Ordinary share carry all of the following right except the right to
 - a. Share in profits
 - b. Receive information about the corporation
 - c. **Receive part of the profit before other classes of shares**
 - d. Attend the annual shareholder's meeting
4. It is the supreme authority in matter of management of the regular and business affairs of the corporation
 - a. **Board of directors**
 - b. Majority shareholders
 - c. Minority shareholders
 - d. None of the above
5. The par value of ordinary shares is equal to
 - a. The amount received by the corporation when the share was originally issued
 - b. The amount at which the share is currently trading in an organized market
 - c. **A designated peso amount per share established in the articles of incorporation**
 - d. The book value of the ordinary shares
6. Right of the corporation to continue as a juridical entity for the period stated in the Articles of Incorporation despite the death of any stockholder
 - a. **Right of succession**
 - b. Right of pre-emption
 - c. Right of existence
 - d. Right of appraisal
7. Refers to an equitable right of shareholders to subscribe to newly issued shares of the corporation in proportion to their shares in order to maintain their equity in their surplus as well as proportionate standing in the corporation
 - a. Right of redemption
 - b. **Pre-emptive right**
 - c. Appraisal right
 - d. Right to be sued
8. These are shareholders or members mentioned in the articles of incorporation as originally forming and composing the corporation and are signatories to said articles of incorporation.
 - a. Corporators
 - b. **Incorporators**
 - c. Shareholder
 - d. Member
9. Treasury stock is considered to be
 - a. **Authorized and issued shares**
 - b. Issued and outstanding shares
 - c. Authorized and unissued shares
 - d. Unissued and outstanding shares
10. Outstanding shares of stock are
 - a. Authorized shares that have not yet been issued
 - b. Shares of stock owned by unknown individuals
 - c. **Issued shares that are still in circulation**
 - d. Also called treasury shares
11. In January 2012, Finley Corporation, a newly formed company, issued 10,000 shares of its P10 par common stock for P15 per share. On July 1, 2012, Finley Corporation reacquired 1,000 shares of its outstanding stock for P12 per share. The acquisition of these treasury shares
 - a. **decreased total stockholders' equity**
 - b. increased total stockholders' equity
 - c. did not change total stockholders' equity
 - d. decreased the number of issued shares
12. On September 1, 2012, Valdez Company reacquired 16,000 shares of its P10 par value common stock for P15 per share. Valdez uses the cost method to account for treasury stock. The journal entry to record the reacquisition of the stock should debit
 - a. Treasury Stock for P160,000
 - b. Ordinary Shares for P160,000
 - c. Ordinary Shares for P160,000 and Share Premium for P60,000
 - d. **Treasury Stock for P240,000**

13. Gannon Company acquired 8,000 shares of its own common stock at P20 per share on February 5, 2012, and sold 4,000 of these shares at P27 per share on August 9, 2013. The fair value of Gannon's common stock was P24 per share at December 31, 2012, and P25 per share at December 31, 2013. The cost method is used to record treasury stock transactions. What account(s) should Gannon credit in 2013 to record the sale of 4,000 shares?
- Treasury Stock for P108,000
 - Treasury Stock for P80,000 and Share Premium from Treasury Stock for P28,000**
 - Treasury Stock for P80,000 and Retained Earnings for P28,000
 - Treasury Stock for P96,000 and Retained Earnings for P12,000
14. Calimpusan Corporation was organized on January 1, 2015, with authorized capital of 100,000 shares of P200 par value ordinary shares. During 2015, Calimpusan had the following transactions affecting shareholders' equity:
- Jan 10 Issued 25,000 shares at P220 a share
 Mar 25 Issued 1,000 shares for legal services when the fair value was P240 per share
 Sept 30 Issued 5,000 shares for tract of land when the fair value was P260 per share
- What amount should Calimpusan report for share premium at December 31, 2015?
- P500,000
 - P540,000
 - P840,000**
 - P800,000
15. Presented below is the stockholders' equity section of Oaks Corporation at December 31, 2012:
- | | | |
|--|---|-----------|
| Common stock, par value P20; authorized 75,000 shares; | | |
| issued and outstanding 45,000 shares | P | 900,000 |
| Share premium - common stock | | 250,000 |
| Retained earnings | | 300,000 |
| | P | 1,450,000 |
- During 2013, the following transactions occurred relating to stockholders' equity:
- 3,000 shares were reacquired at P28 per share.
 3,000 shares were reacquired at P35 per share.
 1,800 shares of treasury stock were sold at P30 per share.
- For the year ended December 31, 2013, Oaks reported net income of P450,000. Assuming Oaks accounts for treasury stock under the cost method, what should it report as total stockholders' equity on its December 31, 2013, balance sheet?
- P1,765,000**
 - P1,761,400
 - P1,757,800
 - P1,315,000
16. Violet Corp. was organized on January 1, 2010 with authorized capital of 100,000 ordinary shares, P20 par value. During 2010, Violet Co. had the following transactions affecting the shareholders equity
- Jan 1 Issued 25,000 shares at P22 per share
 Mar 25 Issued 1,000 shares for legal service when the fair value was P24 per share
 Sept 30 Issued 5,000 shares for a piece of equipment when the value was P26 per share
- How much is the balance of the ordinary shares as of September 30?
- P620,000**
 - P674,000
 - P700,000
 - P704,000
17. Based on #18, what amount should be reported as ordinary share premium?
- P50,000
 - P54,000
 - P64,000
 - P84,000**
18. The shareholders' equity of Cecille Corp. revealed the fooliwng on June 30, 2010:
- | | |
|------------------------------------|----------|
| Preference share, P100 par value | P230,000 |
| Preference share premium | 80,500 |
| Ordinary share, P15 par value | 525,000 |
| Ordinary share premium | 275,000 |
| Ordinary share subscribed | 5,000 |
| Retained earnings | 190,000 |
| Notes payable | 400,000 |
| Subscription receivable - ordinary | 40,000 |
- How much is the legal capital of the corporation?
- P760,000**
 - P775,000
 - P1,115,000
 - P1,305,500
19. Based on #20, how much is the additional paid-in capital?
- P355,500**
 - P360,500
 - P400,500
 - P800,500
20. Based on #20, how much is the total shareholders' equity?

- a. **P1,305,500** b. P1,345,500 c. P1,704,500 d. P1,745,500
21. Beck Company issued 200,000 ordinary shares when it began operations in 2012 and issued an additional 100,000 ordinary shares in 2013. The entity also issued preference shares convertible to 100,000 ordinary shares. In 2014, the entity purchased 75,000 ordinary shares and held as treasury. On December 31, 2014, how much ordinary shares were outstanding?
 a. 400,000 b. 325,000 c. 300,000 d. **225,000**
22. Berna Company reported the following equity accounts on January 1, 2014
- | | |
|------------------------|------------|
| Share capital, P20 par | P8,000,000 |
| Share premium | 2,550,000 |
| Retained earnings | 1,275,000 |
- All shares outstanding on January 1, 2014 were issued in 2013 for P26 a share. On December 31, 2014, the entity reacquired 20,000 shares at P24 a share and retired them. Immediately after the shares were retired, what is the balance of the share premium?
 a. P2,430,000 b. **P2,470,000** c. P2,510,000 d. P2,590,000
23. Petite Company issued all of the outstanding shares for P390 in 2014. On January 31, 2015, the entity acquired 200,000 shares at P360 per share and retire them. The equity account on December 31, 2014 are as follows:
- | | |
|--|-------------|
| Retained earnings | P75,000,000 |
| Share premium | 162,000,000 |
| Share capital, P300 par value, 2,000,000 shares authorized | |
| 1,800,000 shares issued and outstanding | 540,000,000 |
- What is the balance in the share premium account immediately after the retirement of the shares?
 a. P156,000,000 b. **P150,000,000** c. P144,000,000 d. P168,000,000
24. Represents accumulated profits of the corporation
- a. Share capital c. Contributed capital
 b. Share premium d. **Retained earnings**
25. A deficit appears on the statement of financial position
- a. As a deduction from income taxes payable
 b. **As a deduction from total share capital**
 c. Among the liabilities
 d. Among the assets
26. Dividends shall be declared and paid out of
- a. Profits earned in selling no-par value shares
 b. **Retained earnings**
 c. Share capital
 d. Share premium
27. A corporation declared cash dividends on its ordinary shares in December 2015, payable in January 2016. Retained earnings will
- a. Decrease on the date of payment
 b. Increase on the date of declaration
 c. **Not to be affected on the date of payment**
 d. Not to be affected on the date of declaration

28. With regard to dividends paid from one corporation to another, retained earnings of the corporation paying the dividend is debited on which of the following dates?
- Date of declaration and the date of record
 - Date of declaration and the date of payment**
 - Date of declaration only
 - End of the fiscal year
29. On January 6, 2016, De Chavez Corp. issues a share dividend to investors of record on February 3, 2016. When determining how to account for this share dividend, which if the following factors is the most important factor to De Chavez?
- The par value of the shares
 - The market value of the shares
 - The number of share authorized
 - The size of the share dividend**

On June 25, 2016, Rosada Corp. issues a 30% share dividend on its 200,000 shares of P10 par value ordinary shares. The shares will be issued on July 8, 2016. The market price of Rosada Corp. stock is P15 per share on June 25, and on the date the shares are distributed, the stock is selling for P12 per share

30. The journal entry to record the declaration of the share dividend on June 25, 2016, will include a
- Debit to retained earnings for P600,000**
 - Debit to retained earnings for P900,000
 - Credit to share premium for P300,000
 - Credit to share premium for P200,000
31. The journal entry on June 25, 2016, will include a credit to ordinary shares distributable in the amount of
- P200,000
 - P300,000
 - P600,000**
 - P900,000
32. On July 8, 2016, the share premium account is credited for
- P300,000
 - P200,000
 - P600,000
 - None**
33. The Castro Corp. is splitting its 10,000 shares of P20 par value ordinary shares 2:1. Ordinary shares is currently P200,000, share premium is P500,000, and retained earnings is P1,000,000. In connection with a share split, the Castro Corp. will
- Increase total shareholder's equity
 - Decrease total shareholder's equity
 - Decrease retained earnings
 - Make no journal entry**
34. NMB Corporation has 5,000,000 ordinary shares and 1,000,000 shares of 6% P100 par value cumulative preference shares. During the recession of the past two years, NMB suspended all dividend payments. This year NMB returned to profitability, and the board of directors declared a P1 per share ordinary share dividend to be paid at the end of the year. How much would NMB have to pay in dividends this year?

- a. P5,000,000 b. P11,000,000 c. P17,000,000 d. **P23,000,000**
35. APL Corporation has a 6% participating preference shares issue, along with an ordinary shares issue. Which of the following statements is true?
- a. **Participating preference shareholders receive a minimum dividend payment of 6%**
 b. Participating preference shareholders receive an average dividend payment of 6%
 c. Participating preference shareholders receive only 6% in dividends
 d. Participating preference shareholders receive a maximum dividend payment of 6%
36. A corporation has 6% participating preference shares. What does the 6% mean?
- a. Maximum dividend payment c. Actual dividend payment
 b. **Minimum dividend payment** d. None of the above
37. A corporation has 800,00 ordinary shares outstanding. Recently, the corporation bought 100,000 shares of its own stock. At the end of the year, the corporation has P320,000 available to distribute to ordinary shareholders. What are the dividends paid per share?
- a. P0.40 b. **P0.46** c. P2.19 d. P2.50
38. When the preference shareholders have the right to receive a specified dividend and to receive more after a matching dividend percentage is given to ordinary shareholders, the preference shares are said to be
- a. Callable b. Cumulative c. Convertible d. **Participating**
39. A corporation declared cash dividends on its ordinary shares in December 2015, payable in January 2016. Retained earnings will
- a. Decrease on the date of payment
 b. Increase on the date of payment
 c. **Not be affected on the date of payment**
 d. Not be affected on the date of declaration
40. Dividends shall be declared and paid out of
- a. Profits earned in selling no-par value shares c. Share capital
 b. **Retained earnings** d. Share premium
41. How would the declaration of a 15% share dividend by a corporation affect each of the following?
- | <i>Retained earnings</i> | <i>Total shareholders' equity</i> |
|--------------------------|-----------------------------------|
| a. No effect | No effect |
| b. No effect | Decrease |
| c. Decrease | No effect |
| d. Decrease | Decrease |
42. A deficit appears on the statement of financial position
- a. As a deduction from Income Taxes Payable

b. As a deduction from total share capital

- c. Among the liabilities
- d. Among the assets

43. When a small share dividend is declared, Retained earnings is debited for

- a. Zero, it is not affected by the declaration of a small share dividend
- b. The liquidation value of the shares to be distributed

c. The fair market value of the shares to be distributed

- d. The par value of the shares to be distributed

Questions 21 to 23 are based on the following information:

As of December 31, 20x4 the following are the ledger balances of XYZ's shareholders' equity

8% Preference share, P10 par, 10,000 shares issued and outstanding P100,000

Ordinary share, P5 par, 100,000 shares issued and outstanding 500,000

Preference share is cumulative but non-participating. Dividends in arrears is for 2 years, excluding the current year.

44. If XYZ declared a cash dividend of P30,000 the dividend payable to ordinary shareholders would be

- a. P16,667
- b. P10,000
- c. P8,333
- d. **P6,000**

45. The dividend per share for the ordinary shareholders is

- a. P3.00
- b. P2.00
- c. P0.06
- d. P0.135

46. The cash dividend payable to a shareholder whose shareholdings are 20,000 ordinary shares and 1,000 preference shares would be:

- a. P2,800
- b. P3,000
- c. P3,333
- d. P3,600

47. MY Company has outstanding 2,000 shares of 6% P100 par preference share and 8,000 shares of P50 par ordinary share. If cash dividend of P72,000 was declared and the dividends in arrears is 2 years, the cash that would be distributed to shareholders of preference shares is:

- a. P12,000
- b. P24,000
- c. P36,000
- d. P60,000

48. Rox Company has outstanding 100,000 shares of P5 par ordinary share and 20,000 shares of P5 par value 8% preference share. The preference share is cumulative and participating. Dividends have been paid every year except for the past 2 years and the current year. If P40,000 is distributed as cash dividend, the ordinary shareholders will receive

- a. P32,000
- b. P24,000
- c. P16,000
- d. P8,000