

18. Triad Corporation's December 31, 2008 balance sheet showed the following:

8% preferred stock, \$20 par value, cumulative, 10,000 shares authorized; 5,000 shares issued	\$ 100,000
Common stock, \$10 par value, 1,000,000 shares authorized; 650,000 shares issued, 640,000 shares outstanding	6,500,000
Paid-in capital in excess of par value—preferred stock	20,000
Paid-in capital in excess of par value—common stock	9,000,000
Retained earnings	2,500,000
Treasury stock (10,000 shares)	210,000

Triad declared and paid a \$25,000 cash dividend on December 15, 2008. If the company's dividends in arrears prior to that date were \$6,000, Triad's common stockholders received

- A) \$19,000.
- B) \$9,000.
- C) \$11,000.
- D) no dividend.

19. Anders, Inc., has 5,000 shares of 6%, \$100 par value, cumulative preferred stock and 20,000 shares of \$1 par value common stock outstanding at December 31, 2009. There were no dividends declared in 2007. The board of directors declares and pays a \$50,000 dividend in 2008 and in 2009. What is the amount of dividends received by the common stockholders in 2009?

- A) \$10,000
- B) \$30,000
- C) \$50,000
- D) \$0

20. Carter Corporation had net income of \$250,000 and paid dividends of \$50,000 to common stockholders and \$20,000 to preferred stockholders in 2008. Carter Corporation's common stockholders' equity at the beginning and end of 2008 was \$870,000 and \$1,130,000, respectively. There are 100,000 weighted-average shares of common stock outstanding.

Carter Corporation's return on common stockholders' equity was

- A) 25%.
- B) 23%.
- C) 20%.
- D) 18%.

21. The following information pertains to Greenwich Company. Assume that all balance sheet amounts represent average balance figures.

Stockholders' equity—common	\$150,000
Total stockholders' equity	200,000
Sales	100,000
Net income	25,000
Number of shares of common stock	10,000
Common stock dividends	10,000
Preferred stock dividends	4,000

What is the return on common stockholders' equity ratio for Greenwich?

- A) 16.7%
- B) 14.0%
- C) 12.7%
- D) 10.5%

Use the following to answer questions 22-24:

Pima Company acquires 50, 10%, 5 year, \$1,000 Community bonds on January 1, 2008 for \$51,250. This includes a brokerage commission of \$1,250.

22. The journal entry to record this investment includes a debit to
- A) Debt Investments for \$50,000.
  - B) Debt Investments for \$51,250.
  - C) Cash for \$51,250.
  - D) Stock Investments for \$50,000.
23. Assume Community pays interest on January 1 and July 1, and the July 1 entry was done correctly. The journal entry at December 31, 2008 would include a credit to
- A) Interest Receivable for \$2,500.
  - B) Interest Revenue for \$5,000.
  - C) Accrued Expense for \$5,000.
  - D) Interest Revenue for \$2,500.
24. If Pima sells all of its Community bonds for \$52,000 and pays \$1,500 in brokerage commissions, what gain or loss is recognized?
- A) Gain of \$2,000
  - B) Loss of \$750
  - C) Gain of \$750
  - D) Gain of \$3,000

Use the following to answer questions 25-27:

Nagen Company had these transactions pertaining to stock investments:

- Feb. 1 Purchased 2,000 shares of Cagney Company (10%) for \$33,200 cash plus brokerage fees of \$800.  
June 1 Received cash dividends of \$2 per share on Cagney stock.  
Oct. 1 Sold 800 shares of Cagney stock for \$16,000 less brokerage fees of \$400.

25. The entry to record the purchase of the Cagney stock would include a  
A) debit to Stock Investments for \$33,200.  
B) credit to Cash for \$33,200.  
C) debit to Stock Investments for \$34,000.  
D) debit to Investment Expense for \$800.
26. The entry to record the receipt of the dividends on June 1 would include a  
A) debit to Stock Investments for \$4,000.  
B) credit to Dividend Revenue for \$4,000.  
C) debit to Dividend Revenue for \$4,000.  
D) credit to Stock Investments for \$4,000.
27. The entry to record the sale of the stock would include a  
A) debit to Cash for \$16,000.  
B) credit to Gain on Sale of Stock Investments for \$800.  
C) debit to Stock Investments for \$13,600.  
D) credit to Gain on Sale of Stock Investments for \$2,000.

Use the following to answer questions 28-29:

At the end of its first year, the trading securities portfolio consisted of the following common stocks.

	<u>Cost</u>	<u>Market</u>
Able Corporation	\$ 46,400	\$ 50,000
Baker Inc.	60,000	53,800
Cole Corporation	80,000	76,000
	<u>\$186,400</u>	<u>\$179,800</u>

28. The unrealized loss to be recognized under the fair value method is  
A) \$6,200.  
B) \$10,200.  
C) \$6,600.  
D) \$4,000.

29. In the following year, the Baker common stock is sold for cash proceeds of \$58,000. The gain or loss to be recognized on the sale is a
- A) gain of \$4,200.
  - B) loss of \$2,000.
  - C) gain of \$2,200.
  - D) loss of \$400.

Use the following to answer questions 30-31:

Joy Elle's Vegetable Market had the following transactions during 2008:

1. Issued \$25,000 of par value common stock for cash.
2. Repaid a 6 year note payable in the amount of \$11,000.
3. Acquired land by issuing common stock of par value \$50,000.
4. Declared and paid a cash dividend of \$1,000.
5. Sold a long-term investment (cost \$3,000) for cash of \$3,000.
6. Acquired an investment in IBM stock for cash of \$6,000.

30. What is the net cash provided by financing activities?

- A) \$13,000
- B) \$25,000
- C) \$14,000
- D) \$9,000

31. What is the net cash provided by investing activities?

- A) \$6,000
- B) \$16,000
- C) (\$3,000)
- D) \$3,000

Use the following to answer questions 32-33:

Moon Beam, Inc. has the following income statement (in millions):

MOON BEAM, INC.	
Income Statement	
For the Year Ended December 31, 2008	
Net Sales	\$180
Cost of Goods Sold	<u>120</u>
Gross Profit	60
Operating Expenses	<u>33</u>
Net Income	<u>\$ 27</u>

32. Using vertical analysis, what percentage is assigned to Cost of Goods Sold?

- A) 67%
- B) 33%
- C) 100%
- D) None of the above

33. Using vertical analysis, what percentage is assigned to Net Income?

- A) 100%
- B) 85%
- C) 15%
- D) None of the above

Use the following to answer questions 34-35:

Waters Department Store had net credit sales of \$12,000,000 and cost of goods sold of \$9,000,000 for the year. The average inventory for the year amounted to \$2,000,000.

34. Inventory turnover for the year is

- A) 6 times.
- B) 10.5 times.
- C) 4.5 times.
- D) 3 times.

35. The average number of days in inventory during the year was

- A) 122 days.
- B) 81 days.
- C) 61 days.
- D) 35 days.

Use the following to answer questions 36-37:

Raney Corporation had net income of \$200,000 and paid dividends to common stockholders of \$50,000 in 2008. The weighted average number of shares outstanding in 2008 was 50,000 shares. Raney Corporation's common stock is selling for \$40 per share on the New York Stock Exchange.

36. Raney Corporation's price-earnings ratio is
- A) 2.5 times.
  - B) 10 times.
  - C) 13.3 times.
  - D) 4 times.

37. Raney Corporation's payout ratio for 2008 is
- A) \$4 per share.
  - B) 33.3%.
  - C) 25%.
  - D) 10%.

38. Holt Company reported the following on its income statement:

Income before income taxes	\$420,000
Income tax expense	120,000
Net income	<u>\$300,000</u>

An analysis of the income statement revealed that interest expense was \$52,500. Holt Company's times interest earned was

- A) 9 times.
- B) 8 times.
- C) 7 times.
- D) 6 times.

Use the following to answer question 39:

Risen Company had \$250,000 of current assets and \$90,000 of current liabilities before borrowing \$50,000 from the bank with a 3-month note payable.

39. What effect did the borrowing transaction have on the amount of Risen Company's working capital?
- A) No effect
  - B) \$50,000 increase
  - C) \$90,000 increase
  - D) \$50,000 decrease

40. Net sales are \$4,500,000 beginning total assets are \$2,100,000, and the asset turnover is 3.0 times. What is the ending total asset balance?
- A) \$1,500,000
  - B) \$900,000
  - C) \$2,100,000
  - D) \$1,200,000

Use the following to answer questions 41-42:

Luthor Corporation had net income of \$160,000 and paid dividends to common stockholders of \$40,000 in 2008. The weighted average number of shares outstanding in 2008 was 50,000 shares. Luthor Corporation's common stock is selling for \$50 per share on the New York Stock Exchange.

41. Luthor Corporation's price-earnings ratio is
- A) 3.2 times.
  - B) 15.6 times.
  - C) 10 times.
  - D) 5 times.
42. Luthor Corporation's payout ratio for 2008 is
- A) \$5 per share.
  - B) 25%.
  - C) 20%.
  - D) 12.5%.

Use the following to answer questions 43-49:

The following information pertains to Soho Company. Assume that all balance sheet amounts represent both average and ending balance figures. Assume that all sales were on credit.

<u>Assets</u>	
Cash and short-term investments	\$ 40,000
Accounts receivable (net)	25,000
Inventory	20,000
Property, plant and equipment	<u>210,000</u>
Total Assets	<u>\$295,000</u>

<u>Liabilities and Stockholders' Equity</u>	
Current liabilities	\$ 60,000
Long-term liabilities	85,000
Stockholders' equity—common	<u>150,000</u>
Total Liabilities and Stockholders' Equity	<u>\$295,000</u>

<u>Income Statement</u>	
Sales	\$ 85,000
Cost of goods sold	<u>45,000</u>
Gross margin	40,000
Operating expenses	<u>20,000</u>
Net income	<u>\$ 20,000</u>
Number of shares of common stock	6,000
Market price of common stock	\$20
Dividends per share	.90

43. What is the current ratio for this company?

- A) 1.42
- B) .80
- C) 1.16
- D) .60

44. What is the receivables turnover for this company?

- A) 2.8 times
- B) 2 times
- C) 3.4 times
- D) 3 times

45. What is the inventory turnover for this company?
- A) 2 times
  - B) 2.25 times
  - C) 1 time
  - D) .44 times
46. What is the return on assets for this company?
- A) 6.8%
  - B) 10.5%
  - C) 11.7%
  - D) 26.7%
47. What is the profit margin for this company?
- A) 42.86%
  - B) 18.75%
  - C) 23.5%
  - D) 15.0%
48. What is the return on common stockholders' equity for this company?
- A) 13.3%
  - B) 5%
  - C) 23.3%
  - D) 53.3%
49. What is the price-earnings ratio for this company?
- A) 6 times
  - B) 2.5 times
  - C) 8 times
  - D) 4 times

Use the following to answer questions 50-53:

The following information pertains to Cashe Company. Assume that all balance sheet amounts represent both average and ending balance figures. Assume that all sales were on credit.

<u>Assets</u>	
Cash and short-term investments	\$ 40,000
Accounts receivable (net)	30,000
Inventory	25,000
Property, plant and equipment	<u>215,000</u>
Total Assets	<u>\$310,000</u>

Liabilities and Stockholders' Equity	
Current liabilities	\$ 60,000
Long-term liabilities	95,000
Stockholders' equity—common	<u>155,000</u>
Total Liabilities and Stockholders' Equity	<u>\$310,000</u>

<u>Income Statement</u>	
Sales	\$ 90,000
Cost of goods sold	<u>45,000</u>
Gross margin	45,000
Operating expenses	<u>20,000</u>
Net income	<u>\$ 25,000</u>
Number of shares of common stock	6,000
Market price of common stock	\$20
Dividends per share	1.00

50. What is the return on assets for this company?

- A) 6.8%
- B) 10.5%
- C) 8.1%
- D) 16.1%

51. What is the profit margin for this company?

- A) 50.0%
- B) 55.6%
- C) 23.5%
- D) 27.8%

52. What is the return on common stockholders' equity for this company?

- A) 7.3%
- B) 16.1%
- C) 23.5%
- D) 53.3%

53. What is the price-earnings ratio for this company?

- A) 6 times
- B) 4.2 times
- C) 8 times
- D) 4.8 times

Use the following to answer questions 54-55:

The following information is available for Charles Company:

	<u>12/31/2008</u>	<u>12/31/2007</u>
Accounts receivable	\$ 360,000	\$ 400,000
Inventory	280,000	320,000
Net credit sales	3,000,000	1,400,000
Cost of goods sold	1,200,000	1,060,000
Net income	300,000	170,000

54. The receivables turnover ratio for 2008 is

- A) 8.3 times.
- B) 3.9 times.
- C) 7.9 times.
- D) 10.0 times.

55. The inventory turnover ratio for 2008 is

- A) 4.3 times.
- B) 4.0 times.
- C) 2.0 times.
- D) 2.4 times.

Use the following to answer questions 56-58:

The following amounts were taken from the financial statements of Palmer Company:

	<u>12/31/2008</u>	<u>12/31/2007</u>
Total assets	\$800,000	\$1,000,000
Net sales	720,000	650,000
Gross profit	352,000	320,000
Net income	144,000	117,000
Weighted average number of common shares outstanding	120,000	120,000
Market price of common stock	\$36	\$40

56. The return on assets for 2008 is

- A) 18%.
- B) 16%.
- C) 36%.
- D) 32%.

57. The profit margin for 2008 is

- A) 10%.
- B) 15%.
- C) 20%.
- D) 30%.

58. The price-earnings ratio for 2008 is

- A) 30 times.
- B) 20 times.
- C) 10 times.
- D) 5 times.

Use the following to answer questions 59-60:

Panza Corporation had net income of \$250,000 and paid dividends to common stockholders of \$50,000 in 2008. The weighted average number of shares outstanding in 2008 was 50,000 shares. Panza Corporation's common stock is selling for \$40 per share on the New York Stock Exchange.

59. Panza Corporation's price-earnings ratio is

- A) 2 times.
- B) 8 times.
- C) 10 times.
- D) 5 times.

60. Panza Corporation's payout ratio for 2008 is

- A) \$5 per share.
- B) 25%.
- C) 20%.
- D) 12.5%.