Glencoe Accounting

Chapter 21: Accounting for Publicly Held Corporations

I-Summary

If you listen to the financial news, you will often hear reports about corporations like Hewlett-Packard, Sony, and many others that talk about their earnings, stock prices, and dividend payouts.

Publicly traded companies such as these sell stock to investors to raise capital. They pay dividends as a return on stockholders' investments.

In this chapter, you learned how corporations account for the issuance of stock and how they record the distribution of earnings to their stockholders. You also learned how financial statements for publicly-held corporations are prepared.

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I-Quiz

1. Which kind of stock typically has voting rights in a corporation?

A. common stock
B. preferred stock
C. both of these

2. What is a corporation called if it does *not* sell stock to the public?

A. a publicly held corporation
B. a closely held corporation
C. a proxy

3. If a corporation sells stock with a par value of $100 for $125 per share, which account will be debited?

A. Cash in Bank
B. Common Stock
C. Paid-In Capital in Excess of Par

4. On which date is a journal entry NOT required for dividends?

A. the date of declaration
B. the date of record
C. the date of payment

5. Instead of preparing the statement of retained earnings, many corporations prepare which statement?

A. statement of stockholders' equity
B. statement of cash flows
C. balance sheet

Answer Key

1. A
2. B
3. A
4. B
5. A