

## **Glencoe Accounting**

### **Chapter 19: Financial Statements for a Corporation**

#### **I-Summary**

In this chapter you learned how to account for the investments of stockholders in a corporation. You learned how the equity of a corporation differs from that of a sole proprietorship, and how earnings are represented in the Retained Earnings account.

Using the work sheet, you also prepared the income statement, balance sheet, and statement of retained earnings for a merchandising corporation.

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#### I-Quiz

1. What are *retained earnings* for a corporation?
  - A. accumulated net income earned and retained, less the amount paid to stockholders
  - B. net income earned for the period
  - C. net income earned for the period less amount paid to stockholders
2. What are administrative expenses?
  - A. costs of goods used to earn revenue for the business
  - B. costs incurred to market the merchandise to the customer
  - C. costs related to the management of the business
3. Stockholders' equity for a corporation is made up of which two accounts?
  - A. Retained Earnings and Income Summary
  - B. Retained Earnings and Capital Stock
  - C. Capital Stock and Net Income
4. When does the balance of the Capital Stock account change?
  - A. when net income is earned
  - B. when the accounting records are closed for the fiscal period
  - C. when additional shares of stock are issued
5. Which of the following causes a decrease in Retained Earnings?
  - A. a net loss
  - B. net income
  - C. issuance of stock

#### Answer Key

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