Which of the following statements about retained earnings restrictions is *incorrect?*

|  |  |
| --- | --- |
|   | Retained earnings restrictions are generally disclosed through a journal entry on the books of a company. |

|  |  |
| --- | --- |
|   | Many states require a corporation to restrict retained earnings for the cost of treasury stock purchased. |

|  |  |
| --- | --- |
|   | Long-term debt contracts may impose a restriction on retained earnings as a condition for the loan. |

|  |  |
| --- | --- |
|   | The board of directors of a corporation may voluntarily create retained earnings restrictions for specific purposes. |

Harris Corporation had net income of $230,000 and paid dividends of $50,000 to common stockholders and $20,000 to preferred stockholders in 2010. Harris Corporation's common stockholders' equity at the beginning and end of 2010 was $870,000 and $1,130,000, respectively. There are 100,000 weighted-average shares of common stock outstanding.
Harris Corporation's return on common stockholders' equity was

|  |  |
| --- | --- |
|   | 23%. |

|  |  |
| --- | --- |
|   | 21%. |

|  |  |
| --- | --- |
|   | 18%. |

|  |  |
| --- | --- |
|   | 16%. |

Assume that all balance sheet amounts for Remington Company represent average balance figures.

|  |  |
| --- | --- |
| Stockholders’ equity—common | $150,000 |
| Total stockholders’ equity | 200,000 |
| Sales | 100,000 |
| Net income | 27,000 |
| 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 Remington?

|  |  |
| --- | --- |
|   | 8.7% |

|  |  |
| --- | --- |
|   | 18.0% |

|  |  |
| --- | --- |
|   | 15.3% |

|  |  |
| --- | --- |
|   | 11.3% |

During 2010 Silas Inc. had sales revenue $564,000, gross profit $264,000, operating expenses $99,000, cash dividends $45,000, other expenses and losses $30,000. Its corporate tax rate is 30%. What was Silas's income tax expense for the year?

|  |  |
| --- | --- |
|   | $79,200 |

|  |  |
| --- | --- |
|   | $169,200 |

|  |  |
| --- | --- |
|   | $40,500 |

|  |  |
| --- | --- |
|   | $27,000 |

West, Inc. has a net income of $500,000 for 2010, and there are 200,000 weighted-average shares of common stock outstanding. Dividends declared and paid during the year amounted to $80,000 on the preferred stock and $120,000 on the common stock. The earnings per share for 2010 is

|  |  |
| --- | --- |
|   | $2.50. |

|  |  |
| --- | --- |
|   | $1.50. |

|  |  |
| --- | --- |
|   | $1.90. |

|  |  |
| --- | --- |
|   | $2.10. |

In determining earnings per share, dividends for the current year on noncumulative preferred stock should be

|  |  |
| --- | --- |
|   | deducted from net income whether declared or not. |

|  |  |
| --- | --- |
|   | disregarded. |

|  |  |
| --- | --- |
|   | added back to net income whether declared or not. |

|  |  |
| --- | --- |
|   | deducted from net income only if declared. |