

1. Award: 2.00 points

---

Operating cash flow is defined as:

- Pretax income + Depreciation.
- EBIT + Depreciation - Taxes.
- Pretax income - Taxes.
- Net income - Dividends.
- Cash flow to investors + Taxes.

**References**

**Multiple Choice**      *Difficulty: 1 Basic*      *Section: 2.5 Cash Flow of the Firm*

2.

Award: 2.00 points

---

Sankey, Inc., has current assets of \$5,400, net fixed assets of \$23,700, current liabilities of \$4,700, and long-term debt of \$11,500. (Do not round intermediate calculations.)

What is the value of the shareholders' equity account for this firm?

Shareholders' equity      \$

How much is net working capital?

Net working capital      \$

**Hints**

Hint #1

**References**

**Worksheet**      *Difficulty: 1 Basic*      *Section: 2.1 The Balance Sheet*

**3.** Award: **2.00 points**

Which one of these accounts is included in net working capital?

- common stock
- copyright
- inventory
- long-term debt
- manufacturing equipment

**References**

**Multiple Choice**

Difficulty: 1 Basic

Section: 1.1 What is Corporate Finance?

**4.** Award: **2.00 points**

During 2015, Rainbow Umbrella Corp. had sales of \$740,000. Cost of goods sold, administrative and selling expenses, and depreciation expenses were \$550,000, \$90,000, and \$95,000, respectively. In addition, the company had an interest expense of \$94,000 and a tax rate of 35 percent. (Ignore any tax loss carryback or carryforward provisions.)

- a. What is the company's net income for 2015? (Do not round intermediate calculations. A negative answer should be indicated by a minus sign.)

Net income \$

- b. What is its operating cash flow? (Do not round intermediate calculations.)

Operating cash flow \$

**References**

**Worksheet**

Difficulty: 2  
Intermediate

Section: 2.5 Cash Flow of the Firm

**5.** Award: **2.00 points**

A firm's dividend payments less any net new equity raised is referred to as the firm's:

- operating cash flow.

- capital spending.
- cash flow to stockholders.
- net working capital.
- cash flow from creditors.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 2.5 Cash Flow of the Firm

**6.**

Award: 10.00 points

Sankey, Inc., has current assets of \$4,200, net fixed assets of \$25,300, current liabilities of \$3,250, and long-term debt of \$13,900. (Do not round intermediate calculations.)

What is the value of the shareholders' equity account for this firm?

Shareholders' equity                      \$

How much is net working capital?

Net working capital                      \$

**Hints**Hint #1**References****Worksheet**

Difficulty: 1 Basic

Section: 2.1 The Balance Sheet

**7.**

Award: 10.00 points

Shelton, Inc., has sales of \$388,000, costs of \$176,000, depreciation expense of \$41,000, interest expense of \$22,000, and a tax rate of 35 percent. (Do not round intermediate calculations.)

What is the net income for the firm?

Net income                                      \$

Suppose the company paid out \$31,000 in cash dividends. What is the addition to retained earnings?

Addition to retained earnings

\$ **Hints**[Hint #1](#)**References****Worksheet**

Difficulty: 1 Basic

Section: 2.2 The Income Statement

**8.**

Award: 10.00 points

During the year, the Senbet Discount Tire Company had gross sales of \$1.08 million. The firm's cost of goods sold and selling expenses were \$527,000 and \$217,000, respectively. The firm also had notes payable of \$820,000. These notes carried an interest rate of 5 percent. Depreciation was \$132,000. The firm's tax rate was 40 percent.

- a. What was the firm's net income? (Do not round intermediate calculations. Enter your answer in dollars, not millions of dollars, e.g., 1,234,567. Round your answer to the nearest whole number, e.g., 32.)

Net income \$ 

- b. What was the firm's operating cash flow? (Do not round intermediate calculations. Enter your answer in dollars, not millions of dollars, e.g., 1,234,567. Round your answer to the nearest whole number, e.g., 32.)

Operating cash flow \$ **References****Worksheet**Section: 2.2 The  
Income Statement**Difficulty: 2  
Intermediate**Section: 2.5 Cash  
Flow of the Firm**9.**

Award: 10.00 points

Use the following information for Ingersoll, Inc., (assume the tax rate is 40 percent):

	2014	2015
Sales	\$ 9,535	\$ 10,109
Depreciation	1,295	1,296
Cost of goods sold	2,866	3,230
Other expenses	809	704
Interest	695	773
Cash	4,279	5,373
Accounts receivable	5,609	6,297
Short-term notes payable	964	916
Long-term debt	15,330	17,750
Net fixed assets	36,155	37,317
Accounts payable	4,656	4,355
Inventory	9,840	10,108
Dividends	1,126	1,221

Prepare an income statement for this company for 2014 and 2015. (Do not round intermediate calculations. Round your answers to 2 decimal places, e.g., 32.16.)

Ingersoll, Inc., Income Statement		
	2014	2015
(Click to select) ▼	\$	\$
(Click to select) ▼		
(Click to select) ▼		
(Click to select) ▼		
<hr/>		
(Click to select) ▼	\$	\$
(Click to select) ▼		
<hr/>		
(Click to select) ▼	\$	\$
(Click to select) ▼		
<hr/>		
(Click to select) ▼	\$	\$
<hr/>		
(Click to select) ▼	\$	\$
(Click to select) ▼		

Prepare the balance sheet for this company for 2014 and 2015. (Do not round intermediate calculations. Be sure to list the accounts in order of their liquidity.)

Ingersoll, Inc. Balance Sheet as of Dec. 31		
	2014	2015
<b>Assets</b>		
(Click to select) ▼	\$	\$
(Click to select) ▼		
(Click to select) ▼		
<hr/>		
Current assets	\$	\$
(Click to select) ▼		
<hr/>		
Total assets	\$	\$
<hr/>		
<b>Liabilities</b>		
(Click to select) ▼	\$	\$
(Click to select) ▼		
<hr/>		
Current liabilities	\$	\$
(Click to select) ▼		

(Click to select) ▼

Total liabilities & owners' equity

\$

\$

### References

**Worksheet**      Section: 2.1 The Balance Sheet

**Difficulty: 2 Intermediate**      Section: 2.2 The Income Statement

## 10. Award: 2.00 points

Jessica's Boutique has cash of \$44, accounts receivable of \$58, accounts payable of \$190, and inventory of \$140. What is the value of the quick ratio?

- .31
- .74
- 1.27
- 1.81
- .54

### References

**Multiple Choice**      Difficulty: 1 Basic      Section: 3.3 The DuPont Identity

## 11. Award: 2.00 points

Which statement expresses all accounts as a percentage of total assets?

- pro forma income statement
- common-size balance sheet
- common-size income statement
- statement of cash flows
- pro forma balance sheet

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.1 Financial Statements Analysis

**12.** Award: 2.00 points

A firm has a debt-equity ratio of .44. What is the total debt ratio?

- .21
- .31
- .79
- 1.44
- 1.27

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**13.** Award: 2.00 points

The debt-equity ratio is measured as:

- total assets minus total debt, divided by total equity.
- total equity divided by total debt.
- total debt divided by total equity.
- total equity divided by long-term debt.
- long-term debt divided by total equity.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**14.** Award: 2.00 points

The current ratio is measured as:

- current assets minus current liabilities.

- cash on hand divided by current liabilities.
- current liabilities divided by current assets.
- current liabilities minus inventory, divided by current assets.
- current assets divided by current liabilities.

**References**

**Multiple Choice**      *Difficulty: 1 Basic*      *Section: 3.2 Ratio Analysis*

**15.**      *Award: 2.00 points*

---

*The receivables turnover ratio is measured as:*

- sales divided by accounts receivable.
- accounts receivable times sales.
- accounts receivable divided by sales.
- sales minus accounts receivable, divided by sales.
- sales plus accounts receivable.

**References**

**Multiple Choice**      *Difficulty: 1 Basic*      *Section: 3.2 Ratio Analysis*

**16.**      *Award: 2.00 points*

---

*The quick ratio is measured as:*

- current liabilities divided by current assets, plus inventory.
- cash on hand plus current liabilities, divided by current assets.
- current assets minus inventory minus current liabilities.
- current assets minus inventory, divided by current liabilities.
- current assets divided by current liabilities.

**References**

**Multiple Choice**      *Difficulty: 1 Basic*      *Section: 3.2 Ratio Analysis*

**17.** Award: 2.00 points

Al's Sport Store has sales of \$3,160, costs of goods sold of \$2,200, inventory of \$543, and accounts receivable of \$413. How many days, on average, does it take the firm to sell its inventory assuming that all sales are on credit?

- 108.7
- 62.7
- 88.9
- 90.1
- 110.3

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**18.** Award: 2.00 points

The inventory turnover ratio is measured as:

- cost of goods sold divided by inventory.
- inventory divided by sales.
- inventory divided by cost of goods sold.
- total sales minus inventory.
- inventory times total sales.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**19.** Award: 2.00 points

The higher the inventory turnover, the:

- less time inventory items remain on the shelf.

- longer it takes a firm to sell its inventory.
- greater the amount of inventory held by a firm.
- lesser the amount of inventory held by a firm.
- higher the inventory as a percentage of total assets.

**References****Multiple Choice**Difficulty: 2  
Intermediate

Section: 3.2 Ratio Analysis

**20.** Award: 2.00 points

Which one of the following sets of ratios would generally be of the most interest to stockholders?

- return on equity and price-earnings ratio
- quick ratio and times interest earned
- return on assets and profit margin
- cash coverage ratio and equity multiplier
- price-earnings ratio and debt-equity ratio

**References****Multiple Choice**Difficulty: 2  
Intermediate

Section: 3.2 Ratio Analysis

**21.** Award: 2.00 points

The total asset turnover ratio measures the amount of:

- total assets needed for every \$1 of sales.
- net income generated by every \$1 in total assets.
- sales generated by every \$1 in total assets.
- fixed assets required for every \$1 of sales.
- net income than can be generated by every \$1 of fixed assets.

**References**

**Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**22.** Award: 2.00 points

Ratios that measure a firm's ability to pay its bills over the short run without undue stress are known as:

- long-term solvency measures.
- asset management ratios.
- profitability ratios.
- market value ratios.
- liquidity measures.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**23.** Award: 5.00 points

Galaxy United, Inc.  
2009 Income Statement  
(\$ in millions)

Net sales		\$8,450
Less: Cost of goods sold		7,160
Less: Depreciation		420
Earnings before interest and taxes		870
Less: Interest paid		87
Taxable Income		783
Less: Taxes		274
Net income		\$ 509

Galaxy United, Inc.  
2008 and 2009 Balance Sheets  
(\$ in millions)

	2008	2009		2008	2009
Cash	\$ 120	\$ 140	Accounts payable	\$1,120	\$1,130
Accounts rec.	950	780	Long-term debt	1,040	1,332
Inventory	1,490	1,530	Common stock	\$3,110	\$2,910
Sub-total	\$2,560	\$2,450	Retained earnings	510	718
Net fixed assets	3,220	3,640			
Total assets	\$5,780	\$6,090	Total liab. & equity	\$5,780	\$6,090

What is the return on equity for 2009?  
rev: 01\_14\_2016\_QC\_CS-37830

- 17 percent

- 15 percent
- 9 percent
- 12 percent
- 14 percent

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**24.** Award: 5.00 points

If Wilkinson, Inc., has an equity multiplier of 1.5, total asset turnover of 1.7, and a profit margin of 6 percent, what is its ROE? (Do not round intermediate calculations and enter your answer as a percent rounded to 2 decimal places, e.g., 32.16.)

ROE  %**Hints****Hint #1****References****Worksheet**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**25.** Award: 2.00 points

The financial ratio measured as net income divided by sales is known as the firm's:

- asset turnover.
- return on equity.
- earnings before interest and taxes.
- return on assets.
- profit margin.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**26.** Award: 2.00 points

The financial ratio that measures the accounting profit per dollar of book equity is referred to as the:

- market profit-to-book ratio.
- return on equity.
- profit margin.
- price-earnings ratio.
- equity turnover.

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

**27.** Award: 2.00 points

Puffy's Pastries generates five cents of net income for every \$1 in equity. Thus, Puffy's has \_\_\_\_\_ of 5 percent.

- a price-earnings ratio
- a profit margin
- a return on equity
- a return on assets
- an EV multiple

**References****Multiple Choice**Difficulty: 2  
Intermediate

Section: 3.2 Ratio Analysis

**28.** Award: 2.00 points

If stockholders want to know how much profit the firm is making on their entire investment in that firm, the stockholders should refer to the:

- return on equity.
- equity multiplier.
- return on assets.
- profit margin.
- earnings per share.

**References****Multiple Choice**Difficulty: 2  
Intermediate

Section: 3.2 Ratio Analysis

**29.** Award: 2.00 points

The most effective method of directly evaluating the financial performance of a firm is to compare the financial ratios of the firm to:

- the average ratios of all firms within the same country over a period of time.
- those of the largest conglomerate that has operations in the same industry as the firm.
- the firm's ratios from prior time periods and to the ratios of firms with similar operations.
- the average ratios of the firm's international peer group.
- those of other firms located in the same geographic area that are similarly sized.

**References****Multiple Choice**Difficulty: 2  
Intermediate

Section: 3.3 The DuPont Identity

**30.** Award: 2.00 points

Which one of these equations is an accurate expression of the balance sheet?

- Assets = Liabilities + Stockholders' equity
- Stockholders' equity = Assets + Liabilities
- Assets = Stockholders' equity + Liabilities
- Stockholders' equity = Assets - Liabilities
- Liabilities = Stockholders' equity - Assets

**References****Multiple Choice***Difficulty: 1 Basic**Section: 2.1 The Balance Sheet***31.***Award: 2.00 points*

*The financial statement summarizing a firm's accounting performance over a period of time is the:*

- statement of equity.
- statement of cash flows.
- income statement.
- balance sheet.
- tax reconciliation statement.

**References****Multiple Choice***Difficulty: 1 Basic**Section: 2.2 The Income Statement*