

**1.** Award: **2.00 points**

Which one of these accounts is classified as a current asset on the balance sheet?

- accounts payable
- preferred stock
- intangible asset
- net plant and equipment
- inventory

**References****Multiple Choice***Difficulty: 1 Basic**Section: 2.1 The Balance Sheet***2.** Award: **2.00 points**

At the beginning of the year, a firm has current assets of 379 and current liabilities of 252. At the end of the year, the current assets were 422 and the current liabilities were 292. What is the change in net working capital?

- 83
- 73
- 43
- 3
- 43

**References****Multiple Choice***Difficulty: 1 Basic**Section: 2.4 Net Working Capital***3.** Award: **2.00 points**

Sankey, Inc., has current assets of \$5,200, net fixed assets of \$25,200, current liabilities of \$4,250, and long-term debt of \$9,400. (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

**4.**

Award: 2.00 points

According to the Generally Accepted Accounting Principles, costs are:

- expensed as management desires.
- matched with revenues.
- matched with production levels.
- recorded as incurred.
- recorded when paid.

### References

**Multiple Choice**

Difficulty: 2  
Intermediate

Section: 2.2 The Income Statement

**5.**

Award: 2.00 points

Which one of the following accounts is included in stockholders' equity?

- plant and equipment
- accumulated retained earnings

- deferred taxes
- intangible assets
- long-term debt

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 2.1 The Balance Sheet

**6.**

Award: 10.00 points

Sankey, Inc., has current assets of \$5,200, net fixed assets of \$25,200, current liabilities of \$4,250, and long-term debt of \$9,400. (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 \$390,000, costs of \$178,000, depreciation expense of \$43,000, interest expense of \$24,000, and a tax rate of 40 percent. (Do not round intermediate calculations.)

What is the net income for the firm?

Net income \$

Suppose the company paid out \$33,000 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 \$1.14 million. The firm's cost of goods sold and selling expenses were \$533,000 and \$223,000, respectively. The firm also had notes payable of \$880,000. These notes carried an interest rate of 7 percent. Depreciation was \$138,000. The firm's tax rate was 35 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 35 percent):

	2014	2015
Sales	\$ 9,635	\$ 10,209
Depreciation	1,305	1,306
Cost of goods sold	2,876	3,240

Other expenses	819	714
Interest	705	783
Cash	4,289	5,383
Accounts receivable	5,619	6,307
Short-term notes payable	974	926
Long-term debt	15,440	17,850
Net fixed assets	36,255	37,437
Accounts payable	4,676	4,365
Inventory	9,850	10,118
Dividends	1,136	1,231

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) ▼			
(Click to select) ▼	\$		\$
(Click to select) ▼			
(Click to select) ▼	\$		\$
(Click to select) ▼			
(Click to select) ▼	\$		\$
(Click to select) ▼			
(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) ▼			
Current assets	\$		\$
(Click to select) ▼			
Total assets	\$		\$
<b>Liabilities</b>			
(Click to select) ▼	\$		\$
(Click to select) ▼			
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*

*The quick ratio is measured as:*

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

**References**

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

**11.**      *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.
- net income than can be generated by every \$1 of fixed assets.
- fixed assets required for every \$1 of sales.
- sales generated by every \$1 in total assets.

**References**

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

**12.**

Award: 2.00 points

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

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

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.1 Financial Statements Analysis

**13.**

Award: 2.00 points

A firm has a total debt ratio of .47. This means the firm has 47 cents in debt for every:

- \$.53 in total equity.
- \$1 in fixed assets.
- \$.53 in total assets.
- \$1 in total equity.
- \$1 in current assets.

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

Section: 3.2 Ratio Analysis

**14.**

Award: 2.00 points

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

- cash coverage ratio and equity multiplier
- price-earnings ratio and debt-equity ratio
- quick ratio and times interest earned

- return on assets and profit margin
- return on equity and price-earnings ratio

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

Section: 3.2 Ratio Analysis

**15.** Award: 2.00 points

A firm has total debt of \$1,280 and a debt-equity ratio of .25. What is the value of the total assets?

- \$1,600
- \$5,120
- \$6,400
- \$2,500
- \$3,210

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**16.** Award: 2.00 points

The inventory turnover ratio is measured as:

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

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

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**17.** Award: **2.00 points**

The debt-equity ratio is measured as:

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

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

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**18.** Award: **2.00 points**

If a firm produces a return on assets of 15 percent and also a return on equity of 15 percent, then the firm:

- has no net working capital.
- is using its assets as efficiently as possible.
- has an equity multiplier of 2.
- also has a current ratio of 15.
- has no debt of any kind.

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

Section: 3.2 Ratio Analysis

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**19.** Award: **2.00 points**

Jessica's Boutique has cash of \$44, accounts receivable of \$58, accounts payable of \$210, and inventory of \$170. What is the value of the quick ratio?

- 1.78
- 1.30

- .49
- .28
- .81

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**20.** Award: 2.00 points

A firm has a debt-equity ratio of .39. What is the total debt ratio?

- 1.56
- .36
- 1.39
- .64
- .28

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

**21.** Award: 2.00 points

Ratios that measure how efficiently a firm's management uses its assets and equity to generate bottom line net income are known as \_\_\_\_\_ ratios.

- profitability
- asset management
- short-term solvency
- long-term solvency
- market value

**References****Multiple Choice**

Difficulty: 1 Basic

Section: 3.2 Ratio Analysis

## 22. Award: 2.00 points

Al's Sport Store has sales of \$2,870, costs of goods sold of \$2,060, inventory of \$523, and accounts receivable of \$442. How many days, on average, does it take the firm to sell its inventory assuming that all sales are on credit?

- 66.5
- 122.6
- 92.7
- 124.0
- 91.4

### References

**Multiple Choice**

Difficulty: 1 Basic

Section: 3.3 The DuPont Identity

## 23. Award: 5.00 points

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

Net sales	\$8,550
Less: Cost of goods sold	7,230
Less: Depreciation	410
Earnings before interest and taxes	<u>910</u>
Less: Interest paid	82
Taxable Income	<u>828</u>
Less: Taxes	290
Net income	<u>\$ 538</u>

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

	2008	2009		2008	2009
Cash	\$ 120	\$ 150	Accounts payable	\$1,100	\$1,140
Accounts rec.	930	770	Long-term debt	990	1,273
Inventory	1,480	1,530	Common stock	\$3,130	\$2,930
Sub-total	<u>\$2,530</u>	<u>\$2,450</u>	Retained earnings	<u>510</u>	<u>747</u>
Net fixed assets	3,200	3,640	Total liab. & equity	<u>\$5,730</u>	<u>\$6,090</u>
Total assets	<u>\$5,730</u>	<u>\$6,090</u>			

What is the return on equity for 2009?

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- 13 percent
- 18 percent

- 10 percent
- 15 percent
- 16 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 1.49, total asset turnover of 1.5, and a profit margin of 5.9 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.
- earnings before interest and taxes.
- return on assets.
- return on equity.
- 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:

- return on equity.
- market profit-to-book ratio.
- 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 return on equity
- an EV multiple
- a price-earnings ratio
- a profit margin
- a return on assets

**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 assets.

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

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

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

**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:

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

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