

Fundamentals of Corporate Finance, (Ross)
Chapter 3 Working with Financial Statements

1) Which one of the following is a source of cash for a tax-exempt firm?

- A) Increase in accounts receivable
- B) Increase in depreciation
- C) Decrease in accounts payable
- D) Increase in common stock
- E) Increase in inventory

2) Which one of the following is a use of cash?

- A) Decrease in fixed assets
- B) Decrease in inventory
- C) Increase in long-term debt
- D) Decrease in accounts receivables
- E) Decrease in accounts payable

3) Which one of the following is a source of cash?

- A) Repurchase of common stock
- B) Acquisition of debt
- C) Purchase of inventory
- D) Payment to a supplier
- E) Granting credit to a customer

4) Which one of the following is a source of cash?

- A) Increase in accounts receivable
- B) Decrease in common stock
- C) Increase in fixed assets
- D) Decrease in accounts payable
- E) Decrease in inventory

5) On the statement of cash flows, which one of the following is considered a financing activity?

- A) Increase in inventory
- B) Decrease in accounts payable
- C) Increase in net working capital
- D) Dividends paid
- E) Decrease in fixed assets

6) On the statement of cash flows, which one of the following is considered an operating activity?

- A) Increase in net fixed assets
- B) Decrease in accounts payable
- C) Purchase of equipment
- D) Dividends paid
- E) Repayment of long-term debt

7) According to the statement of cash flows, an increase in inventory will _____ the cash flow from _____ activities.

- A) increase; operating
- B) decrease; financing
- C) decrease; operating
- D) increase; financing
- E) increase; investment

8) According to the statement of cash flows, an increase in interest expense will _____ cash flow from _____ activities.

- A) decrease; operating
- B) decrease; financing
- C) increase; operating
- D) increase; financing
- E) Increase; investment

9) Activities of a firm that require the spending of cash are known as:

- A) sources of cash.
- B) uses of cash.
- C) cash collections.
- D) cash receipts.
- E) cash on hand.

10) The sources and uses of cash over a stated period of time are reflected on the:

- A) income statement.
- B) balance sheet.
- C) tax reconciliation statement.
- D) statement of cash flows.
- E) statement of operating position.

11) A common-size income statement is an accounting statement that expresses all of a firm's expenses as a percentage of:

- A) total assets.
- B) total equity.
- C) net income.
- D) taxable income.
- E) sales.

12) Which one of the following standardizes items on the income statement and balance sheet relative to their values as of a chosen point in time?

- A) Statement of standardization
- B) Statement of cash flows
- C) Common-base year statement
- D) Common-size statement
- E) Base reconciliation statement

13) On a common-size balance sheet all accounts for the current year are expressed as a percentage of:

- A) sales for the period.
- B) the base year sales.

- C) total equity for the base year.
- D) total assets for the current year.
- E) total assets for the base year.

14) On a common-base year financial statement, accounts receivables for the current year w expressed relative to which one of the following?

- A) Current year sales
- B) Current year total assets
- C) Base-year sales
- D) Base-year total assets
- E) Base-year accounts receivables

15) Which one of the following ratios is a measure of a firm's liquidity?

- A) Cash coverage ratio
- B) Profit margin
- C) Debt-equity ratio
- D) Quick ratio
- E) NWC turnover

16) An increase in current liabilities will have which one of the following effects, all e constant? Assume all ratios have positive values.

- A) Increase in the cash ratio
- B) Increase in the net working capital to total assets ratio
- C) Decrease in the quick ratio
- D) Decrease in the cash coverage ratio
- E) Increase in the current ratio

17) An increase in which one of the following will increase a firm's quick ratio without a its cash ratio?

- A) Accounts payable
- B) Cash
- C) Inventory
- D) Accounts receivable
- E) Fixed assets

18) A supplier, who requires payment within 10 days, should be most concerned with which o of the following ratios when granting credit?

- A) Current
- B) Cash
- C) Debt-equity
- D) Quick
- E) Total debt

19) A firm has an interval measure of 48. This means that the firm has sufficient liquid a do which one of the following?

- A) Pay all of its debts that are due within the next 48 hours
- B) Pay all of its debts that are due within the next 48 days
- C) Cover its operating costs for the next 48 hours
- D) Cover its operating costs for the next 48 days

E) Meet the demands of its customers for the next 48 hours

20) Ratios that measure a firm's liquidity are known as _____ ratios.

- A) asset management
- B) long-term solvency
- C) short-term solvency
- D) profitability
- E) book value

21) Which one of the following statements is correct?

- A) If the total debt ratio is greater than .50, then the debt-equity ratio must be less than .50.
- B) Long-term creditors would prefer the times interest earned ratio be 1.4 rather than 1.5.
- C) The debt-equity ratio can be computed as 1 plus the equity multiplier.
- D) An equity multiplier of 1.2 means a firm has \$1.20 in sales for every \$1 in equity.
- E) An increase in the depreciation expense will not affect the cash coverage ratio.

22) If a firm has a debt-equity ratio of 1.0, then its total debt ratio must be which one of the following?

- A) 0
- B) .5
- C) 1.0
- D) 1.5
- E) 2.0

23) The cash coverage ratio directly measures the ability of a company to meet its obligations to pay:

- A) an invoice to a supplier.
- B) wages to an employee.
- C) interest to a lender.
- D) principal to a lender.
- E) a dividend to a shareholder.

24) All-State Moving had sales of \$899,000 in 2017 and \$967,000 in 2018. The firm's current assets and accounts remained constant. Given this information, which one of the following statements must be true?

- A) The total asset turnover rate increased.
- B) The days' sales in receivables increased.
- C) The net working capital turnover rate increased.
- D) The fixed asset turnover decreased.
- E) The receivables turnover rate decreased.

25) The Corner Hardware has succeeded in increasing the amount of goods it sells while holding the amount of inventory on hand at a constant level. Assume that both the cost per unit and the selling price per unit also remained constant. This accomplishment will be reflected in the financial ratios in which one of the following ways?

- A) Decrease in the inventory turnover rate
- B) Decrease in the net working capital turnover rate
- C) Increase in the fixed asset turnover rate
- D) Decrease in the day's sales in inventory

E) Decrease in the total asset turnover rate

26) RJ's has a fixed asset turnover rate of 1.26 and a total asset turnover rate of .97. Sam's has a fixed asset turnover rate of 1.31 and a total asset turnover rate of .94. Both companies have similar operations. Based on this information, RJ's must be doing which one of the following?

- A) Utilizing its fixed assets more efficiently than Sam's
- B) Utilizing its total assets more efficiently than Sam's
- C) Generating \$1 in sales for every \$1.26 in net fixed assets
- D) Generating \$1.26 in net income for every \$1 in net fixed assets
- E) Maintaining the same level of current assets as Sam's

27) Ratios that measure how efficiently a firm manages its assets and operations to generate income are referred to as _____ ratios.

- A) asset management
- B) long-term solvency
- C) short-term solvency
- D) profitability
- E) turnover

28) If a company produces a return on assets of 14 percent and also a return on equity of 14 percent, then the firm:

- A) may have short-term, but not long-term debt.
- B) is using its assets as efficiently as possible.
- C) has no net working capital.
- D) has a debt-equity ratio of 1.0.
- E) has an equity multiplier of 1.0.

29) Which one of the following will decrease if a firm can decrease its operating costs, and all else is constant?

- A) Return on equity
- B) Return on assets
- C) Profit margin
- D) Total asset turnover
- E) Price-earnings ratio

- 30) Al's has a price-earnings ratio of 18.5. Ben's also has a price-earnings ratio of 18.5. one of the following statements must be true if Al's has a higher PEG ratio than Ben's?
- A) Al's has more net income than Ben's.
 - B) Ben's is increasing its earnings at a faster rate than Al's.
 - C) Al's has a higher market value per share than does Ben's.
 - D) Ben's has a lower market-to-book ratio than Al's.
 - E) Al's has a higher earnings growth rate than Ben's.
- 31) Tobin's Q relates the market value of a firm's assets to which one of the following?
- A) Initial cost of creating the firm
 - B) Current book value of the firm
 - C) Average asset value of similar firms
 - D) Average market value of similar firms
 - E) Today's cost to duplicate those assets
- 32) The price-sales ratio is especially useful when analyzing firms that have:
- A) volatile market prices.
 - B) negative earnings.
 - C) positive PEG ratios.
 - D) a high Tobin's Q.
 - E) increasing sales.
- 33) Mortgage lenders probably have the most interest in the _____ ratios.
- A) return on assets and profit margin
 - B) long-term debt and times interest earned
 - C) price-earnings and debt-equity
 - D) market-to-book and times interest earned
 - E) return on equity and price-earnings
- 34) Relationships determined from a company's financial information and used for comparison purposes are known as:
- A) financial ratios.
 - B) identities.
 - C) dimensional analysis.
 - D) scenario analysis.
 - E) solvency analysis.
- 35) DL Farms currently has \$600 in debt for every \$1,000 in equity. Assume the company uses some of its cash to decrease its debt while maintaining its current equity and net income. one of the following will decrease as a result of this action?
- A) Equity multiplier
 - B) Total asset turnover
 - C) Profit margin
 - D) Return on assets
 - E) Return on equity
- 36) Which one of these identifies the relationship between the return on assets and the return on equity?

- A) Profit margin
- B) Profitability determinant
- C) Balance sheet multiplier
- D) DuPont identity
- E) Debt-equity ratio

- 37) Which one of the following accurately describes the three parts of the DuPont identity?
- A) Equity multiplier, profit margin, and total asset turnover
 - B) Debt-equity ratio, capital intensity ratio, and profit margin
 - C) Operating efficiency, equity multiplier, and profitability ratio
 - D) Return on assets, profit margin, and equity multiplier
 - E) Financial leverage, operating efficiency, and profitability ratio

- 38) An increase in which of the following will increase the return on equity, all else constant?
- A) Total assets and sales
 - B) Net income and total equity
 - C) Total asset turnover and debt-equity ratio
 - D) Equity multiplier and total equity
 - E) Debt-equity ratio and total debt

- 39) Which one of the following is a correct formula for computing the return on equity?
- A) Profit margin \times ROA
 - B) ROA \times Equity multiplier
 - C) Profit margin \times Total asset turnover \times Debt-equity ratio
 - D) Net income/Total assets
 - E) Debt-equity ratio \times ROA

- 40) The DuPont identity can be used to help managers answer which of the following questions related to a company's operations?

- I. How many sales dollars are being generated per each dollar of assets?
- II. How many dollars of assets have been acquired per each dollar in shareholders' equity?
- III. How much net profit is being generating per dollar of sales?
- IV. Does the company have the ability to meet its debt obligations in a timely manner?

- A) I and III only
- B) II and IV only
- C) I, II, and III only
- D) II, III and IV only
- E) I, II, III, and IV

41) The U.S. government coding system that classifies a company by the nature of its business operations is known as the:

- A) Centralized Business Index.
- B) Peer Grouping codes.
- C) Standard Industrial Classification codes.
- D) Governmental ID codes.
- E) Government Engineered Coding System.

42) Which one of the following statements is correct?

- A) Book values should always be given precedence over market values.
- B) Financial statements are rarely used as the basis for performance evaluations.
- C) Historical information is useful when projecting a company's future performance.
- D) Potential lenders place little value on financial statement information.
- E) Reviewing financial information over time has very limited value.

43) The most acceptable method of evaluating the financial statements is to compare the company's current financial:

- A) ratios to the company's historical ratios.
- B) statements to the financial statements of similar companies operating in other countries.
- C) ratios to the average ratios of all companies located within the same geographic area.
- D) statements to those of larger companies in unrelated industries.
- E) statements to the projections that were created based on Tobin's Q.

44) All of the following issues represent problems encountered when comparing the financial statements of two separate ~~entities~~ ~~companies~~ ~~the~~ ~~issue~~ of the companies:

- A) being conglomerates with unrelated lines of business.
- B) having geographically varying operations.
- C) using differing accounting methods.
- D) differing seasonal peaks.
- E) having the same fiscal year.

45) Which one of these is ~~the~~ ~~an~~ ~~the~~ ~~important~~ factor to consider when comparing the financial situations of utility companies that generate electric power and have the same SIC code?

- A) Type of ownership
- B) Government regulations affecting the firm
- C) Fiscal year end
- D) Methods of power generation
- E) Number of part-time employees

46) At the beginning of the year, Brick Makers had cash of \$183, accounts receivable of \$3,000, accounts payable of \$463, and inventory of \$714. At year end, cash was \$167, accounts payable was \$447, inventory was \$682, and accounts receivable was \$409. What is the amount of the source or use of cash by working capital accounts for the year?

- A) Net use of \$16 cash
- B) Net use of \$17 cash
- C) Net source of \$17 cash
- D) Net source of \$15 cash
- E) Net use of \$15 cash

47) During the year, Al's Tools decreased its accounts receivable by \$160, increased its inventory by \$115, and decreased its accounts payable by \$70. How did these three accounts affect the sources or uses of cash by the firm?

- A) Net source of cash of \$120
- B) Net source of cash of \$205
- C) Net source of cash of \$45
- D) Net use of cash of \$115
- E) Net use of cash of \$25

48) Lani's generated net income of \$911, depreciation expense was \$47, and dividends paid \$25. Accounts payables increased by \$15, accounts receivables increased by \$28, inventory decreased by \$14, and net fixed assets decreased by \$8. There was no interest expense. What is the net cash flow from operating activity?

- A) \$776
- B) \$865
- C) \$959
- D) \$922
- E) \$985

49) For the past year, Jenn's Floral Arrangements had taxable income of \$198,600, beginning common stock of \$68,000, beginning retained earnings of \$318,750, ending common stock of \$71,500, ending retained earnings of \$316,940, interest expense of \$11,300, and a tax rate of 25 percent. What is the amount of dividends paid during the year?

- A) \$157,280
- B) \$159,935
- C) \$163,200
- D) \$153,555
- E) \$158,704

50) The Floor Store had interest expense of \$38,400, depreciation of \$28,100, and taxes of \$19,600 for the year. At the start of the year, the firm had total assets of \$879,400 and current assets of \$289,600. By year's end total assets had increased to \$911,900 while current assets had decreased to \$279,300. What is the amount of the cash flow from investment activity for the year?

- A) \$51,150
- B) \$21,850
- C) \$29,300
- D) \$70,900
- E) \$89,400

51) Williamsburg Market is an all-equity firm that has net income of \$96,200, depreciation expense of \$6,300, and an increase in net working capital of \$2,800. What is the amount of net cash from operating activity?

- A) \$91,300
- B) \$99,700
- C) \$93,400
- D) \$105,300
- E) \$113,700

52) The accounts payable of a company changed from \$136,100 to \$104,300 over the course of the year. This change represents a:

- A) use of \$31,800 of cash as investment activity.
- B) source of \$31,800 of cash as an operating activity.
- C) source of \$31,800 of cash as a financing activity.
- D) source of \$31,800 of cash as an investment activity.
- E) use of \$31,800 of cash as an operating activity.

53) Oil Creek Auto has sales of \$3,340, net income of \$274, net fixed assets of \$2,600, and current assets of \$920. The firm has \$430 in inventory. What is the common-size statement value of inventory?

- A) 12.22 percent
- B) 44.16 percent
- C) 16.54 percent
- D) 13.36 percent
- E) 46.74 percent

54) Pittsburgh Motors has sales of \$4,300, net income of \$320, total assets of \$4,800, and equity of \$2,950. Interest expense is \$65. What is the common-size statement value of the interest expense?

- A) .89 percent
- B) 1.51 percent
- C) 1.69 percent
- D) 2.03 percent
- E) 1.35 percent

55) Last year, which is used as the base year, a firm had cash of \$52, accounts receivable of \$223, inventory of \$509, and net fixed assets of \$1,107. This year, the firm has cash of \$

以上内容仅为本文档的试下载部分，为可阅读页数的一半内容。如要下载或阅读全文，请访问：<https://d.book118.com/086131120024011001>