FINAL EXAM

Course # 171016
Analysis and Uses of Financial Statements

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Analysis and Uses of Financial Statements
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20 CPE Credit Hours
Accounting & Auditing

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Chapter 1 - Objectives Of Financial Statement Analysis And Financial Reporting

1. ___________________ are least interested in financial statement analysis.

   ______ Auditors.

   ______ Tax lawyers.

   ______ Investors.

   ______ Creditors.

2. According to SFAC (Statement of Financial Accounting Concepts) No. 1, the objectives of financial reporting for business firms are based on

   ______ Reporting on management's stewardship.

   ______ The need for materiality.

   ______ The informational needs of the users.

   ______ GAAP.

3. Representational faithfulness is part of the primary decision-specific quality of ________.

   ______ Predictive value.

   ______ Reliability.

   ______ Consistency.

   ______ Relevance.

Chapter 2 - Basic Time Value Applications

4. The going concern or continuity assumption

   ______ Is applicable to all financial statements.

   ______ Primarily involves periodic income measurement.

   ______ Must be adhered to in order for the statements to be prepared under GAAP.

   ______ Requires that accounting procedures be the same from period to period.

5. Valuing assets at their liquidation values is NOT consistent with

   ______ Conservatism.

   ______ Materiality.

   ______ Going concern.

   ______ Time period.

6. The business being separate and distinct from the owners is an integral part of the

- ______ Time period assumption.
- ______ Going concern assumption.
- ______ Business entity assumption.
- ______ Realization assumption.

7. The accounting assumption requiring that financial information be measured and accounted for in the basic monetary unit of the country in which the enterprise is located is
   - ______ Monetary unit.
   - ______ Historical cost.
   - ______ Realization.
   - ______ Going concern.

8. The assumption that enables us to prepare periodic statements between the time that a business commences operations and the time it goes out of business is
   - ______ Time period.
   - ______ Business entity.
   - ______ Historical cost.
   - ______ Transaction.

9. Valuing inventory at the lower of cost or market is an application of the
   - ______ Time period assumption.
   - ______ Realization principle.
   - ______ Going concern principle.
   - ______ Conservatism principle.

10. Charging off equipment that cost less than $20 would be an example of the application of
    - ______ Going concern.
    - ______ Cost.
    - ______ Matching.
    - ______ Materiality.

Chapter 3 - Personal Financial Statements And Budgeting

11. The basic financial statements include a
    - ______ Balance sheet, income statement, statement of retained earnings, and statement of changes in retained earnings.
    - ______ Balance sheet, income statement, statement of retained earnings, and statement of cash flows.
    - ______ Statement of financial position, income statement, statement of retained earnings, and statement of changes in retained earnings.
    - ______ Balance sheet, statement of financial position, income statement, and statement of changes in retained earnings.

12. ________ is NOT normally classified as a current liability on the balance sheet.

______ Accounts payable.

______ Accrued expenses.

______ Prepaid expenses.

______ Unearned revenue.

13. Which of the following is not one of the four basic financial statements?

______ Balance sheet

______ Statement of retained earnings.

______ Audit report

______ Statement of cash flows

14. Which of the following regarding retained earnings is false?

______ Retained earnings is increased by net income and decreased by a net loss.

______ Retained earnings is a component of stockholders' equity on the balance sheet.

______ Retained earnings is an asset on the balance sheet.

______ Retained earnings represents earnings not distributed to stockholders in the form of dividends.

15. Which of the following is not a typical footnote included in an annual report?

______ A note describing the auditor's opinion of the management's past and future financial planning for the business

______ A note providing more detail about a specific item shown in the financial statements

______ A note describing the accounting rules applied in the financial statements

______ A note describing financial disclosures about items not appearing in the financial statements

16. Which of the following would be classified as a current liability?

______ Accounts payable.

______ Land.

______ Capital stock.

______ Accounts receivable.

17. The accounting equation could be expressed as:

______ Assets - Stockholders' Equity = Revenues.

______ Liabilities + Stockholders' Equity = Assets.

______ Assets + Liabilities = Stockholders' Equity.

______ Assets - Liabilities = Revenues - Expenses.

18. The financial statement that shows the origin and disposition of an enterprise's cash flows is called the:

______ Balance sheet.

______ Statement of cash flows.

______ Income statement.

|______ Retained earnings statement.

19. Which of the following is a primary use of cash?

|______ Borrowing.

|______ Investment by owners.

|______ Operating expenses.

|______ Sale of equipment.

20. A statement of cash flows is to be presented in general purpose external financial statements by which of the following?

|______ Publicly held business enterprises only.

|______ Privately held business enterprises only.

|______ All business enterprises.

|______ All business enterprises and not-for-profit organizations.

21. A statement of cash flows is intended to help users of financial statements

|______ Evaluate a firm’s liquidity, solvency, and financial flexibility.

|______ Evaluate a firm’s economic resources and obligations.

|______ Determine a firm’s components of income from operations.

|______ Determine whether insiders have sold or purchased the firm’s stock.

22. Footnote disclosures usually do NOT include

|______ Accounting methods

|______ Statement of changes in stockholders’ equity.

|______ Inventory pricing.

|______ Pension fund.

23. Section 404, in conjunction with the related SEC rules and____________________, established by PCAOB, requires management of a public company and the company's independent auditor to issue new reports at the end of every fiscal year.

|______ ASC 154

|______ AS No. 10

|______ AS No. 5

|______ Section 302

24. Operating expenses do NOT include

|______ Manufacturing overhead expenses.

|______ Selling expenses.

|______ Depreciation expenses.

|______ General and administrative expenses.

25. Which of the following items is NOT found on a manufacturer’s income statement in the cost of goods sold calculation?

|______ Beginning inventory of finished goods.

|______ Cost of goods manufactured.

______ Ending inventory of work in process.

______ Ending inventory of finished goods.

26. On its 2x09 balance sheet, Sherman Books had retained earnings equal to $510 million. On its 2x10 balance sheet, retained earnings were also equal to $510 million. Which of the following statements is most correct?

______ The company must have had net income equal to zero in 2x10.

______ The company did not pay dividends in 2x10.

______ If the company's net income in 2x10 was $200 million, dividends paid must have also equaled $200 million.

______ If the company lost money in 2x10, they must have paid dividends.

27. Which of the following statements is most correct?

______ Accounts receivable show up as current liabilities on the balance sheet.

______ Dividends paid reduce the net income that is reported on a company's income statement.

______ If a company pays more in dividends than it generates in net income, its balance of retained earnings reported on the balance sheet will fall.

______ All of the statements above are correct.

28. The organization that has by federal law the responsibility to adopt auditing standards is

______ New York Stock Exchange (NYSE).

______ The Public Company Accounting Oversight Board (PCAOB).

______ Accounting Principles Board (APB).

______ Financial Accounting Standards Board (FASB).

29. The annual report of a public company must be filed with:

______ Financial Accounting Standards Board.

______ New York Stock Exchange.

______ Accounting Principles Board.

______ Securities and Exchange Commission (SEC).

30. Which of the following is NOT a type of audit opinion?

______ Unqualified opinion.

______ Qualified opinion.

______ Adverse opinion.

______ Clean opinion.

31. Which of the following statements is NOT true?

______ You are likely to regard a qualified opinion or an adverse opinion as a serious question of the reliability of the financial statements.

______ The accountant's report expresses an opinion on reviewed financial statements.

______ A disclaimer of opinion indicates that you should not look to the auditor's report as an indication of the reliability of the statements.

______ In some cases, outside accountants are associated with financial statements when they have performed less than an audit.

32. In addition to a balance sheet, income statement and the statement of cash flows, a complete set of financial statements must include:

- ______ An auditor's opinion.
- ______ A ten-year summary of operations.
- ______ A footnote disclosure of such items as accounting policies.
- ______ Historical common-size (percentage) summaries.

33. Which of the following is NOT a purpose of the statement of cash flows?

- ______ To show cash flow from operations.
- ______ To show cash flow from financing activities.
- ______ To show operating expenses for a period of time.
- ______ To show cash flow from investing activities.

34. Which of the following is NOT a typical cash flow under operating activities?

- ______ Cash inflows from sale of goods or services.
- ______ Cash inflows from sale of property, plant, and equipment.
- ______ Cash inflows from interest.
- ______ Cash outflows to employees.

35. Which of the following is NOT a typical cash flow under investing activities?

- ______ Cash inflow from sales of equity and debt securities of other companies.
- ______ Cash inflow from the sale of fixed assets.
- ______ Cash outflow for payments on accounts payable arising from the initial purchase of goods.
- ______ Cash outflow for payments to buy fixed assets.

36. Which of the following is NOT a typical cash flow under financing activities?

- ______ Cash inflow from the sale of stock.
- ______ Cash inflow from sale of debt securities.
- ______ Cash outflow for issuing dividend payments.
- ______ Cash outflow for payments to suppliers of operating expense items.

Chapter 4 - Career Planning And Financial Success

37. Factors that an investor considers in evaluating a firms stock include all EXCEPT

- ______ Financial health.
- ______ Industry factors.
- ______ Number of future investors.
- ______ Future outlook of the company.

38. Various techniques are used in the analysis of financial data to emphasize the comparative and relative importance of the data presented and to evaluate the position of the firm. Which of the

following is NOT one of the techniques used in analysis?

______ Ratio analysis.

______ Common-size analysis.

______ Linear programming.

______ Examination of relative size among firms.

39. Which of the following is NOT a source of industry statistics listed by the author?

______ Risk Management Associates' Annual Statement Studies.

______ The Wall Street Earnings Summary.

______ Value Line.

______ Moody's.

40. Risk Management Associates' Annual Statement Studies reported the following figures for manufacturers of screw machine products for the ratio of current assets to current debt. The following figures are for a particular industry's current ratio: 1.6; 1.3; 1.2. Which best describes these three numbers?

______ One third of each of the companies experienced each of the ratios.

______ The average ratio was 1.3. The best firm had 1.6; the worst had 1.2.

______ The median was 1.3. 1.6 is the figure for the upper quartile; 1.2 is the figure for the lower quartile.

______ The median was 1.3. 1.6 is the figure for the lower quartile; 1.2 is the figure for the upper quartile.

41. Which of the following is a government document that provides industry statistics?

______ The Wall Street Journal.

______ Dun and Bradstreet.

______ The DC Financial Report.

______ Standard and Poor's Industry Survey.

42. Statements in which all items are expressed only in relative terms (percentages of a base) are termed:

______ Digital Statements.

______ Horizontal Statements.

______ Funds Statements.

______ Common-Size Statements.

43. Which of these statements is false?

______ In vertical analysis, a figure from the year's statement is compared with a base selected from the prior statement.

______ A ratio can be computed from any pair of numbers.

______ Horizontal analysis discloses changes on items in financial statements over time..

______ Trend percentages show horizontally the degree of increase or decrease, but they do not indicate the reason for the changes. .

44. In financial statement analysis, ratios are

______ The only type of analysis where industry data are available.

______ Absolute numbers converted to a common base.

______ Fractions usually expressed in percent or times.

______ The only indication of the financial position of the firm.

45. Ratios assume significance when they are compared with

______ Market value ratios.

______ Previous ratios of the same firm.

______ S&P ratios.

______ Betas.

46. Denver Dynamics has net income of $2,000,000. Oakland Enterprises has net income of $2,500,000. Which of the following best compares the profitability of Denver and Oakland?

______ Oakland Enterprises is 25% more profitable than Denver Dynamics.

______ Further information is needed for a reasonable comparison.

______ Oakland Enterprises is more profitable than Denver Dynamics, but the comparison cannot be quantified.

______ Oakland Enterprises is only more profitable if it is smaller than Denver Dynamics.

47. Which of the following is NOT be a meaningful comparison in financial statement analysis?

______ Past ratios and figures.

______ Industry averages.

______ Ratios of S&P firms.

______ Ratios of major competition.

48. Liquidity ratios can be used

______ To measure the degree of protection of long-term suppliers of funds.

______ To measure the firm's ability to meet its current obligations.

______ To measure borrowing capacity.

______ To measure the earning ability of a firm.

49. ______________________ ratios are used to examine how successful a firm is in using its operating processes and resources to earn income.

______ Liquidity.

______ Profitability.

______ Activity.

______ Cash Flow.

50. Which of these statements is false?

______ Many companies will not clearly fit into any one industry.

______ A company comparison should not be made with industry averages if the company does not clearly fit into any one industry.

______ The analysis of an entity's financial statements can be more meaningful if the results are compared with industry averages and with results of competitors.

______ When using industry averages, it is often necessary to use an industry that the firm best fits.

51. Which one of the following is NOT a problem with ratio analysis?

- ______ Ratios reflect past conditions, transactions, events, and circumstances.
- ______ Ratios can identify significant fundamental and structural relationships and trends.
- ______ Ratios reflect book values, not real economic values or price-level effects.
- ______ The computation of ratios is not completely standardized.

Chapter 5 - Planning For Your Children'S College Education

52. Which of the following is an example of liquidity ratios?

- ______ Times interest earned.
- ______ Quick ratio.
- ______ Return on equity.
- ______ P-E ratio.

53. In comparing the current ratios of two companies, why might it be incorrect to assume that the company with the higher current ratio is in a better financial position?

- ______ A high current ratio might include large amounts of obsolete inventory.
- ______ A high current ratio could indicate a company's inability to pay current debts as they mature.
- ______ The current ratio includes long-term assets.
- ______ The current ratio includes long-term debts.

54. If a business enterprise has a current ratio of 3 to 1, which of the following transactions increases the ratio?

- ______ Issuance of long-term bonds for cash.
- ______ Borrowing cash on a nine-month note.
- ______ Collecting a large amount of accounts receivable.
- ______ Declaring a 5% stock dividend.

55. Are the following included in the acid-test (quick) ratio?

- ______ Neither account receivable nor inventories
- ______ Inventories, but not accounts receivables
- ______ Accounts receivable, but not inventory
- ______ Accounts receivable and inventory

56. If current assets exceed current liabilities, payments to creditors on the last day of the month will

- ______ Decreases current ratio.
- ______ Increases current ratio.
- ______ Decreases net working capital (assets minus liabilities).
- ______ No change.

57. All else being equal, which of the following will increase a company's current ratio?

- ______ An increase in accounts receivable.

______ An increase in accounts payable.

______ An increase in net fixed assets.

______ All of the statements above are correct.

58. Pepsi Corporation's current ratio is 0.5, while Coke Company's current ratio is 1.5. Both firms want to "window dress" their coming end-of-year financial statements. As part of its window dressing strategy, each firm will double its current liabilities by adding short-term debt and placing the funds obtained in the cash account. Which of the statements below best describes the actual results of these transactions?

______ The transactions will have no effect on the current ratios.

______ The current ratios of both firms will be increased.

______ The current ratios of both firms will be decreased.

______ Only Pepsi Corporation's current ratio will be increased.

59. A company's current ratio is 2.2 to 1 and quick (acid test) ratio is 1.0 to 1 at the beginning of the year. At the end of the year, the company has a current ratio of 2.5 to 1 and a quick ratio of .8 to 1. Which of the following could help explain the divergence in the ratios from the beginning to the end of the year?

______ An increase in inventory levels during the current year.

______ An increase in credit sales in relationship to cash sales.

______ An increase in the use of trade payables during the current year.

______ An increase in the collection rate of accounts receivable.

60. What ratio is used to measure a firm's pressing liquidity?

______ Debt ratio.

______ Asset turnover.

______ Cash burn rate.

______ Return on equity.

61. The ratio of cash divided by current liabilities is called

______ Current ratio.

______ Acid-test ratio.

______ Doomsday ratio.

______ Working capital ratio.

62. Given the following data: Sales =$2000; Cost of goods sold = $1500; Average receivables = $100, calculate the average collection period.

______ 24.33.

______ 18.25.

______ 137.

______ 20.00.

63. Which of the following statements is FALSE regarding accounts receivable ratios?

______ Although average accounts receivable may be computed annually, quarterly, or monthly, the ratio is most accurate when the longer period available is used.

______ In general, the higher the accounts receivable turnover, the better since the company is collecting quickly from customers.

______ The number of days' sales in receivables ratio is the number of days it takes to collect on receivables.

______ Accounts receivable ratios are examined by short-term creditors as an indication of corporate liquidity.

64. An increase in the current ratio while the quick ratio remains constant means a buildup in

______ Cash.

______ Long-term debt.

______ Current liabilities.

______ Inventory.

65. Assuming stable business conditions, a decline in the number of days' sales in receivables a company's accounts receivable at year-end from one year to the next might indicate

______ A stiffening of the company's credit policies.

______ That the second year's sales were made at lower prices than that of the first year's sales.

______ A longer discount period and a more distant due date were extended to customers in the second period.

______ A significant decrease in the volume of sales of the second year.

66. If, just prior to a period of rising prices, a company changed its inventory measurement method from FIFO to LIFO, the effect in the next period would be to

______ Increase both the current ratio and inventory turnover.

______ Decrease both the current ratio and inventory turnover.

______ Increase the current ratio and decrease inventory turnover.

______ Decrease the current ratio and increase inventory turnover.

67. Shaffer Company presents the following data for 2010: 1) Net Sales for 2010 = $3,007,124; Net Sales for 2009 = $93,247; 2) Cost of Goods Sold for 2010 = $2,000,326; Cost of Goods Sold for 2009 = $1,000,120; 3) Inventory at beginning of 2010 = $341,169; Inventory at end of 2010 = $376,526. The merchandise inventory turnover for 2010 is:

______ 5.6

______ 15.6

______ 7.5

______ 7.7

68. Mr. Sparks, the owner of School Supplies, Inc., is interested in keeping control over accounts receivable. He understands that accounts receivable turnover will give a good indication of how well receivables are being managed. School Supplies, Inc. does seventy percent of its business during June, July and August. The terms of sale are 2/10, n/60. Net sales for the year ended December 31, 20x9, and receivables balances are: Net Sales = $1,500,000; Receivables at January 1, 20x9 = $80,000; Receivables at December 31, 20x9 = $70,000. The average accounts receivable turnover calculated from the data above is

______ 20.0 times.

______ 25.0 times.

______ 22.7 times.

______ 18.75 times.

69. If the firm has a high current ratio but a low acid-test ratio, one can conclude that

______ The firm has a large outstanding accounts receivable balance.

|______ The firm has a large investment in inventory.

|______ The cash ratio is extremely high.

|______ The firm has a large amount of current liabilities.

70. Which of the following measures the time needed to turn cash into inventory, inventory into receivables, and receivables back into cash?

|______ Operating cycle.

|______ Quick ratio.

|______ Payout ratio.

|______ Return on equity.

71. What ratio is used to measure a firm's efficiency at using its productive capacity?

|______ Fixed asset turnover.

|______ Current ratio.

|______ Total asset turnover.

|______ Return on equity.

Chapter 6 - The Return And Riskiness Of Your Investments

72. __________________ refers to the extent that fixed costs are utilized in the production process during an operating cycle.

|______ Total leverage.

|______ Operating leverage.

|______ Asset turnover.

|______ Financial leverage.

73. Which of the following is an example of leverage ratios?

|______ Times interest earned.

|______ Quick ratio.

|______ Payout ratio.

|______ Return on equity.

74. If the debt ratio is 0.5 what is the debt-equity ratio?

|______ 0.5.

|______ 1.0.

|______ 1.5.

|______ 2.0.

75. A measure of long-term debt-paying ability is a company's

|______ Length of the operating cycle.

|______ Return on assets.

|______ Inventory turnover.

______ Cash coverage ratio.

76. Stock market analyst has forecasted the following year-end numbers for Raedebe Technology: Sales=$70 million; EBITDA=$20 million; Depreciation=$7 million; Amortization=$0. The company's tax rate is 40 percent. The company does not expect any changes in its net operating working capital. This year the company's planned gross capital expenditures will total $12 million. (Gross capital expenditures represent capital expenditures before deducting depreciation.) What is the company's forecasted free cash flow for the year?

______ $2.8 million.

______ $7.0 million.

______ $8.0 million.

______ $12.8 million.

77. Free cash flow (FCF) is

______ Cash flow from operating activities.

______ Cash flow from operations minus cash used to purchase fixed assets minus cash dividends.

______ Cash plus cash equivalents.

______ Net income plus depreciation.

78. The degree of financial leverage is

______ (percentage change in earnings per share) / (percentage change in sales)

______ (percentage change in earnings before interest and taxes) / (percentage change in sales)

______ (percentage change in earnings per share) / (percentage change in earnings before interest and taxes)

______ (earnings before interest and taxes) / (interest expense)

Chapter 7 - Banking And Cash Management

79. Gross profit margin is

______ Gross profits divided by net sales.

______ Net sales divided by gross profit.

______ Sales multiplied by gross profit.

______ Average assets multiplied by gross profits.

80. Operating expenses to sales ratio is a measure of

______ Activity.

______ Operating efficiency.

______ Liquidity.

______ Leverage.

81. What ratio is used to measure the profit earned on each dollar invested in a firm?

______ Current ratio.

______ Asset turnover.

______ Return on sales.

______ Return on total asset.

82. The DuPont formula separates return on assets into two component ratios. What are they?

______ Inventory turnover x gross profit margin.

______ Profit margin x total asset turnover.

______ Times interest earned x debt ratio.

______ Return on equity x dividend payout.

83. Which of the following is an appropriate computation for the return on investment?

______ Net income divided by average total assets.

______ Net income divided by total sales.

______ Net sales divided by total assets.

______ Net sales divided by stockholders' equity.

84. If a company is profitable and is effectively using leverage, which one of the following ratios is likely to be the largest?

______ Return on total assets.

______ Return on operating assets.

______ Return on equity (ROE).

______ Return on total shareholders' equity.

85. To enhance ROI:

______ Improve margin by reducing expenses, raising selling prices, or increasing sales faster than expenses

______ Improve turnover by increasing sales while holding the investment in assets relatively constant, or by reducing assets

______ Improve both

______ Enhance residual income.

86. Du Pont formula II, also called modified Du Pont formula, states that ROE is

______ ROI x equity multiplier

______ ROI x (1 – debt ratio)

______ ROI x [(net income) / (average total assets)]

______ ROI x debt ratio

87. The return on total assets (ROA):

______ Measures the return to both common and preferred shareholders.

______ Indicates management's performance in using the firm's assets to produce income.

______ Measures the return on operating assets.

______ Is also called the return on total equity.

Chapter 8 - How To Take On And Manage Debt

88. The earnings per share is computed for

______ Common stock.

______ Nonredeemable preferred.

______ Redeemable preferred.

______ Common stock and fully diluted preferred stock.

89. What type of ratio is book value per share?

______ Market test ratio.

______ Activity ratio.

______ Liquidity ratio.

______ Leverage ratio.

90. For computing earnings per share, a potentially dilutive security would be:

______ Common stock that has been authorized, but not issued.

______ Treasury stock.

______ Bonds payable.

______ Convertible preferred stock.

91. Market test ratios do NOT include

______ Productivity ratio.

______ Price-book value ratio.

______ Price-earnings ratio (multiple).

______ Price-sales ratio.

92. The price-earnings ratio

______ Measures the past earning ability of the firm.

______ Is a gauge of the growth potential and the market's evaluation of the firm's earnings.

______ Relates price to dividends.

______ Relates price to total net income.

93. Book value per share may NOT approximate market value per share because:

______ The book value is after tax.

______ Book values are based on replacement costs rather than market values.

______ Book value is related to book figures and market value is related to the future potential as seen by investors.

______ Investors do not understand book value.

94. Earnings-per-share disclosures are required

|______ Only if the entity has a complex capital structure.

|______ Only for an entity that changes its capital structure.

|______ If an entity has issued publicly traded potential common stock.

|______ Only in statements of wholly owned subsidiaries.

95. In calculating book value per common share:

|______ The number of common shares authorized is used as the denominator.

|______ Total stockholders' equity less preferred stock is used in the numerator.

|______ Relative fair market values of shares outstanding are used to allocate book value between common and preferred stock.

|______ Net income less preferred dividends is used in the numerator.

96. How are the dividends per share for common stock used in the calculation of the Dividend Yield and Earnings per Share ratios?

|______ Dividends per Share in use in the denominator in Dividend Yield, and the denominator in Earnings per Share

|______ Dividends per Share in use in the numerator in Dividend Yield, and not used in Earnings per Share

|______ Dividends per Share in use in the denominator in Dividend Yield, and not used in Earnings per Share

|______ Dividends per Share in use in the numerator in Dividend Yield, and the numerator in Earnings per Share

97. Which ratio measures the portion of current earnings per common share paid out in dividends?

|______ Share payout.

|______ Dividend payout.

|______ Dividend yield.

|______ Percentage of earnings retained.

Chapter 9 - How To Determine And Save On The Costs Of Living

98. Which of the following is NOT a cash adequacy ratio?

|______ Cash debt coverage ratio.

|______ Cash dividend coverage ratio.

|______ Cash flow per share.

|______ Cash interest coverage ratio.

99. Information presented on the statement of cash flows can also be used to analyze the performance of a firm from a cash flow perspective. This does NOT include:

|______ Cash flow return on assets.

|______ Earnings before interest and taxes (EBIT).

|______ Cash flow per share.

|______ Cash flow to operating income ratio.

100. ___________________ is one of market value ratios.

- ______ Price/cash flow ratio
- ______ Acid-test ratio
- ______ Free cash flow.
- ______ The number of days in sales.

101. The ratio that measures a firm's ability to repay both its short- and long-term debt is

- ______ Earnings per share.
- ______ Cash debt coverage ratio.
- ______ Cash flow to operating income ratio.
- ______ Cash flow per share.

102. _____________________ is an indicator of the quality of earnings.

- ______ Cash flow to net income ratio.
- ______ Cash flow per share.
- ______ Cash burn rate.
- ______ Net income plus noncash expenses.

Chapter 10 - Where And How You Choose To Live

103. Interim financial reporting should be viewed primarily in which of the following ways?

- ______ As reporting under the Internal Revenue Code.
- ______ As reporting for an integral part of an annual period.
- ______ As useful only if activity is spread evenly throughout the year.
- ______ As if the interim period was an annual accounting period.

104. A segment is reportable if any one of the following conditions exists EXCEPT:

- ______ Revenue is 10% or more of total corporate revenue
- ______ Operating profit is 10% or more of total corporate operating profit
- ______ Identifiable assets are 10% or more of total corporate assets
- ______ Foreign operations provide 3% or more of total corporate sales

105. Interim financial reports:

- ______ May use non-GAAP in their preparation.
- ______ Require that actual year-to-date tax rates be used.
- ______ Must disclose the material seasonal variations of revenues, costs, and expenses of the firm.
- ______ Require fewer estimates in the financial data than in the annual reports.

Instructions for Submitting Answers Online:

- *Sign In at www.ApexCPE.com*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
- *You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.*

If you have any questions, please call us at 800.273.9619 or send an email to support@apexcpe.com