EXAM, December 15, 2014 Student's name .... No.....

1) Which of the following indicates how revenue is usually recognized?
   a) Start of Production
   b) End of Production
   c) Point of Sales
   d) Receipt of Cash
2) Audit opinions cannot be classified as
   a) General Opinion
   b) Unqualified opinion.
   c) Adverse opinion.
   d) Disclaimer of opinion.
3) The 10-K form is submitted to the ______.
   a) Internal Revenue Service.
   b) Securities and Exchange Commission.
   c) Fed.
   d) American Accounting Association.
4) Retained earnings are equal to
   a) the undistributed earnings of a company.
   b) distributed earning after tax.
   c) net operating income after tax.
   d) stock dividends and cash dividends.
5) Intangibles are recorded at
   a) Market value.
   b) Historical cost.
   c) Net realizable (settlement value)
   d) Current cost.
6) Inventories of a company do not include
   a) raw materials.
   b) work-in-progress.
   c) prepaid expanses.
   d) finished goods.
7) If assets are equal $100,000, current assets are $30,000, stockholders equity is $20,000 and long term debt is $40,000, how much is net working capital?
   a) - $10,000.
   b) $0.
   c) $10,000.
   d) $40,000.
8) If assets are equal $100,000, current assets are $30,000, stockholders equity is $20,000 and long term debt is $40,000, how much is current ratio?
   a) 0.75.
   b) 1.
   c) 1.5.
   d) 2.
9) If assets are equal $100,000, current assets are $30,000, stockholders equity is $20,000, long term debt is $40,000 and sales is $50,000, how much is total assets turnover?
   a) 0.5.
   b) 1.
   c) 2.
   d) 4.
10) If assets are equal $100,000, current assets are $30,000, stockholders equity is $20,000 and long term debt is $40,000, how would you describe the working capital management policy of a company?
   a) conservative.
   b) balanced.
   c) matching.
   d) aggressive.

11) Acid-Test ratio is
    a) lower than Current Ratio
    b) higher than Current Ratio.
    c) depends on D/E ratio.
    d) depends on inventory turnover
12) Gross Profit Margin is calculated as
    a) Gross Profit to Net sales.
    b) Profit to Gross Sales.
    c) Gross Profit to Net Operating Income
    d) Profit to EBIT
13) An effective income tax rate is calculated as
    a) Income Tax to Income Before Income Taxes
    b) Income Tax to Net Income.
    c) Income Tax to Net Operating Income
    d) Net income to EBIT
14) The DuPont analysis does not use
    a) Average collection period.
    b) ROE.
    c) Pretax ROA.
    d) Leverage (Assets/Equity).
15) Reinvestment Rate in DuPont Analysis is equal to
    a) Gross Profit Margin.
    b) Retained Earnings divided by Equity
    c) Taxable income divided by Net Operating Income
    d) Total Asset Turnover
16) If a company requires short term funds to cover expenses, these funds **cannot** come from
    a) trade credit.
    b) bank loans.
    c) uncollected receivables.
    d) delayed payments of accounts payable.
17) If, just prior to a period of rising prices, a company changed its inventory measurement method from LIFO to FIFO
    a) Current ratio is higher and Gross Margin is higher
    b) Current ratio is higher and Gross Margin is lower
    c) Current ratio is lower and Gross Margin is higher
    d) Current ratio is lower and Gross Margin is lower
18) Credit Risk is NOT measured by
    a) Market risk premium.
    b) Cash conversion cycle.
    c) Credit rating.
    d) Probability of repayment.
19) If DOL=2, DFL is 1.5 and sales is decreased by 10%
    a) Gross Profit is decreased by 10%..
    b) EBITDA is decreased by 15%.
    c) Net operating income is decreased by 20%
    d) Taxable income is decreased by 30%.
20) If DOL=2, DFL is 1.5 and sales is increased by 10%
    a) Gross Profit is increased by 10%..
    b) EBITDA is increased by 15%.
    c) Taxable income is increased by 20%
    d) Net income is increased by 30%.