

1. A financial statement includes the following information:

Assets

Current assets

Property and equipment

Other assets

Liabilities

Current liabilities

Total liabilities

Shareholders' equity

Which financial statement does this information represent?

- Retained earnings statement
- Statement of cash flows
- Income statement
- Balance sheet statement

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2. What does a balance sheet report?

- Assets, liabilities, and equity at a point in time
- Revenues and expenses for a period of time
- Retained earnings at a point in time
- Cash flows from activities for a period of time

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3. Which financial report summarizes operating, investing, and financing activities?

- Income statement
- Statement of cash flows
- Balance sheet statement
- Retained earnings statement

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4. What does the statement of retained earnings show?

- The financial results of a firm's investment and financing decisions
- Changes in the common equity accounts between balance sheet dates

- A firm's financial position at a specific point in time
- The results of business operations during a specified period of time

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5. Which accounting equation is the basis of a balance sheet?

- Liabilities = Equity - Assets- Assets = Liabilities - Equity
- Assets = Liabilities + Equity- Equity = Assets + Liabilities

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6. A company purchases office supplies and records the purchase accounts payable on the balance sheet.

Which term is accounts payable an example of?

- Equity
- Liabilities
- Costs
- Assets

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7. Which three accounting concepts are referenced directly in the accounting equation?

- Credits, debits and revenue
- Assets, liabilities, and equity
- Stockholders' equity owner's equity, and credits- Revenue, expenses and credits

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8. Given the following information (assume ownership has a 100% equity stake):

Equity:

Northern plant \$250,000

Southern plant \$350,000

Eastern plant \$100,000

Income:

Northern plant \$50,000

Southern plant \$30,000

Eastern plant \$80,000

What is the return on equity of the northern plant?

- 12%
- 15%
- 20%
- 10%

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9. A company reports the following numbers:

Current assets: \$1,000,000

Total assets: \$5,000,000

Other assets: \$1,000,000

Current liabilities: \$300,000

Long-term debt: \$700,000

Shareholders' equity: \$500,000

What is the company's working capital?

- \$1,000,000
- \$1,500,000
- \$2,000,000 - \$700,000

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10. A company obtains 50% of its new capital from debt at 6%. 30% from preferred stock at 8%. And the remaining portion from common stock at 10%. Interest payments to debt holders are tax deductible at 50%.

What is the weighted average cost of capital of the company, rounded to the nearest tenth?

- 7.0%
- 5.9%
- 3.7%
- 7.4%

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11. Given the following information:

50% debt

5% preferred stock

55% common equity

6% after-tax cost of debt

10% cost of preferred stock

13.5% cost of common equity

What is the weighted average cost of capital, rounded to the nearest whole number?

- 13%
- 8%
- 11%- 0%

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12. A company has a net income of \$12M. The shareholder's equity is \$71M with net assets of \$35M.

What is the return on equity (ROE). Rounded to the nearest tenth?

- 49.3%
- 32.4%
- 16.9%- 34.4

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13. Last month. A company had sales revenues of \$250, 000 with fixed costs totaling \$150,000. The net operating income for the company was zero. What was the total variable costs for the month?

- \$250,000
- \$100,000
- \$150,000
- \$50,000

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14. A CFO evaluates the company's cash flows from last year's operating activities using this information:

What is this company's net cash flow from operating activities?

- \$15,000,000
- \$25,000,000

- \$40,000,000
- \$50,000,000

—	Net Income	\$90,000,000
—	Increase in notes payable	\$15,000,000
15.	Increase in accounts payable	\$25,000,000
A	Dividend Payment	\$40,000,000
	Increase in inventory	\$75,000
	Total assets	\$198,000,000

company reports the following information on December 31:

What is the year-end retained earnings?

- \$30,000
- \$65,000
- \$45,000
- \$15,000

—	Fees earned	\$200,000
—	Expenses	\$150,000
16.	Retained earnings as of January 1	\$30,000
A	Dividends	\$15,000

company prepares the following information:

What is the ratio of free cash flow to sales?

- Year 1: 14%
- Year 1: 13%
- Year 1: 10%- Year 1: 3%

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17.	Cash flows from operating activities	Year 1: \$65,000
	Cash used to purchases	Year 1: \$15,000
	Sales	Year 1: \$500,000

Which ratio illustrates the percentage of revenue that is left after all costs of getting a product to a salable state have been deducted?

- Gross margin
- Return on employed capital
- Return on equity
- Operating margin

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18. What effect does the cost of debt have on a company's cash flow? - The before-tax cost of debt is deducted from the company's assets.

- The interest is reported as a separate line item on the company's balance sheet.- The interest is tax deductible and lowers the overall
- The after-tax cost of debt is added to the company's assets.

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19. What should be used by creditors to determine if a company can repay its short-term loans?

- Liquidity
- Total debt
- Equity
- Profitability

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20. A salesperson is paid a salary to sell custom chairs. Which type of cost is the salesperson's salary?

- Factory overhead
- Direct materials
- Direct labor
- Indirect cost

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21. Which type of costs are employee salaries, overhead, and property taxes? - Indirect

- Direct
- Goods sold- Asset

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22. A CFO is closing accounts statements for the previous year. During this closing process. The CFO uses a temporary account that started out with a

zero balance to store debits and credits from the income statement, revenue, and expense accounts.

Which accounting statement is the CFO using?

- Income summary
- Balance sheet
- Retained earnings
- Income statement

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23. What is the role of the controller in the context of managerial financial accounting?

- Manage line departments
- Manage staff departments
- Chief financial officer
- Chief management accountant

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24. A company follows this accounting philosophy:

- Fewer transactions
- Combined accounts
- Nonfinancial performance measures
- Direct tracking of overhead

Which type of accounting is this company using?

- Cost
- Cash- Lean
- Accrual

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25. A manufacturing company purchases several machines. It expects the machines will last approximately 10 years before they need to be replaced. Which budget should the cost of the machines be allocated to?

- Sales
- Operational
- Capital expenditures- Cash

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26. Which line item is part of an operational budget?

- Building remodel

- Expensive machinery purchase- Computer system replacement - Cost of goods sold

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27. Which line item is part of the capital budget?

- Office building purchase
- Direct marketing costs
- Direct materials purchase- Factory overhead costs

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28. A company is in the process of developing a master budget.

Which phase of the budgeting process will involve comparing budget goals against actual performance?

- Planning
- Controlling
- Directing
- Preparing

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29. Which part of the capital budgeting process uses net present value (NPV) and quantitative analysis results?

- Post-implementation audit
- Project implementation
- Accept or reject decision- Preliminary screening

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30. A financial institution increases the amounts it wants its bankers to lend. Lenders have begun providing loans to individuals with low credit scores to meet this new standard.

What is the result of this new standard?

- Land grabbing
- Continuous budgeting
- Budgetary constriction- Goal conflict

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31. An account manager at a lending company is approving loans for individuals with a risky credit history. The manager feels everyone needs a second chance and this will also help reach productivity goals.

Which human behavior does this scenario describe?

- Budget goals too loose
- Conflicting goals
- Budget goals too tight- Unreasonable goals

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32. A manufacturing company needs to plan expected results of a responsibility center for its assembly department. The department is operating using a single activity level.

Which type of budget should the company use?

- Financial
- Flexible
- Static
- Master

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33. A company makes and sells internet of Things (IoT) units. The units include third-party mobile technology components.

Which budget should include the cost of mobile technology components necessary to make the units? - Factory overhead cost

- Direct materials purchases
- Production expenses
- Administrative expenses

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34. A company creates a budget that delays expected amounts for a single activity level.

Which type of budget is this?

- Computerized
- Static
- Flexible- Master

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35. Which item is associated with operational planning?

- Labor cost
- Heavy equipment
- Factory purchase
- Long-term strategy

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36. The company's management team is developing the company's goals.

What is an example of strategic planning?

- Identifying resources needed for the yearly budget
- Determining how many seasonal employees to hire- Developing a seven-year plan to expand operations - Purchasing vehicles on a three-year lease.

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37. A manager is developing a department's work plan for the upcoming year.

Which type of planning is this an example of?

- Operational
- Production
- Enterprise- Strategic

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38. In which step of the capital budgeting process should a firm determine where it intends to position itself in the future?

- Post-implementation audit
- Project implementation
- Accept or reject decision- Strategic planning

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39. A company wants to identify why it has higher expenses than normal in its capital budget.

Which business factor would cause capital expenses to be greater than normal?

- Not invested enough in fixed assets
- Too heavily invested in fixed assets
- Inadequate capacity
- Increased utilities cost

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40. Which activity immediately precedes preliminary screening in the capital budgeting process?

- Project evaluation
- Quantitative analysis
- Investment opportunities- Strategic planning

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41. The management of a company is in the process of translating the firm's goals into policies and direction step is this in the capital budgeting process? - Strategic planning

- Implement and monitor
- Post implementation
- Decision-making

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42. A calculation is performed income from operations is divided by assets. What is the result of this calculation?

- Return on equity
- Time value of money
- Internal rate of return- Return on investment

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43. Which type of calculation determines the gross benefit of an investment when the purchase price of the investment is subtracted from the current value of the cash flows it is expected to generate?

- Present value index
- Time value of money
- Net present value
- Future value of money

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44. What measures the amount of assets acquired, computed as income from operations divided by acquired assets?

- Time value of money
- Return on investment
- Internal rate of return- Net present value

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45. Which calculation is based on the net cash flow and a present value factor? - Internal rate of return

- Net present value
- Return on equity
- Time value of money

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46. What will be the nominal value of a \$1 investment after three years with a compounded interest rate of 10%, rounded to the nearest cent?

- \$1.33
- \$1.12
- \$1.10
- \$1.30

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47. The present value of a two-year investment is \$1,000. The investment has a 3% rate of return that is compounded annually.

What is the future value of this investment?

- \$1,045.30
- \$1,030.00
- \$1,092.70
- \$1,060.90

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48. Which method of calculation should a company use to compute the rate of return from a capital investment proposal based on its expected net cash flows? - Average rate of return

- Net present value
- Internal rate of return- Present value index

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49. An IT company has \$4,000,000 in infrastructure-invested assets generating an operational income of \$2,300,000.

What is the return on investment, rounded to the nearest tenth?

- 45.3%
- 57.5%

Eastern operations income	\$1,000,000
Central operations income	\$2,000,000
Eastern operations assets	\$3,500,000
Central operations assets	\$5,250,000

- 52.6%
- 64.9%

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50. A company reports the following:

What is the return on investment for all operations?

- 34%
- 62%
- 114%
- 161%

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51. An IT executive is considering a new project that could significantly increase company profits each year if it is implemented. The executive applies discounted cash flow analysis to compensate for the uncertainty of future cash flows. Which project evaluation method is this executive using?

- Payback period
- Break-even analysis
- Net present value- Future value

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52. An IT executive is evaluating financing options for a new project that could significantly increase company profits each year if the new project is implemented.

The cost of capital for the project is 5%

Which internal rate of return (IRR) is needed to make the project worthwhile?

- 0%
- Less than 5%
- 5%
- More than 5%

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53. An IT entrepreneur requires financing to start a new business.

Which source of funds is considered internal financing?

- Leveraged buyout
 - Stock offering
 - Home equity
 - Small business loan
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54. Which term defines the unsecured promissory note a company can use to borrow money?

- Compensating balance
- Line of credit
- Commercial paper
- Simple interest loan

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55. A U.S.-based company has entered into a long term procurement agreement with an international IT manufacturer. The agreement stipulated fixed labor and product costs. The company will purchase low-cost IT equipment and resell it in the United States.

Which factor would affect the company's product costs throughout the life of the agreement?

- Raw material cost fluctuations
- Currency fluctuation
- Changes in U.S. taxes
- Changes in the stock market

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56. What is the least costly form of long-term financing?

- Preference or preferred shares
- Rights
- Ordinary or common shares- Loans

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57. What is a risk of long-term financing when compared to short-term financing?

- Lower interest rates
- Greater total cost
- Fewer restrictions
- Higher interest rates

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58. What is a risk in choosing a finance lease versus an operating lease? - Lease will be less than the full economic life of the asset.

- Ownership of the equipment would remain with the lessor.
- The leased asset will not appear as an asset on financial statements.

- The company cannot return the equipment after the primary period.

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59. A company finances the purchase of wireless routers manufactured in China.

The company will then sell the wireless routers in U.S. stores.

How should taxes on these routers be addressed?

- The lessee should address the tax implications of both the cost of financing and the net profit
- The lessee should address the tax implications of the cost of financing but not on the first year's sales revenue.
- The lessor should address the tax implications of the first year's sales revenue but not of the cost of financing.
- The lessee should address the tax implications of the net profit but not of the cost of financing.

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60. Which method of financing is partially tax deductible?

- Equities
- Personal lines of credit
- Bonds
- Merchant cash advances

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61. A company needs to upgrade some critical manufacturing equipment. The company is considering whether to use a finance or an operating lease. Which requirement will determine the type of lease the company will choose?

- Ownership of the equipment
- Intrinsic value of the equipment
- Return on investment of the equipment- Cost of the equipment

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62. A company considers leasing computers for two years versus purchasing new equipment every five years.

What is the disadvantage of this approach?

- Costs more than purchasing
- Payments are tax deductible
- Shortens equipment's life span

- Manufacturer support decreases

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63. What is an advantage of migrating from an application that runs on on premise hardware to a SaaS solution?

- A company can take advantage of insourcing's tax savings.- A company will only have to pay for outsourced expenses.
- A company's initial ROI is easier to calculate before the migration.
- A company can take advantage of the pay-per-use model.

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64. What is an advantage of software as a service (SaaS)?

- Frequent software updates
- One-time purchasing costs
- Ability to control software versions- Long-term software commitments

