CHAPTER 13 – IN CLASS

CORRECT ANSWERS IN BOLD

PP PAGE 5

QUESTION

 TB MC Qu. 13-64 (Static) The ability to meet long-term...

The ability to meet long-term obligations and generate future revenues is referred to as:

Liquidity and efficiency.

Solvency.

Profitability.

Market prospects.

Creditworthiness.

Solution:

TB MC Qu. 13-64 (Static) The ability to meet long-term...

The ability to meet long-term obligations and generate future revenues is referred to as:

Liquidity and efficiency.

**\*\*Solvency.**

Profitability.

Market prospects.

Creditworthiness.

PP P 8 TB MC Qu. 13-71 (Static) Three common tools of financial...

QUESTION:

Three common tools of financial analysis are:

Financial reporting, sensitivity analysis, transactional analysis.

Fair presentation, variance analysis, financial reporting.

Horizontal analysis, vertical analysis, ratio analysis.

Relativity analysis, financial reporting, fair value analysis.

Liquidation analysis, political analysis, fair value analysis.

SOLUTION:

TB MC Qu. 13-71 (Static) Three common tools of financial...

Three common tools of financial analysis are:

Financial reporting, sensitivity analysis, transactional analysis.

Fair presentation, variance analysis, financial reporting.

Horizontal analysis, vertical analysis, ratio analysis.

Relativity analysis, financial reporting, fair value analysis.

Liquidation analysis, political analysis, fair value analysis.

PP P 12

QUESTION

TB MC Qu. 13-84 (Algo) A company's sales in Year...

A company's sales in Year 1 were $320,000 and in Year 2 were $357,500. Using Year 1 as the base year, the percent change for Year 2 compared to the base year is:

 SALES YEAR 1 YEAR 2

 320000 357000

90%.

12%.

11%.

112%.

100%.

SOLUTION

TB MC Qu. 13-84 (Algo) A company's sales in Year...

A company's sales in Year 1 were **$320,000** and in Year 2 were **$357,500**. Using Year 1 as the base year, the percent change for Year 2 compared to the base year is:

90%.

12%.

11%.

112%.

100%.

 SALES YEAR 1 YEAR 2 DOLLAR CHANGE %CHANGE

 320000 357000 37000 37000/320000

 =12 %

[($357,500 − $320,000)/$320,000] × 100 = 12%

PP P 12

QUESTION

TB MC Qu. 13-85 (Static) Yeats Corporation's sales in...

Yeats Corporation's sales in Year 1 were $396,000 and in Year 2 were $380,160. Using Year 1 as the base year, the percent change for Year 2 compared to the base year is:

−104.0%.

100.0%.

−4.0%.

96.0%.

4.2%.

SOLUTION

TB MC Qu. 13-85 (Static) Yeats Corporation's sales in...

Yeats Corporation's sales in Year 1 were $396,000 and in Year 2 were $380,160. Using Year 1 as the base year, the percent change for Year 2 compared to the base year is:

−104.0%.

100.0%.

−4.0%.

96.0%.

4.2%.

($380,160 − $396,000/$396,000) × 100 = −4.0%

PP P 16 TREND ANALYSIS

QUESTION

TB MC Qu. 13-86 (Algo) Ash Company reported sales...

Ash Company reported sales of $440,000 for Year 1, $490,000 for Year 2, and $540,000 for Year 3. Using Year 1 as the base year, what is the revenue trend percent for Years 2 and 3?

 SALES **YEAR 1** YEAR 2 YEAR 3

 440,000 490000 540000

 REV TREND ? ?

81.5% for Year 2 and 90.7% for Year 3.

111.4% for Year 2 and 122.7% for Year 3.

90.0% for Year 2 and 90.7% for Year 3.

90.0% for Year 2 and 81.5% for Year 3.

122.7% for Year 2 and 111.4% for Year 3.

SOLUTION:

TB MC Qu. 13-86 (Algo) Ash Company reported sales...

Ash Company reported sales of $440,000 for Year 1, $490,000 for Year 2, and $540,000 for Year 3. Using Year 1 as the base year, what is the revenue trend percent for Years 2 and 3?

81.5% for Year 2 and 90.7% for Year 3.

111.4% for Year 2 and 122.7% for Year 3.

90.0% for Year 2 and 90.7% for Year 3.

90.0% for Year 2 and 81.5% for Year 3.

122.7% for Year 2 and 111.4% for Year 3.

 SALES **YEAR 1** YEAR 2 YEAR 3

 440,000 490000 540000

 REV TREND BASE 490000/440000 540000/440000

 = 1.1136 = 1.2272

 X 100 = 111.4 % X 100 =122.7 %

Year 2: $490,000/$440,000 × 100 = 111.4%
Year 3: $540,000/$440,000 × 100 = 122.7%

To compute trend percentages the analyst should:

Select a base period, divide analysis period amount by the base period amount and multiply that amount by 100.

PP P 19

QUESTION

Comparative financial statements in which each individual financial statement amount is expressed as a percentage of a base amount are called:

Asset comparative statements.

Percentage comparative statements.

Common-size comparative statements.

Sales comparative statements.

General-purpose financial statements.

References

SOLUTION

Comparative financial statements in which each individual financial statement amount is expressed as a percentage of a base amount are called:

Asset comparative statements.

Percentage comparative statements.

Common-size comparative statements.

Sales comparative statements.

General-purpose financial statements.

References

Common-size financial statements:

Show changes in the relative importance of each financial statement item.

PP P 20

QUESTION:

TB MC Qu. 13-92 (Algo) A corporation reported cash of...

A corporation reported cash of $14,500 and total assets of $178,800 on its balance sheet. Its common-size percent for cash equals:

 COMMON SIZE % FOR CASH

 CASH 14,500 ?

 TOTAL ASSETS 178,000

14.49%.

8.11%.

0.08%.

8,110.00%.

12.33%.

SOLUTION

TB MC Qu. 13-92 (Algo) A corporation reported cash of...

A corporation reported cash of $14,500 and total assets of $178,800 on its balance sheet. Its common-size percent for cash equals:

 COMMON SIZE % FOR CASH

 CASH 14,500 14500 / 178000 = .08146

 X 100 = 8.15 %

 TOTAL ASSETS 178,000

14.49%.

8.11% MCGRAW SHOWS 8.11 %

0.08%.

8,110.00%. (NOTE- HERE IS 8 THOUSAND PERCENT – SO WATCH THE DECIMAL)

12.33%.

($14,500/$178,800) × 100 = 8.11%

PP P 26

QUESTION

TB MC Qu. 13-95 (Algo) Jones Corporation reported current assets...

Jones Corporation reported current assets of $192,000 and current liabilities of $136,500 on its most recent balance sheet. The working capital is:

141%.

71%.

($55,500).

$55,500.

41%.

$192,000 − $136,500 = $55,500.

SOLUTION

TB MC Qu. 13-95 (Algo) Jones Corporation reported current assets...

Jones Corporation reported current assets of $192,000 and current liabilities of $136,500 on its most recent balance sheet. The working capital is:

141%.

71%.

($55,500).

$55,500.

41%.

$192,000 − $136,500 = $55,500.

PP P27

TB MC Qu. 13-96 (Static) Jones Corporation reported current assets...

Jones Corporation reported current assets of $193,000, current liabilities of $137,000, and total liabilities of $275,714 on its most recent balance sheet. The current ratio is:

1.4 : 1.

0.7 : 1.

0.3 : 1.

1 : 1.

0.5 : 1.

SOLUTION

TB MC Qu. 13-96 (Static) Jones Corporation reported current assets...

Jones Corporation reported current assets of $193,000, current liabilities of $137,000, and total liabilities of $275,714 on its most recent balance sheet. The current ratio is:

1.4 : 1.

0.7 : 1.

0.3 : 1.

1 : 1.

0.5 : 1.

$193,000/$137,000 = 1.4

PP P27

QUESTION: TB MC Qu. 13-126 (Algo) Elli Company reports the following...

Elli Company reports the following year-end balance sheet data. The company's current ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 45,000 | **Current liabilities** | $ 80,000 |
| **Accounts receivable** | 60,000 | **Long-term liabilities** | 20,000 |
| **Inventory** | 65,000 | **Common stock** | 105,000 |
| **Equipment** | 150,000 | **Retained earnings** | 115,000 |
| **Total assets** | $ 320,000 | **Total liabilities and equity** | $ 320,000 |

0.45

1.31

2.13

0.31

0.69

SOLUTION: TB MC Qu. 13-126 (Algo) Elli Company reports the following...

Elli Company reports the following year-end balance sheet data. The company's current ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 45,000 | **Current liabilities** | $ 80,000 |
| **Accounts receivable** | 60,000 | **Long-term liabilities** | 20,000 |
| **Inventory** | 65,000 | **Common stock** | 105,000 |
| **Equipment** | 150,000 | **Retained earnings** | 115,000 |
| **Total assets** | $ 320,000 | **Total liabilities and equity** | $ 320,000 |

0.45

1.31

2.13

0.31

0.69

Current ratio equals current assets divided by current liabilities
($45,000 + $60,000 + $65,000) / $80,000 = 2.13

Pp p 28

QUESTION

TB MC Qu. 13-97 (Algo) Jones Corporation reported current...

Jones Corporation reported current assets of $189,000 and current liabilities of $134,000 on its most recent balance sheet. The current assets consisted of $62,800 Cash; $44,200 Accounts Receivable; and $82,000 of Inventory. The acid-test (quick) ratio is:

1.4 : 1.

0.80 : 1.

0.57 : 1.

1 : 1.

0.61 : 1.

SOLUTION

TB MC Qu. 13-97 (Algo) Jones Corporation reported current...

Jones Corporation reported current assets of $189,000 and current liabilities of $134,000 on its most recent balance sheet. The current assets consisted of $62,800 Cash; $44,200 Accounts Receivable; and $82,000 of Inventory. The acid-test (quick) ratio is:

 CASH YES

 ACCOUNTS RECEIVABLE YES

 INVENTORY NO

1.4 : 1.

0.80 : 1.

0.57 : 1.

1 : 1.

0.61 : 1.

Quick Assets = Cash $62,800 + Accounts Receivable $44,200 = $107,000
$107,000/$134,000 = 0.80

PP P 28

QUESTION

 TB MC Qu. 13-125 (Static) Delta Company reports the following...

Delta Company reports the following year-end balance sheet data. The company's acid-test ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 50,000 | **Current liabilities** | $ 75,000 |
| **Accounts receivable** | 55,000 | **Long-term liabilities** | 35,000 |
| **Inventory** | 60,000 | **Common stock** | 110,000 |
| **Equipment** | 145,000 | **Retained earnings** | 90,000 |
| **Total assets** | $ 310,000 | **Total liabilities and equity** | $ 310,000 |

0.73

1.40

2.20

0.67

0.63

SOLUTION TB MC Qu. 13-125 (Static) Delta Company reports the following...

Delta Company reports the following year-end balance sheet data. The company's acid-test ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 50,000 | **Current liabilities** | $ 75,000 |
| **Accounts receivable** | 55,000 | **Long-term liabilities** | 35,000 |
| **Inventory** | 60,000 | **Common stock** | 110,000 |
| **Equipment** | 145,000 | **Retained earnings** | 90,000 |
| **Total assets** | $ 310,000 | **Total liabilities and equity** | $ 310,000 |

0.73

1.40

2.20

0.67

0.63

Acid-test ratio equals quick current assets divided by current liabilities.
($50,000 + $55,000) / $75,000 = 1.40

PP 29

QUESTION:

TB MC Qu. 13-101 (Static) Powers Company reported net...

Powers Company reported net sales of $1,201,050, average Accounts Receivable, net of $78,500, and net income of $51,025. The accounts receivable turnover ratio is:

0.65 times.

14.3 times.

23.5 times.

15.3 times.

16.3 times.

$1,201,050/$78,500 = 15.3 times

SOLUTION

TB MC Qu. 13-101 (Static) Powers Company reported net...

Powers Company reported net sales of $1,201,050, average Accounts Receivable, net of $78,500, and net income of $51,025. The accounts receivable turnover ratio is:

0.65 times.

14.3 times.

23.5 times.

15.3 times.

16.3 times.

$1,201,050/$78,500 = 15.3 times

PP 30

QUESTION: TB MC Qu. 13-106 (Static) Zhang Company reported cost of goods...

Zhang Company reported cost of goods sold of $835,000, average inventory of $41,750, and net sales of $2,338,000. The inventory turnover ratio is:

0.5 times.

418 times.

20 times.

56 times.

19 times.

SOLUTION

TB MC Qu. 13-106 (Static) Zhang Company reported cost of goods...

Zhang Company reported cost of goods sold of $835,000, average inventory of $41,750, and net sales of $2,338,000. The inventory turnover ratio is:

0.5 times.

418 times.

20 times.

56 times.

19 times.

($835,000/$41,750) = 20 times

PP P 31

QUESTION

TB MC Qu. 13-102 (Static) Jacobs Company reported net...

Jacobs Company reported net sales of $1,200,000, accounts receivable, net of $72,000, and net income of $51,025. The days’ sales uncollected is:

21.9 days.

15.4 days.

4.0 days.

562.5 days.

48.3 days.

SOLUTION

TB MC Qu. 13-102 (Static) Jacobs Company reported net...

Jacobs Company reported net sales of $1,200,000, accounts receivable, net of $72,000, and net income of $51,025. The days’ sales uncollected is:

21.9 days.

15.4 days.

4.0 days.

562.5 days.

48.3 days.

($72,000/$1,200,000) × 365 = 21.9 days

Pp p 32

Question;

TB MC Qu. 13-107 (Static) Zhang Company reported Cost of goods...

Zhang Company reported Cost of goods sold of $840,000, ending Inventory of $168,000, and Net sales of $2,338,000. The Days’ sales in inventory is:

73 days.

1,825 days.

7 days.

131 days.

26 days.

Answer

TB MC Qu. 13-107 (Static) Zhang Company reported Cost of goods...

Zhang Company reported Cost of goods sold of $840,000, ending Inventory of $168,000, and Net sales of $2,338,000. The Days’ sales in inventory is:

73 days.

1,825 days.

7 days.

131 days.

26 days.

($168,000/$840,000) × 365 = 73 days

Estimates that inventory will be converted into receivables (or cash ) in 73 days.

Pp p 33

QUESTION

TB MC Qu. 13-108 (Static) Net sales divided by average total assets...

Net sales divided by average total assets is the:

Profit margin.

Total asset turnover ratio.

Current ratio.

Sales return ratio.

Return on total assets ratio.

TB MC Qu. 13-108 (Static) Net sales divided by average total assets...

Net sales divided by average total assets is the:

Profit margin.

Total asset turnover ratio.

Current ratio.

Sales return ratio.

Return on total assets ratio.

PP P 33

QUESTION

TB MC Qu. 13-109 (Static) Carducci Corporation reported net sales...

Carducci Corporation reported net sales of $3,597,000, average total assets of $1,100,000, and net income of $847,000. The total asset turnover ratio is:

0.31 times.

3.27 times.

4.30 times.

2.27 times.

0.77 times.

SOLUTION

TB MC Qu. 13-109 (Static) Carducci Corporation reported net sales...

Carducci Corporation reported net sales of $3,597,000, **average total assets of $1,100,000**, and net income of $847,000. The total asset turnover ratio is:

0.31 times.

3.27 times.

4.30 times.

2.27 times.

0.77 times.

$3,597,000/$1,100,000 = 3.27 times

QUESTION

TB MC Qu. 13-110 (Algo) Carducci Corporation reported net sales...

Carducci Corporation reported net sales of $3.49 million and beginning total assets of $1.01 million and ending total assets of $1.41 million. The average total asset amount is:

$2.08 million.

$2.48 million.

$0.29 million.

$0.35 million.

$1.21 million.

SOLUTION

TB MC Qu. 13-110 (Algo) Carducci Corporation reported net sales...

Carducci Corporation reported net sales of $3.49 million and beginning total assets of $1.01 million and ending total assets of $1.41 million. The average total asset amount is:

$2.08 million.

$2.48 million.

$0.29 million.

$0.35 million.

$1.21 million.

($1,010,000 + $1,410,000)/2 = $1,210,000

PP P 33

QUESTION TB MC Qu. 13-130 (Algo) Selected current year company...

Selected current year company information follows:

|  |  |
| --- | --- |
| **Net income** | $ 16,653 |
| **Net sales** | 719,855 |
| **Total liabilities, beginning-year** | 90,932 |
| **Total liabilities, end-of-year** | 110,201 |
| **Total stockholders' equity, beginning-year** | 205,935 |
| **Total stockholders' equity, end-of-year** | 132,351 |

NOTE: YOU WILL HAVE TO DERIVE INFORMATION TO ANSWER.

The total asset turnover is: **(Do not round intermediate calculations.)**

2.31 times

2.42 times

2.67 times

6.17 times

2.97 times

SOLUTION: TB MC Qu. 13-130 (Algo) Selected current year company...

Selected current year company information follows:

|  |  |
| --- | --- |
| **Net income** | $ 16,653 |
| **Net sales** | 719,855 |
| **Total liabilities, beginning-year** | 90,932 |
| **Total liabilities, end-of-year** | 110,201 |
| **Total stockholders' equity, beginning-year** | 205,935 |
| **Total stockholders' equity, end-of-year** | 132,351 |

The total asset turnover is: **(Do not round intermediate calculations.)**

2.31 times

2.42 times

2.67 times

6.17 times

2.97 times

|  | **Beginning** | **Ending** |
| --- | --- | --- |
| **Total liabilities** | $ 90,932 | $ 110,201 |
| **Total equity** | 205,935 | 132,351 |
| **Total assets** | $ 296,867 | $ 242,552 |

Total asset turnover = $719,855/[($296,867 + $242,552)/2] = 2.67

PP P35

QUESTION TB MC Qu. 13-127 (Algo) JP Corporation reports the following...

JP Corporation reports the following year-end balance sheet data. The company's debt ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 52,000 | **Current liabilities** | $ 87,000 |
| **Accounts receivable** | 67,000 | **Long-term liabilities** | 50,000 |
| **Inventory** | 72,000 | **Common stock** | 112,000 |
| **Equipment** | 157,000 | **Retained earnings** | 99,000 |
| **Total assets** | $ 348,000 | **Total liabilities and equity** | $ 348,000 |

0.65

1.37

2.20

0.39

0.61

SOLUTION: TB MC Qu. 13-127 (Algo) JP Corporation reports the following...

JP Corporation reports the following year-end balance sheet data. The company's debt ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 52,000 | **Current liabilities** | $ 87,000 |
| **Accounts receivable** | 67,000 | **Long-term liabilities** | 50,000 |
| **Inventory** | 72,000 | **Common stock** | 112,000 |
| **Equipment** | 157,000 | **Retained earnings** | 99,000 |
| **Total assets** | $ 348,000 | **Total liabilities and equity** | $ 348,000 |

0.65

1.37

2.20

0.39

0.61

Debt ratio equals total liabilities divided by total assets.
($87,000 + $50,000) / $348,000 = 0.39

PP P 35

QUESTION

TB MC Qu. 13-128 (Algo) Asiago Company reports the following...

Asiago Company reports the following year-end balance sheet data. The company's equity ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 52,000 | **Current liabilities** | $ 87,000 |
| **Accounts receivable** | 67,000 | **Long-term liabilities** | 50,000 |
| **Inventory** | 72,000 | **Common stock** | 112,000 |
| **Equipment** | 157,000 | **Retained earnings** | 99,000 |
| **Total assets** | $ 348,000 | **Total liabilities and equity** | $ 348,000 |

0.65

1.37

2.20

0.39

0.61

TB MC Qu. 13-128 (Algo) Asiago Company reports the following...

Asiago Company reports the following year-end balance sheet data. The company's equity ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 52,000 | **Current liabilities** | $ 87,000 |
| **Accounts receivable** | 67,000 | **Long-term liabilities** | 50,000 |
| **Inventory** | 72,000 | **Common stock** | 112,000 |
| **Equipment** | 157,000 | **Retained earnings** | 99,000 |
| **Total assets** | $ 348,000 | **Total liabilities and equity** | $ 348,000 |

0.65

1.37

2.20

0.39

0.61

Equity ratio equals total equity divided by total assets.
($112,000 + $99,000) / $348,000 = 0.61

PP P 36 QUESTION

TB MC Qu. 13-122 (Algo) Stark Company's most recent...

Stark Company's most recent balance sheet reported total assets of $1,740,000, total liabilities of $880,000, and total equity of $860,000. Its **debt-to-equity ratio** is:

0.51

0.49

0.98

1.02

1.00

SOLUTION

TB MC Qu. 13-122 (Algo) Stark Company's most recent...

Stark Company's most recent balance sheet reported total assets of $1,740,000, total liabilities of $880,000, and total equity of $860,000. Its debt-to-equity ratio is:

0.51

0.49

0.98

1.02

1.00

$880,000/$860,000 = 1.02

PP P 36

QUESTION TB MC Qu. 13-129 (Algo) WD Corporation reports the following...

WD Corporation reports the following year-end balance sheet data. The company's debt-to-equity ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 60,000 | **Current liabilities** | $ 94,000 |
| **Accounts receivable** | 74,000 | **Long-term liabilities** | 22,000 |
| **Inventory** | 79,000 | **Common stock** | 119,000 |
| **Equipment** | 164,000 | **Retained earnings** | 142,000 |
| **Total assets** | $ 377,000 | **Total liabilities and equity** | $ 377,000 |

0.44

1.43

2.27

0.31

0.69

SOLUTION

TB MC Qu. 13-129 (Algo) WD Corporation reports the following...

WD Corporation reports the following year-end balance sheet data. The company's debt-to-equity ratio equals:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash** | $ 60,000 | **Current liabilities** | $ 94,000 |
| **Accounts receivable** | 74,000 | **Long-term liabilities** | 22,000 |
| **Inventory** | 79,000 | **Common stock** | 119,000 |
| **Equipment** | 164,000 | **Retained earnings** | 142,000 |
| **Total assets** | $ 377,000 | **Total liabilities and equity** | $ 377,000 |

0.44

1.43

2.27

0.31

0.69

Debt-to-equity ratio equals total debt divided by total equity.
($94,000 + $22,000) / ($119,000 + $142,000) = 0.44

PP P 37

QUESTION TB MC Qu. 13-119 (Static) Which of the following...

Which of the following ratios is a measure of solvency?

Acid-test ratio.

Current ratio.

Times interest earned ratio.

Total asset turnover.

Days' sales in inventory.

SOLUTION

TB MC Qu. 13-119 (Static) Which of the following...

Which of the following ratios is a measure of solvency?

Acid-test ratio.

Current ratio.

Times interest earned ratio.

Total asset turnover.

Days' sales in inventory.

PP P 37

QUESTION: TB MC Qu. 13-123 (Algo) Ron Landscaping's income...

Ron Landscaping's income statement reports net income of $75,200, which includes deductions for interest expense of $13,200 and income taxes of $36,900. Its times interest earned is:

9.5 times

6.7 times

3.8 times

5.7 times

0.18 times

TB MC Qu. 13-123 (Algo) Ron Landscaping's income...

Ron Landscaping's income statement reports net income of $75,200, which includes deductions for interest expense of $13,200 and income taxes of $36,900. Its times interest earned is:

9.5 times

6.7 times

3.8 times

5.7 times

0.18 times

($75,200 + $13,200 + $36,900)/$13,200 = 9.5 times

PP P 40

QUESTION

TB MC Qu. 13-111 (Static) Net income divided by net sales is the:

Net income divided by net sales is the:

Return on total assets ratio.

Profit margin ratio.

Current ratio.

Total asset turnover ratio.

Days' sales in inventory ratio.

PP P 40 SOLUTION

TB MC Qu. 13-111 (Static) Net income divided by net sales is the:

Net income divided by net sales is the:

Return on total assets ratio.

Profit margin ratio.

Current ratio.

Total asset turnover ratio.

Days' sales in inventory ratio.

QUESTION PP P 40

TB MC Qu. 13-112 (Algo) Martinez Corporation reported...

Martinez Corporation reported net sales of $780,000, net income of $127,000, and total assets of $7,784,127. The profit margin is:

614.0%.

6.14%.

83.72%.

1.63%.

16.28%.

SOLUTION:

TB MC Qu. 13-112 (Algo) Martinez Corporation reported...

Martinez Corporation reported net sales of $780,000, net income of $127,000, and total assets of $7,784,127. The profit margin is:

614.0%.

6.14%.

83.72%.

1.63%.

16.28%.

$127,000/$780,000 = 16.28%.

PP P 41

QUESTION

TB MC Qu. 13-113 (Static) Net income divided by average total assets...

Net income divided by average total assets is:

Profit margin.

Total asset turnover.

Return on total assets.

Days' income in assets.

Current ratio.

SOLUTION

TB MC Qu. 13-113 (Static) Net income divided by average total assets...

Net income divided by average total assets is:

Profit margin.

Total asset turnover.

Return on total assets.

Days' income in assets.

Current ratio.

PP P 41 QUESTION

TB MC Qu. 13-114 (Static) Clairmont Industries reported net income...

Clairmont Industries reported net income of $282,828, average total assets of $637,000, and comprehensive income of $354,172. The return on total assets is:

55.6%.

78.9%.

61.5%.

44.4%.

125.1%.

SOLUTION TB MC Qu. 13-114 (Static) Clairmont Industries reported net income...

Clairmont Industries reported net income of $282,828, average total assets of $637,000, and comprehensive income of $354,172. The return on total assets is:

55.6%.

78.9%.

61.5%.

44.4%.

125.1%.

$282,828/$637,000 = 44.4%

PP P 44

QUESTION:

TB MC Qu. 13-120 (Algo) A company had a market price...

A company had a market price of $37.80 per share, earnings per share of $1.40, and dividends per share of $0.55. Its price-earnings ratio equals:

2.6.

27.0.

30.2.

33.0.

25.6.

SOLUTION

TB MC Qu. 13-120 (Algo) A company had a market price...

A company had a market price of $37.80 per share, earnings per share of $1.40, and dividends per share of $0.55. Its price-earnings ratio equals:

2.6.

27.0.

30.2.

33.0.

25.6.

$37.80/$1.40 = 27.0

PP P 45 QUESTION

TB MC Qu. 13-115 (Static) Annual cash dividends per share divided...

Annual cash dividends per share divided by market price per share is the:

Price-earnings ratio.

Price-dividends ratio.

Profit margin.

Dividend yield.

Earnings per share.

SOLUTION:

TB MC Qu. 13-115 (Static) Annual cash dividends per share divided...

Annual cash dividends per share divided by market price per share is the:

Price-earnings ratio.

Price-dividends ratio.

Profit margin.

Dividend yield.

Earnings per share.

PP P 45

QUESTION TB MC Qu. 13-116 (Static) The market price of Shaw...

The market price of Shaw Corporation’s common stock is $50.00. Shaw declared and paid cash dividends of $3.30 per share and had earnings per share of $6.89. The Dividend yield ratio is:

14.5%.

13.8%.

47.8%.

144.8%.

6.6%.

SOLUTION TB MC Qu. 13-116 (Static) The market price of Shaw...

The market price of Shaw Corporation’s common stock is $50.00. Shaw declared and paid cash dividends of $3.30 per share and had earnings per share of $6.89. The Dividend yield ratio is:

14.5%.

13.8%.

47.8%.

144.8%.

6.6%.

$3.30/$50.00 = 6.6%

PP P 51

TB MC Qu. 13-79 (Static) Gains and losses that...

Gains and losses that are normal and frequent are reported as:

A separate line item when computing earnings per share.

A prior period adjustment on the statement of retained earnings.

A gain or loss from disposing of the discontinued segment's net assets.

A gain or loss from operation of a discontinued segment.

Part of continuing operations.

SOLUTION

TB MC Qu. 13-79 (Static) Gains and losses that...

Gains and losses that are normal and frequent are reported as:

A separate line item when computing earnings per share.

A prior period adjustment on the statement of retained earnings.

A gain or loss from disposing of the discontinued segment's net assets.

A gain or loss from operation of a discontinued segment.

Part of continuing operations.

END