

3.1 short-term solvency/ liquidity ratios

1. ABC COM. has total assets of \$689,400, long-term debt of \$198,375, total equity of \$364.182, net fixed assets of \$512,100, and sales of \$1,021,500. The profit margin is 6.2 percent. What is the current ratio?

- A. 0.95 B. 1.12 C. 1.26 D. 1.40 E. 1.50

2. ABC COM. has total assets of \$537,800, net fixed assets of \$412,400, long-term debt of \$323,900, and total debt of \$388,700. If inventory is \$173,900, what is the current ratio?

- A. 2.01 B. 0.52 C. 0.84 D. 1.18 E. 1.94

3. A firm has net working capital of \$8,200 and current assets of \$37,500. What is the current ratio?

- A. 0.69 B. 0.78 C. 1.28 D. 1.4

4. ABC Used Goods has cash of \$2,950, inventory of \$28,470, fixed assets of \$9,860, accounts payable of \$11,900, and accounts receivable of \$4,660. What is the cash ratio?

- A. 0.08 B. 0.25 C. 0.30 D. 0.46

5. ABC COM. are analyzing a company that has cash of \$8,800, accounts receivable of \$15,800, fixed assets of \$87,600, accounts payable of \$40,300, and inventory of \$46,900. What is the quick ratio?

- A. 1.20 B. 0.67 C. 0.83 D. 0.61

6. ABC COM. has current liabilities of \$162,500, net working capital of \$28,560, inventory of \$175,800, and sales of \$1,941,840. What is the quick ratio?

- A. 0.07 B. 0.16 C. 0.09 D. 1.08

7. ABC COM. has cash of \$7800, accounts receivable of \$15600, inventory of \$48,850, and net working capital of \$ 5,000. What is the cash ratio?

- A. 0.08 B. 0.12 C. 0.15 D. 0.42

- A. 9.37 B. 16.74 C. 18.63 D. 20.72 E. 22.82

8. A firm has total assets of \$311,770 and net fixed assets of \$167,532. The average daily operating costs are \$2,980. What is the value of the interval measure?

- A. 31.47 days B. 48.40 days C. 56.22 days D. 68.05 days E. 104.62 days

2. Long-term solvency/ financial leverage ratios

1. If a firm has a debt-equity ratio of 1.0, then its total debt ratio must be

- A. 0.0 B. 0.5 C. 1.0 D. 1.5 E. 2.0

2. A firm has sales of \$68,400, costs of \$42,900, interest paid of \$2,100, and depreciation of \$6,500. The tax rate is 34 percent. What is the value of the cash coverage ratio?

- A. 12.14 B. 15.24 C. 17.27 D. 23.41 E. 24.56

3. A firm has total debt of \$4,620 and a debt-equity ratio of 0.57. What is the value of the total assets?

- A. \$6,128.05 B. \$7,253.40 C. \$9,571.95 D. \$11,034.00 E. \$12,725.26

4. ABC Com. has a total debt ratio of 0.47. What is the equity multiplier?

- A. 0.89 B. 1.13 C. 1.47 D. 1.89 E. 2.13

5. ALNOOR paid \$2,310 in interest and \$1,850 in dividends last year. The times interest earned ratio is 2.2 and the depreciation expense is \$460. What is the value of the cash coverage ratio?

- A. 2.10 B. 2.40 C. 1.90 D. 2

6. ABC COM. has total equity of \$815,280, long-term debt of \$391,900, net working capital of \$49,500, and total assets of \$1,292,485. What is the total debt ratio?

- A. 0.50 B. 0.37 C. 0.64 D. 0.46 E. 0.60

7. ABC COM. has total assets of \$536,712 and an equity multiplier of 1.36. What is the debt-equity ratio?

- A. 0.68 B. 0.24 C. 1.24 D. 0.36 E. 1.36

8. ABC COM. has sales of \$213,600, total assets of \$198,700, a debt-equity ratio of 1.43, and a profit margin of 4.8 percent. What is the equity multiplier?

- A. 0.30 B. 0.43 C. 1.93 D. 2.43 E. 2.30

9. Assume earnings before interest and taxes of \$56,850 and net income of \$23,954. The tax rate is 30 percent. What is the times interest earned ratio?

- A. 1.51 B. 1.73 C. 2.37 D. 2.47 E. 2.51

10. ABC COM. has sales of \$645,560, cost of goods sold of \$425,890, depreciation of \$32,450, and interest expense of \$12,500. The tax rate is 30 percent. What is the times interest earned ratio?

- A. 14.98 B. 12.75 C. 11.63 D. 6.25 E. 2.75

11. A firm has net income of \$28,740, depreciation of 6,170, taxes of \$13,420, and interest paid of \$2,605. What is the cash coverage ratio?

- A. 8.78 B. 20.10 C. 14.14 D. 16.32 E. 19.55

12. ABC COM. has a total debt ratio of 0.47. What is the equity multiplier?

- A. 0.89 B. 1.13 C. 1.47 D. 1.89 E. 2.13

3. Assets management or turnover ratio:

1. A firm has current liabilities of \$350,000, a quick ratio of 1.65, inventory turnover of 3.2, and a current ratio of 2.9. What is the cost of goods sold?

- A. \$980,000 B. \$1,060,000 C. \$1,200,000
D. \$1,400,000 E. \$1,560,000

2. BL Industries has ending inventory of \$300,000, and cost of goods sold for the year just ended was \$1,410,000. On average, how long does a unit of inventory sit on the shelf before it is sold?

- A. 17.16 days B. 21.43 days C. 77.66 days D. 78.29 days
E. 83.13 days

3. Billings, Inc. has net income of \$161,000, a profit margin of 7.6 percent, and an accounts receivable balance of \$127,100. Assume that 66 percent of sales are on credit. What is the days' sales in receivables?

- A. 21.90 days B. 27.56 days C. 33.18 days D. 35.04 days
E. 36.19 days

4. UXZ has sales of \$683,200, cost of goods sold of \$512,900, and inventory of \$74,315. What is the inventory turnover rate?

- A. 7.33 times B. 6.90 times C. 5.70 times D. 7.14 times E. 8.47 times

5. Galaxy Sales has sales of \$938,300, cost of goods sold of \$764,500, and inventory of \$123,600. How long on average does it take the firm to sell its inventory?

- A. 6.40 days B. 7.23 days C. 48.68 days D. 59.01 days E. 61.10 days

6. ABC COM. sells its inventory in 93 days, on average. Costs of goods sold for the year are \$187,200. What is the average value of the firm's inventory? Assume a 365-day year.

- A. \$20,129 B. \$47,698 C. \$57,132 D. \$61,096 E. \$32,51

7. ABC COM has sales of \$980,000, cost of goods sold of \$765,250, and accounts receivable of \$88,640. How long on average does it take the firm's customers to pay for their purchases? Assume a 365-day year.

- A. 8.63 days B. 15.5 days C. 32.56 days D. 33.01 days E. 42.56 days

8. ABC COM. has \$38,100 in receivables and \$523,700 in total assets. The total asset turnover rate is 1.17 and the profit margin is 7.3 percent. How long on average does it take to collect the receivables? Assume a 365-day year.

- A. 26.91 days B. 19.45 days C. 11.68 days D. 31.07 days E. 22.70 days

9. A firm has net working capital of \$2,715, net fixed assets of \$22,407, sales of \$31,350, and current liabilities of \$3,908. How many dollars' worth of sales are generated from every \$1 in total assets?

- A. \$1.08 B. \$1.14 C. \$1.19 D. \$1.26 E. \$1.30

10. ABC COM. . has current liabilities of \$21,800 , total assets of \$82,900 , and sales of \$ 149,200 . The net working capital is \$4,600. What is the fixed asset turnover rate?

- A. 0.38 B. 0.40 C. 1.4 D. 0.90

4. profitability Ratio and market value measure And Du pont identity:

- 1. ABC COM. has annual sales of \$137,000. Earnings before interest and taxes are equal to 5.8 percent of sales. For the period, the firm paid \$4,700 in interest. What is the profit margin if the tax rate is 34percent?**
A. -2.43 percent B. 1.56 percent C. 3.33 percent D. -5.29 percent
- 2. ABC COM. has a return on equity of 19.3 percent, a profit margin of 10.1 percent, and total equity of \$645,685. What is the net income?**
A. \$65,214.19 B. \$123,383.71 C. \$124,617.21 D. \$65,214.19
- 3. ABC COM. has sales of \$680,300, total assets of \$589,100, and a profit margin of 4.3 percent. What is the return on assets?**
A. 4.30 percent B. 6.54 percent C. 3.83 percent D. 7.01 percent E. 4.97 percent
- 4. ABC COM. has sales of \$723,450, total equity of \$490,000, a profit margin of 9.3 percent, and a debt-equity ratio of .42. What is the return on assets?**
A. 5.05 percent B. 10.07 percent C. 9.03 percent D. 9.67 percent E. 23.02 percent
- 5. ABC COM. has total equity of \$645,500, sales of \$1.15 million, and a profit margin of 3.6 percent. What is the return on equity?**
A. 4.16 percent B. 6.44 percent C. 7.71 percent D. 6.41 percent E. 7.07 percent
- 6. ABC COM. has total sales of \$911,300, a total asset turnover of 1.1, and a profit margin of 5.87percent. Currently, the firm has 18,500 shares outstanding. What are the earnings per share?**
A. \$2.92 B. \$2.97 C. \$2.86 D. \$2.58 E. \$2.89
- 7. ABC COM. has total assets of \$613,000. There are 21,000 shares of stock outstanding with a market value of \$13 a share. The firm has a profit margin of 6.2 percent and a total asset turnover of 1.08. What is the price-earnings ratio?**
A. 6.38 B. 7.99 C. 6.65 D. 5.12 E. 7.41
- 8. ABC COM. has a market-to-book ratio of 3.3, net income of \$87,100, a book value per share of \$18.50, and 7,500 shares of stock outstanding. What is the price-earnings ratio?**
A. 4.34 B. 8.16 C. 5.61 D. 6.25 E. 5.26
- 9. ABC COM. has a profit margin of 3.8 percent on sales of \$287,200. The firm currently has 5,000 shares of stock outstanding at a market price of \$7.11 per share. What is the price-earnings ratio?**
A. 3.26 B. 8.02 C. 11.50 D. 5.93 E. 12.84
- 10. A firm has sales of \$311,000 and net income of \$31,600. The price-sales ratio is 3.24 and market price is \$36 per share. How many shares are outstanding?**
A. 20,608 B. 27,990 C. 28,356 D. 30,515 E. 31,011

11. A firm has sales of \$311,000 and net income of \$31,600. The price-sales ratio is 3.24 and market price is \$36 per share. How many shares are outstanding?

- A.20,608 B.27,990 C.28,356 D.30,515 E.31,011

12. ABD common stock is selling for \$36.08 a share. The company has earnings per share of \$.34 and a book value per share of \$12.19. What is the market-to-book ratio?

- A.8.71 B. 7.69 C.2.96 D. 3.97 E. 5.92

13. ABC COM. has a book value per share of \$32.68, earnings per share of \$3.09, and a price-earnings ratio of 16.8. What is the market-to-book ratio?

- A.1.08 B.1.59 C.1.99 D.2.47 E.2.16

14. ABC COM. has total debt of \$208,600, total equity of \$343,560, and a return on equity of 13.27percent. What is the return on assets?

- A.9.14 percent B.8.26 percent C.11.45 percent
D. 9.61 percent E.9.48 percent

15. ABC COM. has total assets of \$152,080, a debt-equity ratio of .62, and net income of \$14,342. What is the return on equity?

- A. 13.48 percent B.13.73 percent C.15.74 percent D. 15.28 percent
E.14.61 percent

16. ABC COM. has sales of \$618,900, a profit margin of 13.2 percent, a total asset turnover rate of 1.54, and an equity multiplier of 1.06. What is the return on equity?

- A.18.91 percent B.12.67 percent C.18.28 percent
D.22.11 percent E.21.55 percent

17. ABC COM. has total equity of \$358,200 and net income of \$47,500. The debt-equity ratio is .68 and the total asset turnover is 1.2. What is the profit margin?

- A.4.82 percent B.5.23 percent C.5.67 percent
D.6.58 percent E.7.31 percent

18. A firm has net income of \$197,400, a return on assets of 8.4 percent, and a debt-equity ratio of .72. What is the return on equity?

- A.11.67 percent B.18.98 percent C.14.45 percent D.16.22 percent
E.15.06 percent

19. ABC COM. has total assets of \$938,280, a total asset turnover rate of 1.18, a debt-equity ratio of .47, and a return on equity of 18.7 percent. What is the firm's net income?

- A. \$119,359.43 B. \$88,303.33 C. \$104,624.14 D. \$121,548.09

20. ABC COM. has total equity of \$318,456, a profit margin of 3.79 percent, an equity multiplier of 1.68, and a total asset turnover of .97. What is the amount of the firm's sales?

- A. \$518,956 B. \$473,550 C. \$195,420 D. \$190,839

21. ABC COM. has a return on equity of 11.28 percent, a debt-equity ratio of 1.03, and a total asset turnover of .87. What is the return on assets?

- A. 5.56 percent B. 8.06 percent C. 13.67 percent D. 15.24 percent

22. ABC COM. earns \$.12 in profit for every \$1 of equity and borrows \$.65 for every \$1 of equity. What is the firm's return on assets?

- A. 12.00 percent B. 7.27 percent C. 15.15 percent D. 13.75 percent

23. ABC COM. has a debt-equity ratio of .67. The return on assets is 8.1 percent, and total equity is \$595,000. What is the net income?

- A. \$82,147.09 B. \$81,311.29 C. \$80,485.65 D. \$78,887.02

24. ABC COM. has a current stock price of \$5.60. For the past year, the company had net income of \$287,400, total equity of \$992,300, sales of \$1,511,000, and 750,000 shares outstanding. What is the market-to-book ratio?

- A. 3.54 B. 3.81 C. 3.99 D. 4.47 E. 4.23

25. ABC COM. has sales of \$11,898, total assets of \$9,315, and a debt-equity ratio of .55. If its return on equity is 14 percent, what is its net income?

- A. \$841.35 B. \$887.16 C. \$904.10 D. \$911.16 E. \$927.46

6. common size statement and cash flow:

1. ABC COM. has inventory of \$147,500, equity of \$320,000, total assets of \$658,800, and sales of \$800,780. What is the common-size percentage for the inventory account?

- A. 15.07percent B. 18.42 percent C. 20.36 percent D. 22.39 percent

2. A firm has inventory of \$46,500, accounts payable of \$17,400, cash of \$1,250, net fixed assets of \$318,650, long-term debt of \$109,500, and accounts receivable of \$16,600. What is the common-size percentage of the equity?

- A. 70.60 percent B. 70.12 percent C. 66.87 percent D. 42.08 percent

3. ABC COM. has net income of \$96,320, total assets of \$975,200, total equity of \$555,280, and total sales of \$1,141,275. What is the common-size percentage for the net income?

- A. 7.90 percent B. 8.44 percent C. 13.88 percent D. 48.65 percent

4. ABC COM. has a profit margin of 7.1 percent and net income of \$63,700. What is the common-size percentage for the cost of goods sold if that expense amounted to \$522,600 for the year?

- A. 12.19 percent B. 23.50 percent C. 53.25 percent
D. 61.06 percent E. 58.25 percent

5. A firm has sales of \$811,000 for the year. The profit margin is 5.1 percent and the retention ratio is 56percent. What is the common-size percentage for the dividends paid?

- A. 1.99 percent B. 2.86 percent C. 1.21 percent D. 2.24 percent
E. 1.42 percent