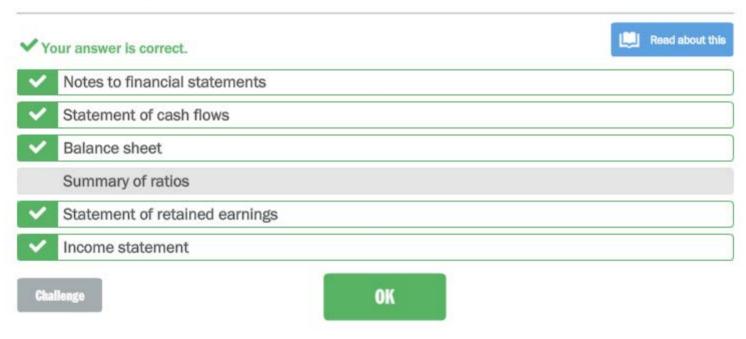
✓ Your answer is correct.	Read about this
average total inventory	
net sales	
ending inventory	

Most users rely on general purpose financial statements, which include which of the following? (Check all that apply.)



The price-earnings ratio is computed by taking:





Read about this

earnings per share divided by market price per common share



market price per common share divided by dividends per share

Challenge

OK

Total asset turnover reflects a company's ability to use its assets to generate sales and is an important indication of operating efficiency. It is computed by taking net sales divided by average total assets.



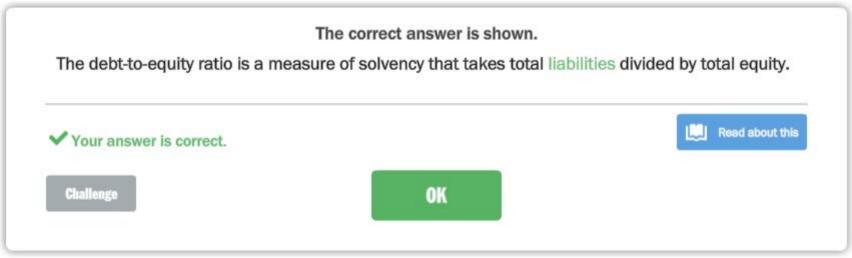


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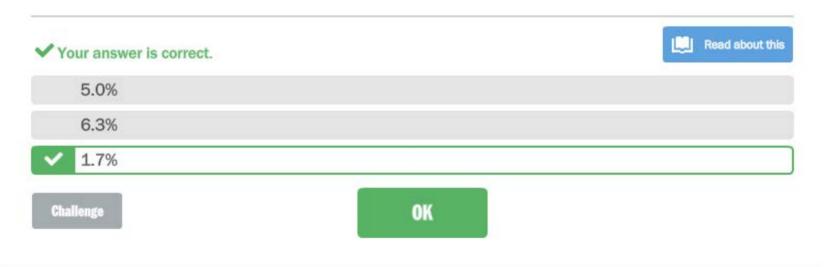
Challenge



Identify which of the following specific areas are considered the building blocks of financial statement analysis. (Check all that apply.) Read about this Your answer is correct. Market prospects Profitability Liquidity and efficiency Ratio analysis Solvency Challenge OK



A company has 10,000 shares of \$10 par-value common stock issued and outstanding. Earnings per share were \$8, annual cash dividends per share were \$0.50, and market price per share is \$30. Compute the dividend yield.

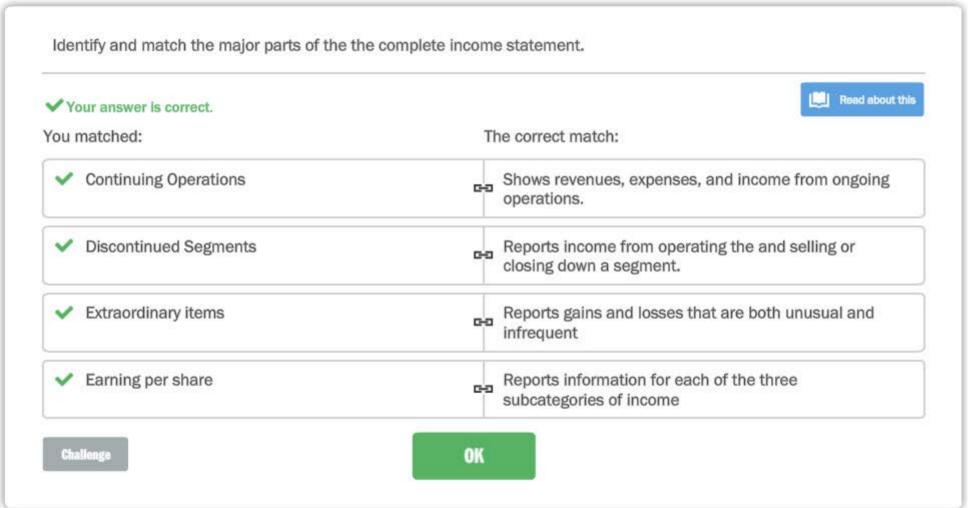


Blushing Co. had Total Assets of \$105,000, which included Cash of \$30,000, Accounts Receivable of \$15,000 Merchandise Inventory of \$60,000. Blushing also had Total Liabilities of \$95,000, which included Current Liabilities of \$60,000. Blushing's acid-test ratio equals:



The current ratio, or current assets divided by current liabilities, is used to evaluate a company's ability to pay its short-term obligations.





Vito Co. had current assets of \$9,000 and current liabilities of \$6,000 at the end of 2010. Net income during the year was \$21,000. The current ratio for the period is:



The times interest earned ratio is computed by taking income before interest expense and income taxes divided by interest expense.



Challenge

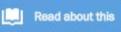


The formula for accounts receivable turnover is computed as _____ divided by average accounts receivable, net. Read about this ✓ Your answer is correct. net income net sales cash assets Challenge

Return on common stockholders' equity is computed by taking (net income less preferred dividends) divided by: Read about this ✓ Your answer is correct. average common stockholders' equity average price per share of common stock average common stockholders shares Challenge

At the end of the first year, assets for a company are \$60,000 and liabilities are \$40,000. The debt-to-equity ratio is 2.





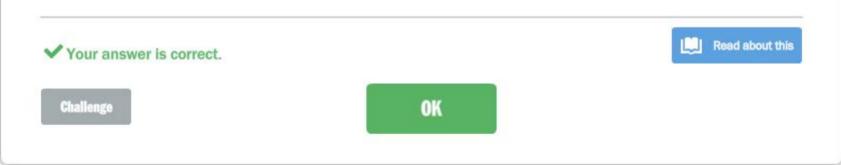
Debt-to-equity = Liabilities/Equity. Liabilities = \$40,000. Equity= \$60,000-\$40,000=\$20,000. \$40,000/\$20,000=2.0





✓ Your answer is correct.	Read about this
ratio analysis.	
horizontal analysis.	
vertical analysis.	
income analysis.	

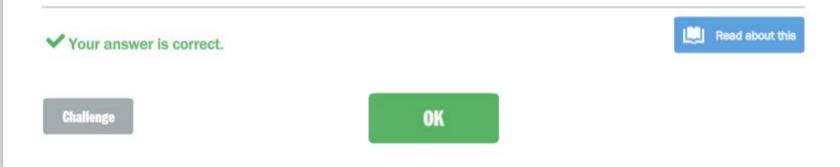
Profit margin reflects a company's ability to earn net income from sales. It is measured by expressing net income as a percent of sales.



✓ Your answer is correct.	Read about this
Efficiency	
✓ Liquidity	
Working Capital	

✓ Your answer is correct.		Read about this
average total assets div	vided by net income	
assets divided by cost of	of goods sold	
net income divided by a	assets	
net income divided by a	average total assets	

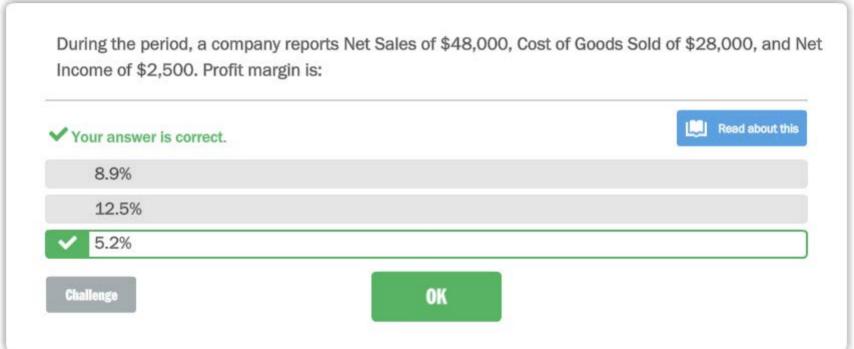
The amount of income before deductions for interest expense and income taxes is the amount available to pay interest. The times interest earned ratio takes this income divided by interest expense to determine the risk for creditors.



Total asset turnover is computed by taking net sales divided by average total assets.



Your answer is correct.		Read about this
Common dividend yield		
Book value per common	share	
Return on common stoc	kholders' equity	
Price earnings ratio		



A(n) ratio expresses a mathematical relation between two quantities. It can be expressed as a percent, rate, or proportion. It is a simple arithmetic operation, but its interpretation is not.



Challenge



Identify which of the following sections are part of the six sections that make up a good analysis report. Read about this ✓ Your answer is correct. **Executive summary** Assumptions Stockholders analysis Key factors Challenge

A company reports Net Sales of \$50,000 in 2010 and \$60,000 in 2009. At the beginning of 2010, Accounts Receivable was \$3,000; at the end of the period Accounts Receivable was \$7,000. Accounts receivable turnover for 2010 is 10 times.

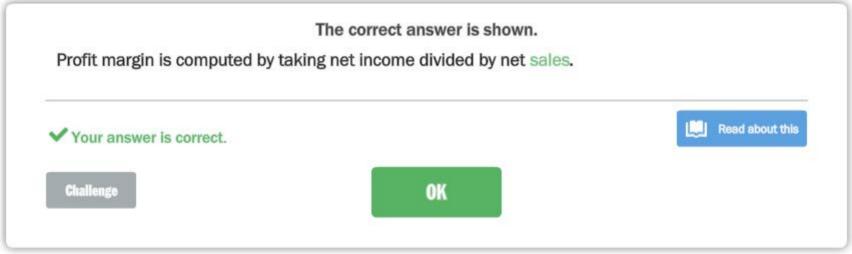


The dividend yield is computed by taking: Read about this Your answer is correct. annual cash dividends per share divided by market price per share annual cash dividends per share divided by earnings per share annual cash dividends per share divided by par value per share Challenge

Your answer is correct.	Read about thi
Inventory turnover	
Total asset turnover	
Days' sales uncollected	
✓ Days' sales in inventory	

A potential investor in Denzel Co. would like to measure how frequently Denzel converts its account receivables into cash. The investor takes Denzel's net sales divided by average accounts receivable to determine this information, known as the accounts receivable turnover ratio.





merchandise inventory prepaid expenses	
prepaid expenses	
supplies	

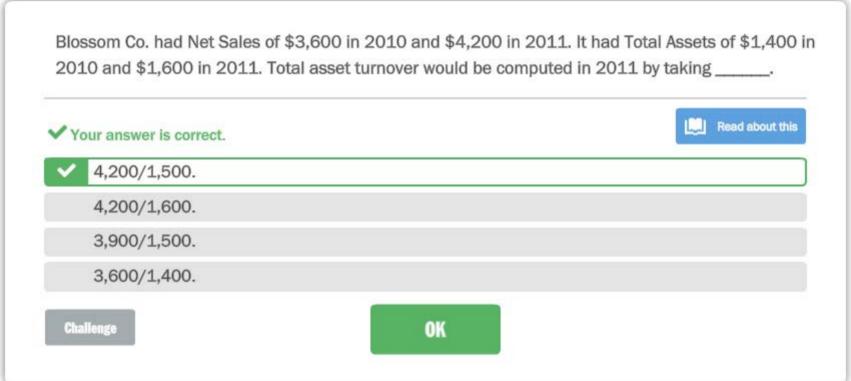
An investor in Kora, Inc. is interested in how productive Kora is in using its assets. This is known as a(n) (efficiency/liquidity) efficiency measure.



Challenge



Your answer is correct.	Read about the
Financial	
Income	
Stock	
Managerial	



The price-earnings ratio is computed by taking market price per common share divided by earnings per share.



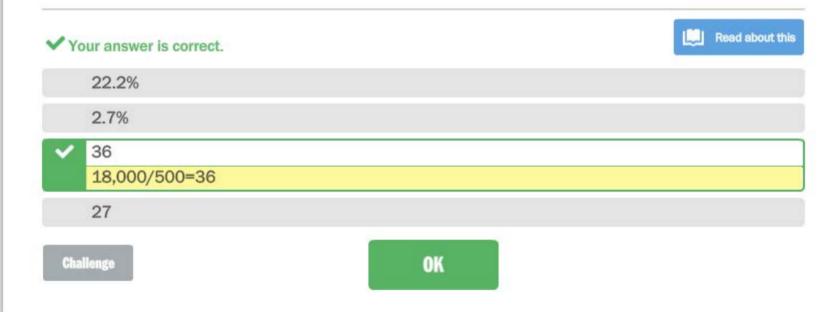


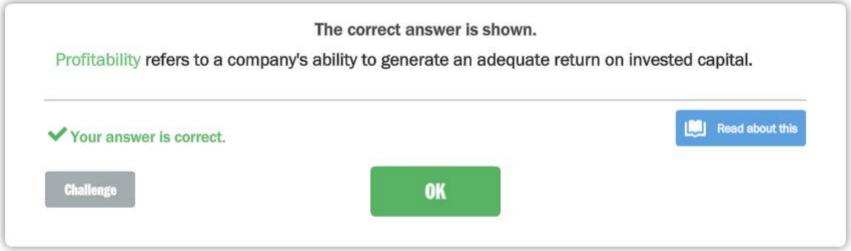




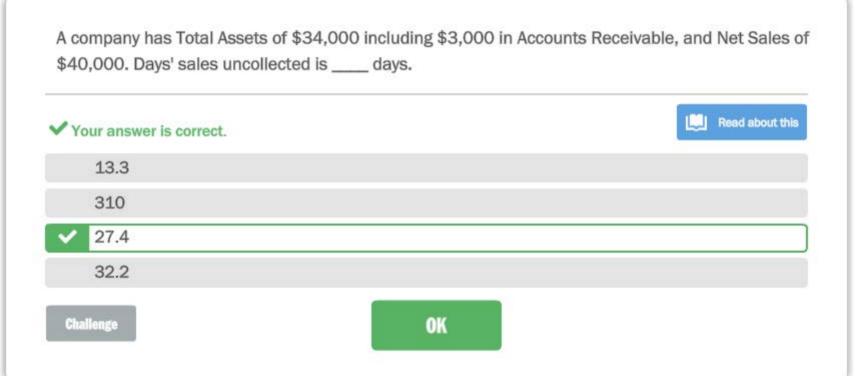


A company reports net income before interest expense and income taxes of \$18,000. Interest Expense for the period is \$500 and Taxes are \$4,000. Times interest earned is:



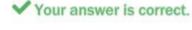


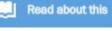
✓ Your answer is correct.		Read about this
total debt divided by total a	ssets	
total liabilities divided by to	tal assets	
total liabilities divided by to	tal equity	



The formula for the acid-test ratio is computed as (cash + short-term investments + current receivables)/current liabilities.











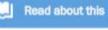
✓ Your answer is correct.	Read about this
Challenge	

A company has only common stock (no preferred stock) and reports Net Income for the period of \$1,500. Stockholder's Equity at the beginning of the period was \$6,200 and at the end of the period is \$5,200. Compute return on common stockholders' equity.



Dividend yield is used to compare the dividend-paying performance of different investment alternatives. It is computed by taking annual cash dividends per share divided by market price per share.







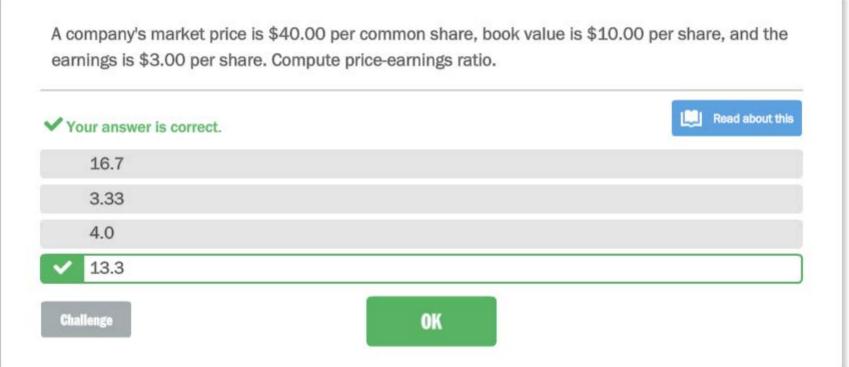


(Solvency/efficiency) solvency refers to a company's long-run financial viability and its ability to cover long-term obligations.





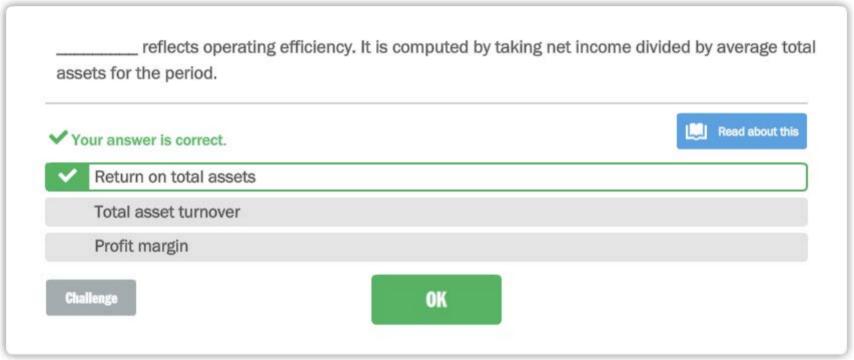




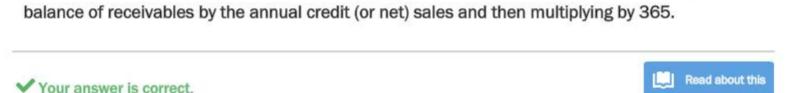
Days' sales uncollected is computed by taking accounts receivable, net divided by net sales multiplied by 365.





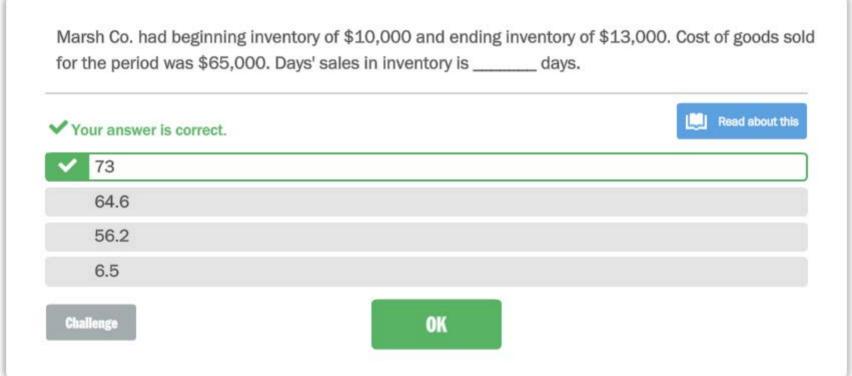


Days' sales uncollected is a measure of the liquidity of receivables computed by dividing the current balance of receivables by the annual credit (or net) sales and then multiplying by 365.

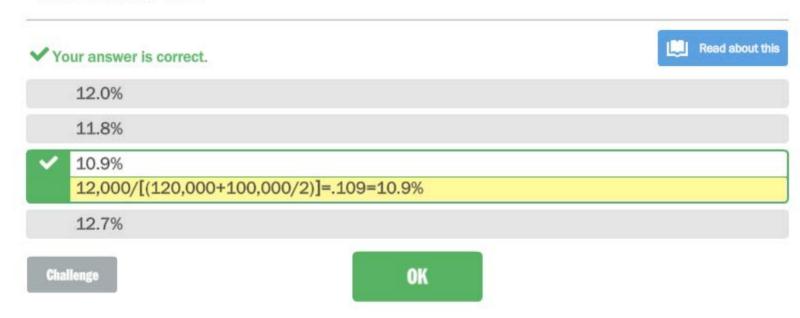








A company reported Net Income for 2011 of \$12,000 and for 2010 of \$14,000. It reported Total Assets at the end of 2011 of \$120,000 and at the end of 2010 of \$100,000. Compute return on total assets for 2011.



Comparing amounts for two or more successive periods often helps in analyzing financial statements. Comparative financial statements facilitate this comparison by showing financial amounts in side-by-side columns on a single statement.



Your answer is correct.	Read about this
base amount/analysis amount	
base amount + analysis amount	
✓ analysis amount/base amount	
analysis amount - base amount	

The purpose of financial statement analysis is for (internal/external) internal users to provide strategic information to improve company efficiency and effectiveness in providing products and services.



Challenge



✓ Your answer is correct.	Read about this
✓ base period amount	
analysis period amount	
total period amount	

When interpreting measures from financial statement analysis, we need to decide whether the measures indicate good, bad, or average performance. To make such judgments, we need standards (or benchmarks) for comparisons.



Challenge

