Days' sales in inventory is computed by taking _____ divided by cost of goods sold multiplied by 365.

✔ **Your answer is correct.**

average total inventory

net sales

✔ ending inventory

Challenge

OK

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

✔ **Your answer is correct.**

- ✔ Notes to financial statements
- ✔ Statement of cash flows
- ✔ Balance sheet
- Summary of ratios
- ✔ Statement of retained earnings
- ✔ Income statement

Challenge

OK

The price-earnings ratio is computed by taking:

✔ **Your answer is correct.**

earnings per share divided by market price per common share

✔ market price per common share divided by earnings per share

market price per common share divided by dividends per share

Challenge

OK

The correct answer is shown.

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.

✔ **Your answer is correct.**

[Read about this]

Challenge   **OK**

Identify which of the following specific areas are considered the building blocks of financial statement analysis. (Check all that apply.)

✔ **Your answer is correct.**

✔	Market prospects
✔	Profitability
✔	Liquidity and efficiency
	Ratio analysis
✔	Solvency

Challenge

OK

The correct answer is shown.

The debt-to-equity ratio is a measure of solvency that takes total liabilities divided by total equity.

✔ Your answer is correct.

Challenge

OK

📖 Read about this

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.

✔ **Your answer is correct.**

| 5.0% |
| 6.3% |
| ✔ 1.7% |

Challenge   **OK**

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:

✔ **Your answer is correct.**

1.1

✔ 0.75

0.5

1.75

Challenge

OK

The correct answer is shown.

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

✔ **Your answer is correct.**

📖 Read about this

Challenge

OK

Identify and match the major parts of the the complete income statement.

✔ **Your answer is correct.**

You matched: The correct match:

✔ Continuing Operations	⊂⊐ Shows revenues, expenses, and income from ongoing operations.
✔ Discontinued Segments	⊂⊐ Reports income from operating the and selling or closing down a segment.
✔ Extraordinary items	⊂⊐ Reports gains and losses that are both unusual and infrequent
✔ Earning per share	⊂⊐ Reports information for each of the three subcategories of income

Challenge   **OK**

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:

✔ Your answer is correct.

- 2.33
- 67%
- ✔ 1.5
- 28%

Challenge

OK

The correct answer is shown.

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

✔ **Your answer is correct.**

Challenge

OK

📖 Read about this

The formula for accounts receivable turnover is computed as _____ divided by average accounts receivable, net.

✔ **Your answer is correct.**

net income

✔ net sales

cash

assets

Challenge

OK

Return on common stockholders' equity is computed by taking (net income less preferred dividends) divided by:

✔ **Your answer is correct.**

✔ average common stockholders' equity

average price per share of common stock

average common stockholders shares

Challenge

OK

The correct answer is shown.

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.

✔ Your answer is correct.

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

Challenge   **OK**

Three common tools of financial statement analysis include: (Check all that apply.)

✔ **Your answer is correct.**

✔ ratio analysis.

✔ horizontal analysis.

✔ vertical analysis.

income analysis.

Challenge

OK

The correct answer is shown.

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

Challenge

OK

_____ refers to the availability of resources to meet short-term cash requirements. Analysis is aimed at a company's funding requirements.

✔ **Your answer is correct.**

Efficiency

✔ Liquidity

Working Capital

Challenge   OK

Return on total assets is computed by taking:

✓ **Your answer is correct.**

average total assets divided by net income

assets divided by cost of goods sold

net income divided by assets

✓ net income divided by average total assets

Challenge

OK

The correct answer is shown.

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.

✔ **Your answer is correct.**

[Read about this]

[Challenge] [OK]

The correct answer is shown.

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

✔ Your answer is correct.

Challenge   **OK**   Read about this

_____ measures the amount of net income earned for its owners. It is computed by taking net income less preferred dividends divided by average common stockholders' equity.

✔ **Your answer is correct.**

Common dividend yield

Book value per common share

✔ Return on common stockholders' equity

Price earnings ratio

Challenge

OK

During the period, a company reports Net Sales of $48,000, Cost of Goods Sold of $28,000, and Net Income of $2,500. Profit margin is:

✔ **Your answer is correct.**

8.9%

12.5%

✔ 5.2%

Challenge

OK

The correct answer is shown.

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.

✔ Your answer is correct.

Challenge

OK

Identify which of the following sections are part of the six sections that make up a good analysis report.

✔ **Your answer is correct.**

✔ Executive summary

✔ Assumptions

Stockholders analysis

✔ Key factors

Challenge

OK

The correct answer is shown.

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.

✔ **Your answer is correct.**

Net sales/average accounts receivable. $50,000/[(3000+7000)/2]=10.

Challenge
Keyboard shortcut: alt+c

OK

The dividend yield is computed by taking:

✓ 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

OK

_____ is a useful measure in evaluating inventory liquidity. It is computed by taking ending inventory divided by cost of goods sold multiplied by 365.

✔ Your answer is correct.

Inventory turnover

Total asset turnover

Days' sales uncollected

✔ Days' sales in inventory

Challenge

OK

The correct answer is shown.

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.

✔ **Your answer is correct.**

📖 Read about this

Challenge

OK

The correct answer is shown.

Profit margin is computed by taking net income divided by net sales.

✔ Your answer is correct.

Read about this

Challenge   OK

The acid-test ratio takes the sum of cash, short-term investments, and _____ and divides the total by current liabilities. It helps determine immediate short-term debt-paying ability.

✔ **Your answer is correct.**

merchandise inventory

prepaid expenses

supplies

✔ current receivables

Challenge

OK

The correct answer is shown.

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.

✔ Your answer is correct.

[Read about this]

Challenge   OK

_____ reporting refers to the communication of financial information useful for making investment, credit, and other business decisions.

✔ **Your answer is correct.**

📖 Read about this

✔ Financial

Income

Stock

Managerial

Challenge

OK

Blossom Co. had Net Sales of $3,600 in 2010 and $4,200 in 2011. It had Total Assets of $1,400 in 2010 and $1,600 in 2011. Total asset turnover would be computed in 2011 by taking _____.

✔ **Your answer is correct.**

✔ 4,200/1,500.

4,200/1,600.

3,900/1,500.

3,600/1,400.

Challenge

OK

The correct answer is shown.

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

✔ Your answer is correct.

Read about this

Challenge

OK

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.**

- 22.2%
- 2.7%
- ✔ 36
  18,000/500=36
- 27

Challenge OK

The correct answer is shown.

Profitability refers to a company's ability to generate an adequate return on invested capital.

✔ **Your answer is correct.**

📖 Read about this

Challenge

OK

The debt-to-equity ratio is computed by taking:

✔ **Your answer is correct.**

total debt divided by total assets

total liabilities divided by total assets

✔ total liabilities divided by total equity

Challenge

OK

A company has Total Assets of $34,000 including $3,000 in Accounts Receivable, and Net Sales of $40,000. Days' sales uncollected is _____ days.

✔ Your answer is correct.

13.3

310

✔ 27.4

32.2

Challenge

OK

The correct answer is shown.

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

OK

The correct answer is shown.

Working capital can be computed by taking current assets- current liabilities.

✔ Your answer is correct.

📖 Read about this

Challenge

OK

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.

✔ Your answer is correct.

✔ 26.3%

24.2%

28.8%

Challenge

OK

The correct answer is shown.

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.

✔ Your answer is correct.

Read about this

Challenge

OK

The correct answer is shown.

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

✔ Your answer is correct.

[Read about this]

Challenge   OK

A company's market price is $40.00 per common share, book value is $10.00 per share, and the earnings is $3.00 per share. Compute price-earnings ratio.

✔ **Your answer is correct.**

- 16.7
- 3.33
- 4.0
- ✔ 13.3

Challenge   OK

The correct answer is shown.

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

✔ **Your answer is correct.**

📖 Read about this

Challenge

OK

_____ reflects operating efficiency. It is computed by taking net income divided by average total assets for the period.

✔ **Your answer is correct.**

✔	Return on total assets
	Total asset turnover
	Profit margin

Challenge

OK

The correct answer is shown.

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.

✔ **Your answer is correct.**

📖 Read about this

Challenge

OK

Marsh Co. had beginning inventory of $10,000 and ending inventory of $13,000. Cost of goods sold for the period was $65,000. Days' sales in inventory is _____ days.

✔ Your answer is correct.

✔ 73

64.6

56.2

6.5

Challenge

OK

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.

✔ **Your answer is correct.**

- 12.0%
- 11.8%
- ✔ 10.9%
  12,000/[(120,000+100,000/2)]=.109=10.9%
- 12.7%

Challenge   OK

The correct answer is shown.

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

Challenge

OK

To prepare common-size financial statements, each line item needs to be calculated to a common-size percent. The formula for common-size percent is (_____) x 100.

✔ Your answer is correct.

- base amount/analysis amount
- base amount + analysis amount
- ✔ analysis amount/base amount
- analysis amount - base amount

Challenge

OK

The correct answer is shown.

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.

✔ Your answer is correct.

📖 Read about this

Challenge

OK

To compute the percent change, divide the (analysis period amount - base period amount) by _____ x 100.

✔ **Your answer is correct.**

✔	base period amount
	analysis period amount
	total period amount

Challenge   OK

The correct answer is shown.

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.

✔ Your answer is correct.

Read about this

Challenge

OK