1. Britney and Christina Incorporated has a debt ratio of 0.42, noncurrent liabilities of $20,000 and total assets of $70,000. What is Britney and Christina's level of current liabilities?

A $8,400

B $9,400

C $12,348

D $10,600

2. In 2002 Clanton, Inc. had a gross profit of $27,000 on sales of $110,000. Clanton's operating expenses for 2002 were $13,000, and its net profit margin was .0585. Clanton had no interest expense in 2002. What was Clanton's gross profit margin for 2002?

A 0.127

B 0.325

C 0.245

D 0.364

3. In making financial decisions, the relevant tax rate is the:

A marginal tax rate

B average (effective) tax rate

C previous year’s tax rate

D maximum allowable tax rate

4. Which of the following best reflects the mix of corporate securities issued in the U.S.?

A 74% debt, 26% equity

B 55% debt, 45% equity

C 45% debt, 55% equity

D 26% debt, 74% equity

5. Why is the quick ratio a more refined liquidity measure than the current ratio?

A It measures how "quickly" cash and other liquid assets flow through the company.

B Inventories are generally the least liquid of the firm's current assets.

C Inventories are generally among the most liquid of the firm's current assets.

D Cash is the most liquid current asset.

6. PDQ Corp. has sales of $3,000,000; the firm's cost of goods sold is $1,425,000; and its total operating expenses are $700,000. The firm's interest expense is $230,000, and the corporate tax rate is 40%. What is PDQ's tax liability?

A $258,000

B $350,000

C $387,000

D $645,000

7. The quick ratio of a firm would be unaffected by which of the following?

A land held for investment is sold for cash

B equipment is purchased, financed by a long-term debt issue

C inventories are sold for cash

D inventories are sold on a short-term credit basis

8 Which of the following ratios would be the best way to determine how customers are paying for their purchases?

A Inventory turnover.

B Total asset turnover.

C Current ratio.

D Average collection period.