***For the true false answers only submit the question number and answer -- do not include the question in your answer sheet.  For other questions/problems, please show all of your work for full credit.  One Excel attachment is preferred -- do not send in more than one attached file.***

1.   Profit maximization stresses the efficient use of timing and risks.

2.   Financial assets are tangible assets such as houses, equipment, and inventories.

3.   The sustainable rate of growth represents the rate at which a firm’s sales can grow if it wants to maintain its present financial ratios and does not want to resort to a sale of new equity shares.

4.   Business risk refers to the relative disperses in the firm’s expected earnings after interest and taxes.

5.   New capital-budgeting projects are always new products taken to market.

6. The stock of cash is a type of inventory.

7.   If an asset is sold above depreciated value, it may be used to offset gains and thus result in tax savings.

8. Free cash flow is the cash flow in excess of that required to fund all projects with positive and negative net present value when discounted at the relevant cost of capital.

9. The Euro eliminated exchange costs and exchange rate fluctuations.

10.   The foreign exchange market is like the New York Stock Exchange because they are both physical entities.

**MULTIPLE CHOICES. Choose the one alternative that best completes the statement or answers the question. Please provide any back-up of your calculations on a separate worksheet so that credit can be assigned.**

11. Which of the following measure an organization’s liquidity?

a. Acid test ratio

b. debt to equity ratio

c. return on equity

d. Dupont Analysis

12. If I invest $1000 at an interest rate of 2% what would the future value be after 5 years?

a. 2500

b. 1104

c. 2134

d. 1500

13. Burns Promotions Plus has an annuity that pays $2500 at the beginning of the next 4 years what is the future value of the annuity if the interest rate is 5%?

a. $13,814

b. $15,638

c. $28,780

d. $30,149

14. Grover’s Vinyl Siding has a $2000 loan that needs to be repaid in 3 equal installments at the end of the next three years with an interest rate of 6%; what would the requested payment be?

a. $2,000

b. $2,744

c. $2,244

d. $2,898

15. Plexus Pictures collects 70% of its sales during the month of sales, 20% one month after the sales and 10% two months after the sale. The company expects sales of $15,000 in August; $25,000 in September; $10,000 in October; and $50,000 in November How much money will they collect in October?

a. $13,500

b. $15,500

c. $17,500

d. $25,500

16. The significance of a ratio can only be truly appreciated Except when:

a. It is compared with other ratios in the same set of financial statements.

b. It is compared with the same ratio in previous financial statements (trend analysis).

c. It is compared with a standard of performance (industry average)

d. It is compared with other ratios in different sets of financial statement.

17. Which is not a type of ratio?

a. Liquidity

b. Inventory Valuation

c. Profitability

d. Leverage

18. Burns Promotions Plus has a cost of revenue of $219,793 million for the fiscal year ended January 31, 2008. It had an inventory balance of $29,447 million at the end of this fiscal year. Based on this information what is the number of days inventory for the year 2007 (ending January 31, 2008).

a. 23.3 days

b. 35.9 days

c. 42.3 days

d. 48.9 days

18. Burns Promotions Plus has a cost of revenue of $219,793 million for the fiscal year ended January 31, 2008. It had an inventory balance of $29,447 million at the end of this fiscal year. Based on this information what is the inventory turnover for the year 2007 (ending January 31, 2008).

a. 3.23 times

b. 4.56 times

c. 7.46 times

d. 8.75 times

19. What is working capital?

a. An indicator whether the company will be able to meet its current obligations.

b. Tells you the relationship of current assets to current liabilities.

c. Indicates the relationship between amounts of assets that can be quickly be turned into cash versus the amount of current liability.

d. It measures the return to the owners.

20. Euro was introduced because of the following EXCEPT?

a. It made it easier for goods, people, and services to travel across national borders.

b. It helped to eliminate cost differences for goods in different countries.

c. It made it easier to compare prices and eliminate discrepancies.

d. The value of the Euro remains constant.

**PROBLEMS. Provide back-up of your work on a separate worksheet so that credit can be assigned. You may provide either a Word document or an Excel spreadsheet.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Amy's Widgets Balance Sheet** |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ASSETS | |  | |  | |  | LIABILITIES | | |  |  |
| Current Assets | | | |  | |  | Current Liabilities | | | |  |
|  | | Cash | |  | | $   2,100 |  | | Notes Payable | | $   5,000 |
|  | | Petty Cash | | | | 100 |  | | Accounts Payable | | 35,900 |
|  | | Temporary Investments | | | | 10,000 |  | | Wages Payable | | 8,500 |
|  | | Accounts Receivable - net | | | | 40,500 |  | | Interest Payable | | 2,900 |
|  | | Inventory | |  | | 31,000 |  | | Taxes Payable | | 6,100 |
|  | | Supplies | |  | | 3,800 |  | | Warranty Liability | | 1,100 |
|  | | Prepaid Insurance | | | | 1,500 |  | | Unearned Revenues | | 1,500 |
|  | |  | | Total Current Assets | | 89,000 |  | |  | Total Current Liabilities | 61,000 |
| - | |  | |  | |  |  | |  |  |  |
| Investments | | | |  | | 36,000 | Long-term Liabilities | | | |  |
|  | |  | |  | |  |  | | Notes Payable | | 20,000 |
| Property, Plant & Equipment | | | | | |  |  | | Bonds Payable | | 400,000 |
|  | | Land | |  | | 5,500 |  | |  | Total Long-term Liabilities | 420,000 |
|  | | Land Improvements | | | | 6,500 |  | |  |  |  |
|  | | Buildings | |  | | 180,000 |  | |  |  |  |
|  | | Equipment | | | | 201,000 | Total Liabilities | | | | 481,000 |
|  | | Less: Accum Depreciation | | | | (56,000) |  | |  |  |  |
|  | |  | | Prop, Plant & Equip - net | | 337,000 |  | |  |  |  |
| - | |  | |  | |  |  | |  |  |  |
| Intangible Assets | | | |  | |  | STOCKHOLDERS' EQUITY | | | |  |
|  | | Goodwill | |  | | 105,000 |  | | Common Stock | | 110,000 |
|  | | Trade Names | | | | 200,000 |  | | Retained Earnings | | 229,000 |
|  | |  | | Total Intangible Assets | | 305,000 |  | | Less: Treasury Stock | | (50,000) |
|  | |  | |  | |  |  | |  | Total Stockholders' Equity | 289,000 |
| Other Assets | | | |  | | 3,000 |  | |  |  |  |
| - | |  | |  | |  |  | |  |  |  |
| Total Assets | | | |  | | $770,000 | Total Liabilities & Stockholders' Equity | | | | $770,000 |
| **Income Statement 2008 For Amy's Widgets** | | | | | | | |
|  |  | |  | |  | | |
| Sales (all on Credit) | | |  | | $500,000 | | |
| Cost of Good Sold | | |  | | $380,000 | | |
| Gross Profit | | |  | | $120,000 | | |
|  |  | |  | |  | | |
| Operating Expenses | | |  | |  | | |
| Selling/Admin expense | | | | | $80,000 | | |
|  |  | |  | |  | | |
| Operating Income | | |  | | $40,000 | | |
| Interest Expense | | |  | | $12,000 | | |
|  |  | |  | |  | | |
| Income before taxes | | |  | | $28,000 | | |
| Income Tax Expense | | |  | | $5,000 | | |
|  |  | |  | |  | | |
| Net Income after Taxes | | | | | $23,000 | | |
|  |  |  |  |  |  |  |  |  |  |  |  |

21.    Based on the above information:

a.       Calculate Working Capital

b.      Calculate Current Ratio

c.       Calculate Acid Test Ratio

d.      Calculate Average Collection Period

e.       Calculate Accounts Receivable Turnover

f.        Calculate Inventory Turnover

22.    Based on the above information:

a.       Calculate the Gross Margin

b.      Calculate Profit Margin

c.       Calculate Return on the Stockholder’s Equity

d.      Calculate Debt Ratio

e.       Calculate Times Interest Earned

f.        Calculate Fixed Asset Turnover