Student name:__________

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) A firm has common stock of $93, paid-in surplus of $300, total liabilities of $425, current assets of $420, and net fixed assets of $630. What is the amount of the shareholders' equity?

A) $625
B) $818
C) $1,050
D) $205
E) $545

2) Recently, the owner of Martha's Wares encountered severe legal problems and is trying to sell her business. The company built a building at a cost of $1,220,000 that is currently appraised at $1,420,000. The equipment originally cost $700,000 and is currently valued at $447,000. The inventory is valued on the balance sheet at $390,000 but has a market value of only one-half of that amount. The owner expects to collect 97 percent of the $215,200 in accounts receivable. The firm has $10,300 in cash and owes a total of $1,420,000. The legal problems are personal and unrelated to the actual business. What is the market value of this firm?

A) $1,271,244
B) $1,661,244
C) $642,000
D) $861,044
E) $1,056,044

3) Ivan's, Inc., paid $486 in dividends and $588 in interest this past year. Common stock increased by $198 and retained earnings decreased by $124. What is the net income for the year?

A) $362
B) $950
C) $588
D) $786
E) $486

4) The tax rates for a particular year are shown below:

Taxable Income	Tax Rate
$0 - 50,000	15%
50,001 - 75,000	25%
75,001 - 100,000	34%
100,001 - 335,000	39%

What is the average tax rate for a firm with taxable income of $127,513?

A) 28.35%
B) 36.76%
C) 39.00%
D) 20.00%
E) 25.86%

5) The tax rates are as shown below:

Taxable Income	Tax Rate
$0 - 50,000	15%
50,001 - 75,000	25%
75,001 - 100,000	34%
100,001 - 335,000	39%

Your firm currently has taxable income of $81,100. How much additional tax will you owe if you increase your taxable income by $22,300?

A) $7,752
B) $7,362
C) $7,372
D) $7,582
E) $8,697

6) Your firm has net income of $273 on total sales of $1,240. Costs are $690 and depreciation is $130. The tax rate is 35 percent. The firm does not have interest expenses. What is the operating cash flow?

A) $550
B) $273
C) $403
D) $693
E) $420

7) Teddy's Pillows had beginning net fixed assets of $477 and ending net fixed assets of $562. Assets valued at $325 were sold during the year. Depreciation was $54. What is the amount of net capital spending?

A) $291
B) $31
C) $464
D) $85
E) $139

8) At the beginning of the year, a firm has current assets of $316 and current liabilities of $220. At the end of the year, the current assets are $469 and the current liabilities are $260. What is the change in net working capital?

A) $0
B) $193
C) $153
D) $113
E) −$113

9) At the beginning of the year, long-term debt of a firm is $306 and total debt is $338. At the end of the year, long-term debt is $268 and total debt is $348. The interest paid is $34. What is the amount of the cash flow to creditors?

A) $72
B) −$72
C) $34
D) −$38
E) $38

10) Peggy Grey's Cookies has net income of $450. The firm pays out 30 percent of the net income to its shareholders as dividends. During the year, the company sold $90 worth of common stock. What is the cash flow to stockholders?

A) $108.00
B) $225.00
C) $135.00
D) $315.00
E) $45.00

11) A company has total equity of $2,040, net working capital of $200, long-term debt of $990, and current liabilities of $2,820. What is the company's net fixed assets?

A) $3,030
B) $3,870
C) $2,830
D) $3,020
E) $5,850

12) Disturbed, Inc., had the following operating results for the past year: sales = $22,609; depreciation = $1,410; interest expense = $1,136; costs = $16,540. The tax rate for the year was 40 percent. What was the company's operating cash flow?

A) $3,274
B) $3,523
C) $2,114
D) $7,478
E) $4,660

13) A company has net working capital of $1,672. If all its current assets were liquidated, the company would receive $5,611. What are the company's current liabilities?

A) $6,938
B) $7,283
C) $3,642
D) $3,939
E) $4,775

14) You are examining a company's balance sheet and find that it has total assets of $20,499, a cash balance of $2,181, inventory of $4,881, current liabilities of $5,765 and accounts receivable of $2,701. What is the company's net working capital?

A) $3,998
B) $883
C) $5,764
D) $14,734
E) $1,817

15) You find the following financial information about a company: net working capital = $978; fixed assets = $5,961; total assets = $8,478; and long-term debt = $4,515. What are the company's total liabilities?

A) $2,031
B) $6,924
C) $7,977
D) $6,054
E) $5,493

16) You find the following financial information about a company: net working capital = $1,395; fixed assets = $8,065; total assets = $12,070; and long-term debt = $4,693. What is the company's total equity?

A) $4,767
B) $9,403
C) $5,965
D) $10,815
E) $4,005

17) Hoodoo Voodoo Co. has total assets of $66,300, net working capital of $20,350, owners' equity of $32,270, and long-term debt of $23,830. What is the company's current assets?

A) $32,270
B) $30,550
C) $56,100
D) $45,950
E) $35,750

18) A company has net working capital of $2,210, current assets of $6,500, equity of $22,260, and long-term debt of $10,550. What is the company's net fixed assets?

A) $28,520
B) $39,310
C) $30,600
D) $26,310
E) $24,470

19) Micro, Inc., started the year with net fixed assets of $75,675. At the end of the year, there was $97,225 in the same account, and the company's income statement showed depreciation expense of $13,555 for the year. What was the company's net capital spending for the year?

A) $43,000
B) $40,590
C) $83,670
D) $21,550
E) $35,105

20) At the beginning of the year, Shinedown, Corp., had a long-term debt balance of $45,755. During the year, the company repaid a long-term loan in the amount of $11,230. The company paid $4,035 in interest during the year, and opened a new long-term loan for $9,985. How much is the ending long-term debt account on the company's balance sheet?

A) $51,705
B) $44,510
C) $47,000
D) $48,545
E) $5,280

21) At the beginning of the year, Nothing More, Corp., had a long-term debt balance of $37,429. During the year, the company repaid a long-term loan in the amount of $10,139. The company paid $3,855 in interest during the year, and opened a new long-term loan for $8,945. What was the cash flow to creditors during the year?

A) $5,090
B) $1,194
C) $5,049
D) $6,284
E) $14,490

22) For the past year, Momsen, Ltd., had sales of $47,747, interest expense of $4,400, cost of goods sold of $17,884, selling and administrative expense of $12,431, and depreciation of $7,430. If the tax rate was 38 percent, what was the company's net income?

A) $3,473
B) $11,180
C) $1,801
D) $3,921
E) $5,602

23) For the past year, Kayla, Inc., has sales of $47,357, interest expense of $4,244, cost of goods sold of $17,534, selling and administrative expense of $12,241, and depreciation of $7,140. If the tax rate is 35 percent, what is the operating cash flow?

A) $14,040
B) $11,169
C) $15,413
D) $4,029
E) $6,198

24) HUD, Co. had a beginning retained earnings of $29,435. For the year, the company had net income of $6,190 and paid dividends of $2,360. The company also issued $4,160 in new stock during the year. What is the ending retained earnings balance?

A) $33,265
B) $37,425
C) $31,795
D) $33,595
E) $29,105

25) At the beginning of the year, Vendors, Inc., had owners' equity of $50,630. During the year, net income was $6,850 and the company paid dividends of $4,630. The company also repurchased $8,930 in equity. What was the owners' equity account at the end of the year?

A) $43,920
B) $41,700
C) $48,080
D) $34,850
E) $37,070

26) At the beginning of the year, Vendors, Inc., had owners' equity of $49,460. During the year, net income was $5,800 and the company paid dividends of $4,060. The company also repurchased $8,060 in equity. What was the cash flow to stockholders for the year?

A) $12,120
B) $9,800
C) −$12,120
D) −$4,000
E) $4,000

27) Simon's Hot Chicken purchased its building seven years ago at a price of $140,290. The building could be sold for $180,050 today. The company spent $66,570 on other fixed assets that could be sold for $58,870. The company has accumulated depreciation of $80,650 on its fixed assets. Currently, the company has current liabilities of $37,260 and net working capital of $18,910. What is the ending book value of net fixed assets?

A) $126,210
B) $169,600
C) $163,470
D) $158,270
E) $206,860

28) Last year, Bad Tattoo Co. had additions to retained earnings of $4,100 on sales of $93,600. The company had costs of $74,400, dividends of $2,500, and interest expense of $1,400. If the tax rate was 34 percent, what the depreciation expense?

A) $6,600
B) $7,800
C) $8,197
D) $14,012
E) $9,148

29) Thornton, Inc., had taxable income of $128,657 for the year. The company's marginal tax rate was 35 percent and its average tax rate was 24.2 percent. How much did the company have to pay in taxes for the year?

A) $45,030
B) $28,190
C) $29,548
D) $29,892
E) $31,135

30) Red Barchetta Co. paid $28,355 in dividends and $29,508 in interest over the past year. During the year, net working capital increased from $13,962 to $18,694. The company purchased $44,090 in fixed assets and had a depreciation expense of $17,660. During the year, the company issued $25,475 in new equity and paid off $21,665 in long-term debt. What was the company's cash flow from assets?

A) $53,074
B) $54,450
C) $55,401
D) $47,049
E) $54,053

31) Evil Pop Co. began the year with net fixed assets of $17,258 and had $18,491 in the account at the end of the year. During the year, the company paid $4,198 in interest and expensed $3,690 in depreciation. The company purchased $8,280 in fixed assets during the year. How much in fixed assets did the company sell during the year?

A) $9,139
B) $725
C) $3,357
D) $5,315
E) $3,791

32) The Primus Corp. began the year with $7,001 in its long-term debt account and ended the year with $8,487 in long-term debt. The company paid $819 in interest during the year and issued $2,185 in new long-term debt. How much in long-term debt must the company have paid off during the year?

A) $699
B) $462
C) −$1,486
D) $1,486
E) −$667

33) Rousey, Inc., had a cash flow to creditors of $16,380 and a cash flow to stockholders of $6,740 over the past year. The company also had net fixed assets of $49,380 at the beginning of the year and $56,740 at the end of the year. Additionally, the company had a depreciation expense of $11,940 and an operating cash flow of $50,265. What was the change in net working capital during the year?

A) $6,413
B) $7,120
C) $7,845
D) $9,640
E) $7,360

34) A company is obligated to pay its creditors $6,415 at the end of the year. If the value of the company's assets equals $6,241 at that time, what is the value of shareholders' equity?

A) $174
B) $0
C) −$174
D) −$87
E) $12,656

35) Maynard Enterprises paid $1,468 in dividends and $1,214 in interest over the past year. The common stock account increased by $1,344 and retained earnings decreased by $448. What was the company's net income?

A) $1,020
B) $2,364
C) $1,916
D) $1,792
E) $896

36) Mariota Industries has sales of $403,200 and costs of $186,050. The company paid $34,950 in interest and $15,100 in dividends. It also increased retained earnings by $71,498 during the year. If the company's depreciation was $21,200, what was its average tax rate?

A) 21.64%
B) 18.45%
C) 46.21%
D) 38.00%
E) 85.92%

37) During the past year, a company had cash flow to creditors, an operating cash flow, and net capital spending of $29,913, $67,209, and $28,420, respectively. The net working capital at the beginning of the year was $11,830 and it was $13,750 at the end of the year. What was the company's cash flow to stockholders during the year?

A) $8,876
B) $10,796
C) $1,920
D) $6,956
E) $5,210

38) During the past year, a company had cash flow to stockholders, an operating cash flow, and net capital spending of $16,610, $40,410, and $19,160, respectively. The net working capital at the beginning of the year was $7,170 and it was $9,080 at the end of the year. What was the company's cash flow to creditors during the year?

A) $984
B) $2,730
C) $1,910
D) $4,640
E) $6,550

39) Hurricane Industries had a net income of $128,500 and paid 35 percent of this amount to shareholders in dividends. During the year, the company sold $79,500 in new common stock. What was the company's cash flow to stockholders?

A) $44,975
B) −$34,525
C) $49,000
D) $34,525
E) −$44,975

40) A company has $495 in inventory, $1,750 in net fixed assets, $186 in accounts receivable, $65 in cash, and $202 in accounts payable. What are the company's total current assets?

A) $746
B) $2,496
C) $948
D) $560
E) $762

41) A company has $1,357 in inventory, $4,800 in net fixed assets, $646 in accounts receivable, $286 in cash, $602 in accounts payable, $1,004 in long-term debt, and $5,395 in equity. What are the company's total assets?

A) $7,089
B) $10,195
C) $8,078
D) $12,484
E) $7,691

42) A company has $1,336 in inventory, $4,773 in net fixed assets, $628 in accounts receivable, $274 in cash, $578 in accounts payable, and $5,368 in equity. What is the company's long-term debt?

A) $1,065
B) $1,643
C) $1,244
D) $1,102
E) $1,593

43) Lola Corp. has shareholders' equity of $133,500. The company has a total debt of $124,800, of which40 percent is payable in the next 12 months. The company also has net fixed assets of $197,650. What is the company's net working capital?

A) $11,719
B) $72,850
C) $10,730
D) $15,042
E) $8,700

44) Smashed Pumpkins Co. paid $152 in dividends and $582 in interest over the past year. The company increased retained earnings by $486 and had accounts payable of $618. Sales for the year were $16,335 and depreciation was $728. The tax rate was 38 percent. What was the company's EBIT?

A) $6,207
B) $1,882
C) $1,029
D) $1,611
E) $1,366

45) Kerch Co. had beginning net fixed assets of $216,566, ending net fixed assets of $211,729, and depreciation of $40,477. During the year, the company sold fixed assets with a book value of $8,050. How much did the company purchase in new fixed assets?

A) $41,527
B) $35,640
C) $32,427
D) $43,690
E) $34,344

46) Adison Winery had beginning long-term debt of $41,681 and ending long-term debt of $47,134. The beginning and ending total debt balances were $51,589 and $56,804, respectively. The company paid interest of $4,489 during the year. What was the company's cash flow to creditors?

A) $5,453
B) $9,704
C) −$726
D) −$964
E) $726

47) A company has net working capital of $882. Long-term debt is $4,483, total assets are $6,741, and fixed assets are $4,353. What is the amount of total liabilities?

A) $5,859
B) $8,836
C) $7,623
D) $5,365
E) $5,989

48) Muffy's Muffins had net income of $2,815. The firm retains 55 percent of net income. During the year, the company sold $715 in common stock. What was the cash flow to shareholders?

A) $833
B) $1,982
C) $552
D) $2,263
E) $1,267

49) A firm has $736 in inventory, $1,390 in fixed assets, $486 in accounts receivable, $262 in net working capital, and $147 in cash. What is the amount of current liabilities?

A) $960
B) $895
C) $654
D) $1,631
E) $1,107

50) A balance sheet has total assets of $1,778, fixed assets of $1,231, long-term debt of $653, and short-term debt of $212. What is the net working capital?

A) $335
B) $366
C) $547
D) $1,125
E) $441

51) A current asset is best defined as

A) the market value of all assets currently owned by the firm.
B) an asset the firm expects to purchase within the next year.
C) the amount of cash on hand the firm currently shows on its balance sheet.
D) cash and other assets owned by the firm that should convert to cash within the next year.
E) the value of fixed assets the firm expects to sell within the next year.

52) The long-term debts of a firm are liabilities

A) owed to the firm's stockholders.
B) that do not come due for at least 12 months.
C) owed to the firm's suppliers.
D) that come due within the next 12 months.
E) the firm expects to incur within the next 12 months.

53) A(n) _____ asset is one that can be quickly converted into cash without significant loss in value.

A) tangible
B) fixed
C) intangible
D) liquid
E) long-term

54) Current assets include

A) inventory and accounts receivable.
B) accounts payable and cash.
C) cash and intangible assets.
D) inventory and accounts payable.
E) buildings and equipment.

55) Which of the following is an example of a current liability?

A) A mortgage loan secured by collateral, payable monthly for 30 years
B) An unsecured loan from the bank, payable monthly for 36 months
C) All amounts that are payable by customers to the firm
D) All amounts that are payable from the firm to suppliers of inventory
E) A past due account receivable from a customer

56) Which one of the following accounts is generally the most liquid?

A) Patent
B) Building
C) Accounts receivable
D) Equipment
E) Inventory

57) Which one of the following statements concerning liquidity is correct?

A) Fixed assets are more liquid than current assets.
B) Balance sheet accounts are listed in order of decreasing liquidity.
C) Liquid assets tend to be highly profitable.
D) The less liquidity a firm has, the lower the probability the firm will encounter financial difficulties.
E) Trademarks and patents are highly liquid.

58) Liquidity is

A) a measure of the use of debt in a firm's capital structure.
B) equal to current assets minus current liabilities.
C) equal to the market value of a firm's total assets minus its current liabilities.
D) generally associated with intangible assets.
E) valuable to a firm even though liquid assets tend to be less profitable to own.

59) Book value is

A) based on historical cost.
B) equivalent to market value for firms with fixed assets.
C) more of a financial than an accounting valuation.
D) the amount a willing buyer will pay for an asset.
E) adjusted to market value whenever the market value exceeds the stated book value.

60) When a financial manager considers the value of an asset, he or she is normally concerned with

A) the historical cost of the asset.
B) the book values of the asset.
C) the value of the asset as shown on the balance sheet.
D) the market value of the asset.
E) the difference between the market value and book value of the asset.

61) All other things being equal, which of the following actions will increase the value of stockholders' equity?

A) A decrease in retained earnings
B) An increase in accumulated depreciation
C) A decrease in inventory
D) An increase in long-term debt
E) An increase in property, plant and equipment

62) Which one of these statements is correct?

A) Long-term debt is the residual difference between assets and liabilities.
B) Net income that is not paid out in dividends decreases retained earnings.
C) Long-term debt requires a payout of cash within a stated time period.
D) Stockholders' equity is stated at market value on the balance sheet.
E) Stockholders' equity increases as the liquidity of a firm increases.

63) The carrying value of assets, also called the book value of assets

A) is the best measure of a company's value to an investor.
B) represents an average market value over time.
C) is always higher than the replacement cost of the assets.
D) is determined under GAAP and is based on the cost of the assets.
E) is determined under GAAP and is based on the current market value of the assets.

64) Stockholders’ equity is equal to

A) net working capital plus long-term liabilities.
B) current assets plus fixed assets minus long-term liabilities.
C) total assets plus total liabilities.
D) current assets minus total liabilities plus fixed assets.
E) net working capital plus total fixed assets.

65) The income statement

A) measures a firm's performance as of a specific date.
B) shows the after-tax income of a firm.
C) excludes deferred taxes.
D) includes dividends as an expense.
E) determines the value of a firm to its stockholders.

66) As seen on an income statement,

A) depreciation expense is a contra-expense that is added to income, and increases income tax expense.
B) depreciation expense is deducted from income, which increases income tax expense.
C) depreciation expense, while shown as an expense, is excluded from the calculation of income taxes.
D) depreciation expense is deducted from income, which decreases income tax expense.
E) because depreciation is a noncash expense, it does not impact income tax expense.

67) Depreciation

A) reduces both the net fixed assets and the costs of a firm.
B) decreases net fixed assets, net income, and operating cash flows.
C) is a noncash expense that decreases the selling, general, and administrative expenses.
D) is a noncash expense that reduces the pretax income.
E) increases the net fixed assets as shown on the balance sheet.

68) Noncash items refer to

A) the credit sales of a firm.
B) the accounts payable of a firm.
C) all accounts on the balance sheet other than cash on hand.
D) the costs incurred for the purchase of intangible fixed assets.
E) expenses charged against revenues that do not directly affect cash flow.

69) Assume both current and deferred taxes are positive values. Given this, deferred taxes will

A) reduce the current tax expense and thus increase net income.
B) increase expenses and increase operating cash flows.
C) increase expenses and lower operating cash flows.
D) reduce net income but not affect the operating cash flows.
E) reduce both net income and operating cash flows.

70) Which of the following actions will increase earnings per share?

A) Decreasing the unit cost of inventory sold
B) Increasing depreciation expense
C) Decreasing the sales price of each unit sold
D) Increasing the corporate tax rate
E) Decreasing dividend payments

71) Revenue is recorded on an income statement when

A) payment for a sale has been received in full.
B) an order for goods is placed.
C) an exchange of goods or services has occurred and the earnings process is completed.
D) an order for goods or services is placed and an initial payment is received.
E) goods are placed in inventory and ready for future delivery.

72) Expenses are recorded on an income statement based on

A) their payment dates.
B) the date the expenses are expected.
C) the matching principle.
D) their invoice dates.
E) the average time principle.

73) Earnings per share is computed as

A) net income divided by total stockholders' equity.
B) EBIT divided by total stockholders' equity.
C) pretax income minus deferred taxes, divided by total shares outstanding.
D) the addition to retained earnings divided by total shares outstanding.
E) net income divided by total shares outstanding.

74) Which one of these is both a product cost and a fixed cost in the short run?

A) Monthly electric bill for manufacturing facility
B) Salary for company CEO
C) Overtime pay for production employees
D) Sales commission paid based on monthly sales
E) Monthly lease payment for production equipment

75) Your _____ tax rate is the percentage of the highest taxable dollar of income you earned that is payable as a tax.

A) deductible
B) residual
C) marginal
D) average
E) total

76) The _____ tax rate measures the total taxes you paid divided by total taxable income.

A) average
B) marginal
C) total
D) deductible
E) residual

77) When making a financial decision, the most relevant tax rate is the _____ rate.

A) average
B) fixed
C) marginal
D) total
E) variable

78) _____ refers to the difference between a firm's current assets and its current liabilities.

A) Operating cash flow
B) Capital spending
C) Net working capital
D) Cash flow from assets
E) Cash flow to creditors

79) A firm starts its year with positive net working capital. During the year, the firm acquires more short-term debt than it does short-term assets. This means that

A) the ending net working capital might be positive, negative, or equal to zero.
B) both accounts receivable and inventory decreased during the year.
C) the beginning current assets were less than the beginning current liabilities.
D) accounts payable increased and inventory decreased during the year.
E) the ending net working capital will be negative.

80) _____ is calculated by adding back noncash expenses to earnings before interest and taxes, subtracting taxes, and adjusting for any changes in total assets or current liabilities that affect cash flows.

A) Distributable cash flow
B) Capital spending
C) Cash flow from assets
D) Cash flow from investing activities
E) Cash flow to creditors

81) _____ refers to a firm's interest payments minus any net new borrowing.

A) Operating cash flow
B) Distributable cash flow
C) Net working capital
D) Cash flow to stockholders
E) Cash flow to creditors

82) _____ refers to a firm's dividend payments minus any net new equity raised.

A) Operating cash flow
B) Capital spending
C) Net working capital
D) Cash flow to stockholders
E) Cash flow from creditors

83) Al's new business has a positive net income and a marginal tax rate of 21 percent. Given this, an increase in which one of the following will cause the operating cash flow to increase?

A) Fixed assets
B) Taxes
C) Net working capital
D) Cost of goods sold
E) Depreciation

84) The cash flow to creditors increases when

A) cash is used to reduce accounts payable.
B) new shares of stock are sold for cash.
C) interest is paid on outstanding debt.
D) an asset is sold for cash.
E) a long-term debt is incurred.

85) Cash flow to stockholders must be positive when

A) the net sale of common stock exceeds the amount of dividends paid.
B) no income is distributed but new shares of stock are sold.
C) both the cash flow to assets and the cash flow to creditors are negative.
D) both the cash flow to assets and the cash flow to creditors are positive.
E) the dividends paid exceed the net new equity raised.

86) What is the formula for computing operating cash flow?

A) EBIT + Depreciation − Current taxes
B) EBIT + Depreciation − Interest expense − Current taxes
C) EBIT + NWC − Depreciation
D) EBIT − Depreciation + Current taxes
E) EBIT − Change in NWC + Depreciation − Current taxes

87) Capital spending is equal to

A) the net purchases and sales of fixed assets.
B) total cash flow to stockholders less interest and dividends paid.
C) net income plus depreciation.
D) the net change in total assets.
E) the change in current assets minus the change in current liabilities.

88) Cash flow to stockholders is best defined as

A) the total dividends paid.
B) the cash flow from assets plus the cash flow to creditors.
C) cash dividends plus repurchases of equity minus new equity financing.
D) repurchases of equity less cash dividends paid plus new equity sold.
E) the net change in common stock and capital surplus.

89) Free cash flow is

A) equal to net income.
B) equal to net income plus taxes.
C) a term used to describe an increase in net working capital.
D) cash that is available to distribute to creditors and equity holders.
E) another term for operating cash flow.

90) The cash flow of a firm, also referred to as cash flow from assets, must be equal to the cash flow to

A) debt holders minus the cash flow to equity holders.
B) equity holders plus the cash flow to debt holders.
C) the government plus the cash flow to equity holders.
D) equity holders minus the cash flow to debt holders.
E) the government, the debt holders, and the equity holders.

91) Which one of these is handled differently in calculating cash flows for accounting versus financial purposes?

A) Change in net working capital
B) Depreciation expense
C) Interest expense
D) Deferred taxes
E) Dividends paid

92) _____ refers to the cash flow resulting from a firm's ongoing, normal business activities.

A) Cash flow from assets
B) Net working capital
C) Capital spending
D) Cash flow from operating activities
E) Cash flow from investing activities

93) _____ refers to the changes in net fixed assets.

A) Cash flow from assets
B) Net working capital
C) Cash flow from investing activities
D) Cash flow from operating activities
E) Cash flow to creditors

94) A change in which one of these accounts will appear as an investing activity in an accounting statement of cash flows?

A) Accounts payable
B) Inventory
C) Interest expense
D) Fixed assets
E) Sales

95) A change in which one of these accounts is treated as a cash flow from operating activities in an accounting statement of cash flows?

A) Long-term debt
B) Inventory
C) Dividends
D) Fixed assets
E) Depreciation

96) The cash flow from operating activities decreases when

A) fixed assets are sold.
B) interest expense increases.
C) dividends increase.
D) depreciation increases.
E) accounts receivables decrease.

97) A firm has total equity of $2,011, net working capital of $175, long-term debt of $890, and current liabilities of $420. What is the amount of the net fixed assets?

A) $2,325
B) $2,974
C) $2,726
D) $3,075
E) $2,825

98) A firm has $480 in inventory, $1,860 in fixed assets, $520 in accounts receivables, $190 in net working capital, and $120 in cash. What is the amount of the current liabilities?

A) $550
B) $770
C) $820
D) $760
E) $930

99) Apurna's Apparel has equipment with a book value of $1,380 that could be sold today at a 20 percent discount. Its inventory is valued at $360 and could be sold to a competitor for 90 percent of that value. The firm has $45 in cash and customers owe them $240, of which 97 percent is collectible. What is the accounting value of its liquid assets?

A) $601.80
B) $350.00
C) $2,025.00
D) $645.00
E) $1,705.80

100) The Martinez Corporation spent $3,300 to purchase equipment two years ago. This equipment is currently valued at $2,357 on today's balance sheet but could actually be sold for $2,750. Net working capital is $860 and long-term debt is $1,650. Assuming this equipment is the firm's only fixed asset, what is the book value of shareholders' equity?

A) $1,960
B) $1,800
C) $1,567
D) $2,510
E) $1,633

101) A firm started the year with retained earnings of $8,700 and ended the year with retained earnings of $8,250. During the year, the firm earned a net income of $3,100. How much did the firm pay in dividends?

A) $3,650
B) $3,550
C) $2,650
D) $2,550
E) $550

102) Anurag Enterprises reported net income of $880, interest expense of $160, sales of $7,260, addition to retained earnings of $810, selling and general expenses of $4,270, and depreciation expense of $260. The company's average tax rate was 33.33 percent. What was the amount of dividends paid?

A) $2,230
B) $1,690
C) $1,420
D) $810
E) $70

103) Assume sales are $1,100, cost of goods sold is $510, depreciation expense is $80, interest paid is $40, selling and general expenses are $230, dividends paid is $45, and the tax rate is 34 percent. What is the addition to retained earnings?

A) $203.40
B) $113.40
C) $166.20
D) $109.60
E) $158.40

104) Anjali's has $33,600 in sales, $17,200 in cost of goods sold, $2,300 in depreciation, $980 in interest expense, and $5,800 in selling, general, and administrative expenses. The firm owes no taxes for this year. What is the amount of the period costs that are included in the operating cash flow?

A) $25,300
B) $3,280
C) $23,980
D) $23,000
E) $5,800

105) The Down Towner has annual costs of goods sold of $42,600, interest expense of $650, selling and administrative expenses of $7,800, dividends paid of $1,200, depreciation of $1,100, and a tax rate of 34 percent. What is the firm's taxable income if it added $2,500 to retained earnings during the year?

A) $2,181.30
B) $8,711.18
C) $3,700.00
D) $5,606.06
E) $10,882.35

106) Brewster's has annual sales of $11,800, dividends of $270, interest expense of $320, cost of goods sold of $7,230, addition to retained earnings of $510, selling and administrative expenses of $1,940, and a tax rate of 34 percent. What is the amount of the depreciation expense?

A) $584.18
B) $1,385.82
C) $1,128.18
D) $1,215.00
E) $1,474.24

107) Assume sales are $2,220; cost of goods sold is $1,055, general expenses are $630, depreciation expense is $210, and the tax rate is 35 percent. What is the net income amount if the firm paid $40 in interest expense?

A) $171.25
B) $99.75
C) $185.25
D) $120.25
E) $270.75

108) Fallon Finery has an EBIT of $1,480, depreciation expense of $260, cost of goods sold of $1,250, dividends paid of $70, interest expense of $160, and sales of $7,260. What is the taxable income?

A) $5,850
B) $5,590
C) $1,580
D) $1,320
E) $720

109) Abel's Art Supply has sales of $610,000 and costs of $480,000. Interest expense is $40,000, dividends paid is $37,000, and depreciation is $60,000. The tax rate is 34 percent and there are 8,500 shares of stock outstanding. What is the earnings per share?

A) $1.99
B) $2.33
C) $3.53
D) $4.28
E) $2.67

110) Given the tax rates as shown, what is the average tax rate for a sole proprietorship taxable income of $145,000?

Taxable Income   Tax Rate

$0 –	9,700	10%
$9,700 –	39,475	12%
$39,475 –	84,200	22%
$84,200 –	160,725	24%
$160,725 –	204,100	32%
$204,100	510,300	35%
$510,300	infinity	37%

A) 10.06%
B) 24.00%
C) 19.98%
D) 15.86%
E) 21.00%

111) The tax rates are as shown. Your firm, an LLC, currently has taxable income of $73,900. How much additional tax will the firm owe if it increases its taxable income by $20,000?

Taxable Income			Tax Rate
$0	-	9,700	10%
$9,700	-	39,475	12%
$39,475	-	84,200	22%
$84,200	-	160,725	24%
$160,725	-	204,100	32%
$204,100	-	510,300	35%
$510,300	-	infinity	37%

A) $4,800
B) $4,400
C) $2,472
D) $2,266
E) $4,594

112) The tax rates are as shown. Lasseter's is a Limited Liability Partnership that currently has taxable income of $155,000. What is the firm's average tax rate?

Taxable Income		Tax Rate
$0 –	9,700	10%
$9,700 –	39,475	12%
$39,475 –	84,200	22%
$84,200 –	160,725	24%
$160,725 –	204,100	32%
$204,100 –	510,300	35%
$510,300 –	infinity	37%

A) 10.96%
B) 16.39%
C) 20.24%
D) 21.00%
E) 24.00%

113) Total assets are $2,630, fixed assets are $1,825, long-term debt is $1,015, and short-term debt is $530. What is the amount of net working capital?

A) $1,295
B) $275
C) $1,085
D) $350
E) $400

114) School House Antiques has current assets of $340 and current liabilities of $190 at the end of the year. At the beginning of the year, the current assets were $415 and the current liabilities were $210. What is the change in net working capital?

A) –$95
B) $0
C) $55
D) $95
E) –$55

115) You are given the following balance sheets.

	2020	2019
Assets		
Cash	$ 900	$ 900
Other current assets	2,900	1,900
Net fixed assets	3,400	2,000
Total assets	$ 7,200	$ 4,800
Liabilities and Equity		
Accounts payable	$ 1,900	$ 1,600
Long-term debt	2,100	1,300
Stockholders' equity	3,200	1,900
Total liabilities and equity	$ 7,200	$ 4,800

What is the change in the net working capital from 2019 to 2020?

A) $700
B) −$700
C) $1,000
D) −$1,300
E) $1,300

116) Elements, Inc. has reported the following balance sheet:

Assets	
Cash	$ 460
Accounts receivable	1,120
Inventory	1,020
Net fixed assets	10,180
Total assets	$ 12,780
Liabilities and Equity	
Accounts payable	$ 850
Deferred taxes	340
Long-term debt	2,340
Stockholders’ equity	9,250
Total liabilities and equity	$ 12,780

What was the amount of net working capital?

A) $730
B) $2,770
C) $2,870
D) $1,750
E) $2,600

117) Frederick Antiques has the following balance sheets:

	2019	2020
Assets		
Cash	$ 182	$ 153
Accounts receivable	911	979
Inventory	1,304	1,223
Net fixed assets	2,659	2,037
Total assets	$ 5,056	$ 4,392
Liabilities and Equity		
Accounts payable	$ 1,248	$ 1,318
Deferred taxes	103	97
Long-term debt	2,804	2,607
Stockholders’ equity	901	370
Total liabilities and equity	$ 5,056	$ 4,392

What is the change in net working capital?

A) –$118
B) $34
C) $12
D) $144
E) –$112

118) Shareese's has reported the following balance sheets:

	2019	2020

Assets		
Cash	$ 214	$ 187
Accounts receivable	1,306	1,259
Inventory	1,847	2,048
Net fixed assets	3,511	3,287
Total assets	$ 6,878	$ 6,781
Liabilities and Equity		
Accounts payable	$ 1,414	$ 1,632
Other current liabilities	624	598
Long-term debt	1,320	1,264
Stockholders' equity	3,520	3,287
Total liabilities and equity	$ 6,878	$ 6,781

What is the change in net working capital?

A) –$65
B) $91
C) $65
D) –$91
E) $57

119) Nel's Place has total sales of $1,456, costs are $782, and depreciation is $115. The tax rate is 34 percent. The firm does not have any interest expense. What is the operating cash flow?

A) $393.08
B) $524.40
C) $501.38
D) $483.94
E) $427.82

120) The Spot had beginning net fixed assets of $648 and ending net fixed assets of $621. Assets valued at $285 were sold during the year. Depreciation was $76. What is the amount of net capital spending?

A) $334
B) $236
C) $115
D) $49
E) $66

121) At the beginning of the year, Austin Equipment Rentals had long-term debt of $687 and total debt of $911. At the end of the year, the long-term debt is $579 and total debt is $898. If $58 of interest was paid during the year, what is the cash flow to the creditors?

A) −$50
B) −$166
C) $71
D) $166
E) $50

122) S'up Paddleboards has beginning long-term debt of $647 and ending long-term debt of $749. The beginning and ending total debt balances are $801 and $768, respectively. The interest paid is $54. What is the amount of the cash flow to the creditors?

A) −$10
B) −$48
C) $21
D) $156
E) $87

123) Cookie's Cookies has net income of $2,918. The firm pays out 35 percent of the net income to its shareholders as dividends. During the year, the company sold $150 worth of common stock. What is the cash flow to the stockholders?

A) $1,171.30
B) $871.30
C) $2,046.70
D) $1,224.20
E) $1,746.70

124) Thompson's Jet Skis has operating cash flow of $994. Depreciation is $102, taxes are $298, and interest paid is $65. A net total of $82 was paid on long-term debt. The firm spent $481 on fixed assets and increased its net working capital by $32. What is the amount of the cash flow to stockholders?

A) −$104
B) $334
C) $464
D) −$114
E) $138

125) You have compiled the following information on the Shoe Store:

	2019	2020
Assets		

Cash	$ 214	$ 187
Accounts receivable	1,306	1,259
Inventory	1,847	2,048
Net fixed assets	3,511	3,287
Total assets	$ 6,878	$ 6,781
Liabilities and Equity		
Accounts payable	$ 1,414	$ 1,632
Other current liabilities	624	598
Long-term debt	1,320	1,264
Stockholders' equity	3,520	3,287
Total liabilities and equity	$ 6,878	$ 6,781

Sales	$ 6,238
Cost of goods sold	2,789
General and administrative	847
Depreciation	415
EBIT	$ 2,187
Interest	90
EBT	$ 2,097
Taxes	713
Net income	$ 1,384

What is the amount of the net capital spending for 2020?

A) $224
B) $639
C) –$224
D) $362
E) $191

126) You have compiled the following information on Winslow, Inc.:

	2019	2020
Assets		
Cash	$ 298	$ 306
Accounts receivable	3,006	3,422
Inventory	5,210	5,650
Net fixed assets	32,780	36,400
Total assets	$ 41,294	$ 45,778
Liabilities and Equity		
Accounts payable	$ 6,219	$ 6,184
Other current liabilities	1,880	1,625
Long-term debt	17,951	21,991
Stockholders’ equity	15,244	15,978
Total liabilities and equity	$ 41,294	$ 45,778

Sales		$ 11,418
Cost of goods sold		6,320
General and administrative		2,419

Depreciation	967
EBIT	$ 1,712
Interest	230
EBT	$ 1,482
Taxes	519
Net income	$ 963

What is the cash flow of the firm for 2020?

A) –$1,273
B) –$3,581
C) $1,273
D) $2,160
E) $3,414

127) You have compiled the following information on Winslow, Inc.:

	2019	2020
Assets		
Cash	$ 298	$ 306
Accounts receivable	3,006	3,422
Inventory	5,210	5,650
Net fixed assets	32,780	36,400
Total assets	$ 41,294	$ 45,778
Liabilities and Equity		
Accounts payable	$ 6,219	$ 6,184

Other current liabilities	1,880	1,625
Long-term debt	17,951	21,991
Stockholders’ equity	15,244	15,978
Total liabilities and equity	$ 41,294	$ 45,778

Sales	$ 11,418
Cost of goods sold	6,320
General and administrative	2,419
Depreciation	967
EBIT	$ 1,712
Interest	230
EBT	$ 1,482
Taxes	519
Net income	$ 963

What is the amount of net new borrowing for 2020?

A) $3,750
B) $3,250
C) $3,360
D) $4,040
E) $3,480

128) You have compiled the following information on Winslow, Inc.:

	2019	2020

Assets		
Cash	$ 298	$ 306
Accounts receivable	3,006	3,422
Inventory	5,210	5,650
Net fixed assets	32,780	36,400
Total assets	$ 41,294	$ 45,778
Liabilities and Equity		
Accounts payable	$ 6,219	$ 6,184
Other current liabilities	1,880	1,625
Long-term debt	17,951	21,991
Stockholders' equity	15,244	15,978
Total liabilities and equity	$ 41,294	$ 45,778

Sales	$ 11,418
Cost of goods sold	6,320
General and administrative	2,419
Depreciation	967
EBIT	$ 1,712
Interest	230
EBT	$ 1,482
Taxes	519
Net income	$ 963

What is the cash flow to creditors for 2020?

A) $3,650
B) −$4,040
C) $3,350
D) −$4,270
E) −$3,810

129) The financial information on Lazy Day, Inc. is as follows:

	2019	2020
Cash	$ 138	$ 97
Sales	10,204	11,317
Inventory	5,209	5,138
Depreciation	956	948
Cost of goods sold	4,207	4,618
Accounts payable	3,338	3,209
Long-term debt	4,200	3,800
Shareholders' equity	9,229	9,906
Accounts receivable	2,780	2,960
Net fixed assets	8,640	8,720
Interest expense	350	320
Selling and administrative expenses	1,015	984
Taxes	1,250	1,512

What is net capital spending for 2020?

A) $1,115
B) $1,028
C) $80
D) $210
E) $946

130) The financial information on Lazy Day, Inc. is as follows:

	2019	2020
Cash	$ 138	$ 97
Sales	10,204	11,317
Inventory	5,209	5,138
Depreciation	956	948
Cost of goods sold	4,207	4,618
Accounts payable	3,338	3,209
Long-term debt	4,200	3,800
Shareholders’ equity	9,229	9,906
Accounts receivable	2,780	2,960
Net fixed assets	8,640	8,720
Interest expense	350	320
Selling and administrative expenses	1,015	984
Taxes	1,250	1,512

What is the operating cash flow for 2020?

A) $3,690
B) $4,203
C) $2,645
D) $5,331
E) $4,807

131) The financial information on Lazy Day, Inc. is as follows:

	2019	2020
Cash	$ 138	$ 97
Sales	10,204	11,317
Inventory	5,209	5,138
Depreciation	956	948
Cost of goods sold	4,207	4,618
Accounts payable	3,338	3,209
Long-term debt	4,200	3,800
Shareholders' equity	9,229	9,906
Accounts receivable	2,780	2,960
Net fixed assets	8,640	8,720
Interest expense	350	320
Selling and administrative expenses	1,015	984
Taxes	1,250	1,512

What is the cash flow of the firm for 2020?

A) $3,050
B) $2,813
C) $3,297
D) $3,147
E) $2,978

132) The financial information on Lazy Day, Inc. is as follows:

	2019	2020
Cash	$ 138	$ 97
Sales	10,204	11,317
Inventory	5,209	5,138
Depreciation	956	948
Cost of goods sold	4,207	4,618
Accounts payable	3,338	3,209
Long-term debt	4,200	3,800
Shareholders’ equity	9,229	9,906
Accounts receivable	2,780	2,960
Net fixed assets	8,640	8,720
Interest expense	350	320
Selling and administrative expenses	1,015	984
Taxes	1,250	1,512

What is the cash flow to creditors for 2020?

A) $400
B) –$915
C) $720
D) –$80
E) $915

133) The financial information on Lazy Day, Inc. is as follows:

	2019	2020
Cash	$ 138	$ 97
Sales	10,204	11,317
Inventory	5,209	5,138
Depreciation	956	948
Cost of goods sold	4,207	4,618
Accounts payable	3,338	3,209
Long-term debt	4,200	3,800
Shareholders' equity	9,229	9,906
Accounts receivable	2,780	2,960
Net fixed assets	8,640	8,720
Interest expense	350	320
Selling and administrative expenses	1,015	984
Taxes	1,250	1,512

What is the cash flow to stockholders for 2020?

A) $3,058
B) $2,063
C) $2,258
D) $2,428
E) $3,698

134) Avenue, Inc. has selling and administrative expenses of $2,618, costs of goods sold of $24,318, depreciation of $915, and an interest expense of $520. The firm paid $150 in dividends and added $384 to retained earnings for the year. What is the firm's operating cash flow if the tax rate is 35 percent?

What is the operating cash flow?

A) $1,823.14
B) $2,072.12
C) $1,969.00
D) $2,516.48
E) $2,208.15

135) Whistler's sales for this past year were $21,381. The interest expense was $248, costs of goods sold were $9,784, selling and general expenses were $1,208, depreciation was $811, and the addition to retained earnings was $325. The firm sold $500 of new stock shares and repurchased $125 of outstanding shares.

What was the cash flow to stockholders if the tax rate was 34 percent?

A) $5,457.80
B) $6,701.25
C) $2,002.72
D) $208.28
E) $199.96

136) Garnishes by Greta just paid $250,000 to purchase new manufacturing equipment. The equipment will be depreciated on a straight-line basis to a value of $0 over its 7-year useful life. What will be the equipment's net book value at the end of Year 4?

A) $14,286
B) $83,333
C) $107,143
D) $142,857
E) $187,500

137) Elements Computing compiled the balance sheet information shown below. What was operating cash flow?

Cash	$ 240
Sales	– 7,260
Inventory	– 780
Depreciation expense	– 260
Costs of goods sold	– 1,250
Accounts payable	190
Long-term debt	– 3,020
Shareholders' equity	3,360
Long-term debt	– 3,020
Shareholders' equity	3,360
Accounts receivable	– 540
Net fixed assets	– 5,010
Interest expenses	160
Selling and administrative expenses	– 4,270
Income tax expenses	440

A) $980
B) $1,040
C) $1,140
D) $1,300
E) $1,740

138) Elements Computing compiled the balance sheet information shown below. What was the book value of stockholders' equity?

Cash	$ 240
Sales	7,260
Inventory	780
Depreciation Expense	260
Cost of goods sold	1,250
Accounts payable	190
Long-term debt	3,020
Accounts receivable	540
Net fixed assets	5,010
Interest expense	160
Selling and administrative expenses	4,270
Income tax expense	440

A) $250
B) $3,110
C) $3,360
D) $5,820
E) $6,380

Answer Key

Test name: Corporate 2

1) A
Shareholders' equity = Current assets + Net fixed assets – Total liabilities.
Shareholders’ equity = $420 + 630 – 425 = $625
2) D
Market value = $1,420,000 (building) + 447,000(equipment) + (.5 × 390,000) (inventory) + (.97 × 215,200) (accounts receivable) + 10,300cash – 1,420,000 (amount owed)
Market value = $861,044
3) A
Net income = Dividends paid + Change in retained earnings
Net income = $486 + (– $124) = $362

In this case, the change in retained earnings was a negative value.
4) E
Taxes paid = .15($50,000) + .25($75,000 – 50,000) + .34($100,000 – 75,000) + .39($127,513 – 100,000)
Taxes paid = $32,980.07

Average tax rate = $32,980.07/$127,513
Average tax rate = .2586, or 25.86%
5) A

Taxes on \$81,100 income = .15(\$50,000) + .25(\$75,000 – 50,000) + .34(\$81,100 – 75,000) = \$15,824

New taxable income = \$81,100 + 22,300 = \$103,400

Taxes on \$103,400 income = .15(\$50,000) + .25(\$75,000 – 50,000) + .34(\$100,000 – 75,000) + .39(\$103,400 – 100,000) = \$23,576

Additional tax = \$23,576 – 15,824 = \$7,752

6) C

EBIT = \$1,240 – 690 – 130 = \$420 (Sales – Costs – Depreciation)

Taxes = .35 × \$420 = \$147 (Tax rate × EBIT)

OCF = \$420 + 130 – 147 = \$403 (EBIT + Depreciation – Taxes)

7) E

Net capital spending = \$562 (ending net fixed assets) + 54 (Depreciation) – 477 (beginning net fixed assets)

Net capital spending = \$139

8) D

Change in net working capital = (\$469 – 260) – (\$316 – 220) = \$113

9) A

CFC = \$34 – (\$268 – 306) = \$72

10) E

CFS = (.30 × \$450) – \$90 = \$45.00

11) C

Total liabilities and equity = Total assets = $2,040 + 990 + 2,820 = $5,850

NWC = Current assets − Current liabilities
$200 = CA − $2,820
Current assets = $3,020

Net fixed assets = $5,850 − 3,020 = $2,830
12) E
EBIT = $22,609 − 16,540 − 1,410 = $4,659

EBT = $4,659 − 1,136 = $3,523

Taxes = $3,523(.40) = $1,409

OCF = $4,659 + 1,410 − 1,409 = $4,660
13) D
NWC = Current assets − Current liabilities

$1,672 = $5,611 − CL

CL = $3,939
14) A
NWC = Current assets − Current liabilities
NWC = ($2,181 + 2,701 + 4,881) − 5,765
NWC = $3,998
15) D

Current assets = $8,478 − 5,961 = $2,517

$978 = $2,517 − CL

CL = $1,539

Total liabilities = $1,539 + 4,515 = $6,054

16) A

Current assets = $12,070 − 8,065 = $4,005

$1,395 = $4,005 − CL

CL = $2,610

Total equity = $12,070 − 4,693 − 2,610 = $4,767

17) B

Current liabilities = $66,300 − 32,270 − 23,830 = $10,200

Current assets = $20,350 + 10,200 = $30,550

18) C

Current liabilities = $6,500 − 2,210 = $4,290

Total liabilities and equity = Total assets = $22,260 + 10,550 + 4,290 = $37,100

Net fixed assets = $37,100 − 6,500 = $30,600

19) E

Net capital spending = $97,225 − 75,675 + 13,555 = $35,105

20) B

Ending long-term debt = $45,755 + 9,985 − 11,230 = $44,510

21) C

Cash flow to creditors = $10,139 + 3,855 − 8,945 = $5,049

22) A

EBT = $47,747 − 17,884 − 12,431 − 7,430− 4,400 = $5,602

Taxes = $5,602(.38) = $2,129

Net income = $5,602 − 2,129 = $3,473

23) C

EBIT = $47,357 − 17,534 − 12,241 − 7,140 = $10,442

EBT = $10,442 − 4,244 = $6,198

Taxes = $6,198(.35) = $2,169

OCF = $10,442 + 7,140 − 2,169 = $15,413

24) A

Retained earnings = $29,435 + (6,190 − 2,360) = $33,265

25) A

Ending owners' equity = $50,630 + 6,850 − 4,630 − 8,930 = $43,920

26) A

Cash flow to stockholders = $4,060 + 8,060 = $12,120

27) A

Net fixed assets = $140,290 + 66,570 − 80,650 = $126,210

28) B

EBIT = ($4,100 + 2,500)/(1 − .34) + 1,400 = $11,400

Depreciation = $93,600 − 74,400 − 11,400 = $7,800

29) E

Taxes = $128,657(.242) = $31,135

30) E

Cash flow from assets = ($29,508 + 21,665) + ($28,355 − 25,475) = $54,053

31) C

Net capital spending = \$18,491 − 17,258 + 3,690 = \$4,923

Fixed assets sold = \$8,280 − 4,923 = \$3,357

32) A

Net new borrowing = \$8,487 − 7,001 = \$1,486

Debt retired = \$2,185 − 1,486 = \$699

33) C

Cash flow from assets = \$16,380 + 6,740 = \$23,120

Net capital spending = \$56,740 − 49,380 + 11,940 = \$19,300

Change in net working capital = \$50,265 − 19,300 − 23,120 = \$7,845

34) B

Equity = Max[(\$6,241 − 6,415) , 0] = \$0

35) A

Net income = \$1,468 − 448 = \$1,020

36) C

Net income = \$15,100 + 71,498 = \$86,598

EBT = \$403,200 − 186,050 − 21,200 − 34,950 = \$161,000

Taxes = \$161,000 − 86,598 = \$74,402

Average tax rate = \$74,402/161,000 = .4621, or 46.21%

37) D

Change in NWC = \$13,750 − 11,830 = \$1,920

CFA = \$67,209 − 28,420 − 1,920 = \$36,869

Cash flow to stockholders = \$36,869 − 29,913 = \$6,956

38) B

Change in NWC = $9,080 − 7,170 = $1,910

CFA = $40,410 − 19,160 − 1,910 = $19,340

Cash flow to creditors = $19,340 − 16,610 = $2,730

39) B

Cash flow to stockholders = $128,500(.35) − 79,500 = −$34,525

40) A

Current assets = $65 + 186 + 495 = $746

41) A

Total assets = $286 + 646 + 1,357 + 4,800 = $7,089

42) A

Total assets = $274 + 628 + 1,336 + 4,773 = $7,011

Long-term debt = $7,011 − 578 − 5,368 = $1,065

43) C

Current liabilities = .40($124,800) = $49,920

Total L&E = Total assets = $124,800 + 133,500 = $258,300

Current assets = $258,300 − 197,650 = $60,650

Net working capital = $60,650 − 49,920 = $10,730

44) D

Net income = $152 + 486 = $638

EBT = $638/(1 − .38) = $1,029

EBIT = $1,029 + 582 = $1,611

45) D

Net capital spending = $211,729 − 216,566 + 40,477 = $35,640

Fixed assets bought = $35,640 + 8,050 = $43,690

46) D

Cash flow to creditors = $4,489 − ($47,134 − 41,681) = −$964

47) E

Current assets = $6,741 − 4,353 = $2,388

Current liabilities = $2,388 − 882 = $1,506

Total liabilities = $1,506 + 4,483 = $5,989

48) C

Cash flow to stockholders = (1 − .55) × $2,815 − 715 = $552

49) E

Current liabilities = ($147 + 486 + 736) − $262 = $1,107

50) A

Net working capital = ($1,778 − 1,231) − $212 = $335

51) D

52) B

53) D

54) A

55) D

56) C

57) B

58) E

59) A

60) D

61) E

62) C

63) D

64) D

65) B

66) D

67) D

68) E
69) D
70) A
71) C
72) C
73) E
74) E
75) C
76) A
77) C
78) C
79) A
80) A
81) E
82) D
83) E
84) C
85) E
86) A
87) A
88) C
89) D
90) B
91) C
92) D
93) C
94) D
95) B
96) B
97) C

Net fixed assets = $890 + 2,011 – 175 = $2,726

98) E
Current liabilities = $120 + 520 + 480 – 190 = $930

99) D
Liquid assets = $360 + 45 + 240 = $645

100) C
Book value of shareholders' equity = $2,357 + 860 – 1,650 = $1,567

101) B
Dividends paid = $3,100 - (8250 - 8,700) = $3,550

102) E
Dividends paid = $880 - 810 = $70

103) B
Net income = (1 – .34)($1,100 – 510 – 230 – 80 – 40) = $158.40
Addition to retained earnings = $158.40 – 45 = $113.40

104) E
Period costs = Selling, general, and administrative expenses = $5,800

105) D
Net income = $1,200 + 2,500 = $3,700
Taxable income =$3,700 / (1 – .34) = $5,606.06

106) C
Net income = $270 + 510 = $780
Taxable income = $780 ÷ (1 – .34) = $1,181.82
Earnings before interest and taxes = $1,181.82 + 320 = $1,501.82
Depreciation = $11,800 – 7,230 – 1,940 – 1,501.82 = $1,128.18

107) C
Net Income = (1 – .35)($2,220 – 1,055 – 630 – 210 – 40) = $185.25

108) D

Taxable income = $1,480 - 160 = $1,320

109) B

Earnings per share = [($610,000 – 480,000 – 60,000 – 40,000)(1 – 0.34)] ÷ 8,500 = $2.33

110) C

Tax =[($9,700 − 0) × 10%] + [($39,475 − 9,700) × 12%] + [($84,200 − 39,475) × 22%] + [($145,000 − 84,200) × 24%] = $28,974.50

Average tax rate = $28,974.50 / $145,000 = .1998, or 19.98%

111) E

Additional tax = [($84,200 −73,900) × 22%] + [$20,000 − ($84,200 − 73,900)] × 24% = $4,594

112) C

Taxes = [($9,700 − 0) × 10%] + [($39,475 − 9,700) × 12%] + [($84,200 − 39,475) × 22%] + [($155,000 − 84,200) × 24%] = $31,374.50

Average tax rate = $31,374.50 ÷ $155,000 = .2024, or 20.24%

113) B

Net working capital = $2,630 – $1,825 – $530 = $275

114) E

Change in net working capital = ($340 – $190) – ($415 – $210) = –$55

115) A

Change in net working capital = ($900 + 2,900 − 1,900) − ($900 + 1,900 − 1,600) = $700

116) D

NWC = $460 + 1,120 + 1,020 − 850 = $1,750

117) E

Change in NWC = ($153 + 979 + 1,223 − 1,318) − ($182 + 911 + 1,304 − 1,248) = −$112

118) A

Change in NWC = ($187 + 1,259 + 2,048 − 1,632 − 598) − ($214 + 1,306 + 1,847 − 1,414 − 624) = −$65

119) D

Earnings before interest and taxes = $1,456 − 782 − 115 = $559

Tax = .34($559) = $190.06

Operating cash flow = $559 + 115 − 190.06 = $483.94

120) D

Net capital spending = $621 – 648 + 76 = $49

121) D

Cash flow to the creditors = $58 – (579 – 687) = $166

122) B

Cash flow to the creditors = $54 – (749 – 647) = –$48

123) B

Cash flow to the stockholders = .35($2,918) – $150 = $871.30

124) B

CF(A) = $994 – 32 – 481 = $481

CF(B) = $65 – (–$82) = $147

CF(S) = $481 – 147 = $334

125) E

Net capital spending = $3,287 – 3,511 + 415 = $191

126) B

Operating cash flow = $1,712 + 967 − 519 = $2,160

Change in net working capital = ($306 + 3,422 + 5,650 − 6,184 − 1,625) − (298 + 3,006 + 5,210 − 6,219 − 1,880) = $1,154

Net capital spending = $36,400 − 32,780 + 967 = $4,587

Cash flow of the firm = $2,160 − 1,154 − 4,587 = −$3,581

127) D

Net new borrowing = $21,991 – 17,951 = $4,040

128) E

Cash flow to creditors = $230 – ($21,991 – 17,951) = –$3,810

129) B

Net capital spending = $8,720 – 8,640 + 948 = $1,028

130) B

EBIT = $11,317 − 4,618 − 984 − 948 = $4,767

OCF = $4,767 + 948 − 1,512 = $4,203

131) E

EBIT = $11,317 − 4,618 − 984 − 948 = $4,767

OCF = $4,767 + 948 − 1,512 = $4,203

Additions to net working capital = ($97 + 2,960 + 5,138 − 3,209) − ($138 + 2,780 + 5,209 − 3,338) = $197

Net capital spending = $8,720 − 8,640 + 948 = $1,028

Cash flow of the firm = $4,203 − 197 − 1,028 = $2,978

132) C

Cash flow to creditors = $320 – ($3,800 – 4,200) = $720

133) C

EBIT = $11,317 − 4,618 − 984 − 948 = $4,767
OCF = $4,767 + 948 − 1,512 = $4,203
Additions to net working capital = ($97 + 2,960 + 5,138 − 3,209) − ($138 + 2,780 + 5,209 − 3,338) = $197
Net capital spending = $8,720 − 8,640 + 948 = $1,028
Cash flow of the firm = $4,203 − 197 − 1,028 = $2,978
Cash flow to creditors = $320 − ($3,800 − 4,200) = $720
Cash flow to stockholders = $2,978 − 720 = $2,258

134) C

Net income = $150 + 384 = $534
Taxable income = $534 ÷ (1 − .35) = $821.54
Tax = .35($821.54) = $287.54
Earnings before interest and taxes = $821.54 + 520 = $1,341.54
Operating cash flow = $1,341.54 + 915 − 287.54 = $1,969.00

135) A

Taxable income = $21,381 − 9,784 − 1,208 − 811 − 248 = $9,330
Taxes = .34($9,330) = $3,172.20
Dividends paid = $9,330 − 3,172.20 − 325 = $5832.80
Cash flow to stockholders = $5832.80 + 125 − 500 = $5,457.80

136) C

Net book value = Gross book value − Accumulated depreciation = $250,000 − [4 ($250,000 ÷ 7)] = $107,143

137) D

Operating cash flow = Operating income + Depreciation expense − Income tax = ($7,260 − 1,250 − 260 − 4,270) + $260 − $440 = $1,300

138) C

Total equity = Assets − Liabilities = ($240 + 540 + 780 + 5,010) − ($190 + 3,020) = $3,360