

Match the terms on the left with the definition in the column on the right. Enter the uppercase letter of that definition in the box in the middle

Times Interest Earned	<b>C</b>	<b>A.</b> Current Assets - Current Liabilities	<b>1. Working capital = Current Assets + Current Liabilities</b> <b>A.</b> True <b>B.</b> False (Correct)	<b>2. Selling common stock to reduce current liabilities would improve the current ratio</b> <b>A.</b> True (Correct) <b>B.</b> False	<b>3. Cash flows statement reporting include both direct and indirect methods</b> <b>A.</b> True (Correct) <b>B.</b> False
Equity Ratio	<b>F</b>	<b>B.</b> (Net Income / Net Sales) x 100%	<b>4. In the Cash Flows Statement payment to creditors is registered in the Investing Activities section</b> <b>A.</b> True <b>B.</b> False (Correct)	<b>5. Current liabilities include debt payable in less than three years</b> <b>A.</b> True <b>B.</b> False (Correct)	<b>6. Short-term liquidity ratios include dividend yield rate</b> <b>A.</b> True <b>B.</b> False (Correct)
Quick Ratio	<b>I</b>	<b>C.</b> Income before Interest & Tax / Annual Interest Expense	<b>7. Tools used in analysis of the funds needs of the firm include:</b> <b>A.</b> sources and uses statement <b>B.</b> statement of cash flows <b>C.</b> cash budgets <b>D.</b> all of the above (Correct)	<b>8. Amount earned for shareholders in the income statement is shown as:</b> <b>A.</b> EBIT <b>B.</b> EBT <b>C.</b> EAT (Correct) <b>D.</b> none of the above	<b>9. Which of the following is sources of funds?</b> <b>A.</b> increase in accounts receivable <b>B.</b> increase bank barrowing (Correct) <b>C.</b> increase in inventories <b>D.</b> all of the above
Return on Total Assets	<b>G</b>	<b>D.</b> Credit Sales / Average Accounts Receivable	<b>10. Prepaid expenses item in the balance sheet refer to:</b> <b>A.</b> unpaid wages <b>B.</b> original investment <b>C.</b> future expense items already paid (Correct) <b>D.</b> debts payable	<b>11. Which of the following is registered as a cash outflow in the "financing activities" section of the cash flows statement?</b> <b>A.</b> purchase of fixed assets <b>B.</b> repay amounts borrowed (Correct) <b>C.</b> sales of goods/services <b>D.</b> borrowing	<b>12. A summary of a firm's changes in financial position from one period to another</b> <b>A.</b> flow of funds statement (Correct) <b>B.</b> statement of cash flows <b>C.</b> income statement <b>D.</b> balance sheet
Earning per Share	<b>J</b>	<b>E.</b> Current Assets / Current Liabilities			
Profit Margin	<b>B</b>	<b>F.</b> ( Total Equity / Total Assets ) x 100%			
Current Ratio	<b>E</b>	<b>G.</b> ( Income before Tax / Average Total Assets ) x 100%			
Return on Owner's Equity	<b>H</b>	<b>H.</b> [ (Net Income - Preferred Dividend) x 100% ] / Average Common Stock			
Working Capital	<b>A</b>	<b>I.</b> Quick Assets / Current Liabilities	<b>13. Percentage of the firm's assets financed by stockholders</b> <b>A.</b> debt to total assets ratio <b>B.</b> inventory turnover <b>C.</b> price-earning ratio <b>D.</b> equity ratio (Correct)	<b>14. Additional Paid-in Capital is a part of:</b> <b>A.</b> Liabilities <b>B.</b> Shareholder's Equity (Correct) <b>C.</b> Current assets <b>D.</b> Fixed Assets	<b>15. Uses of funds include:</b> <b>A.</b> increase in assets <b>B.</b> decrease in liabilities <b>C.</b> decrease in shareholder's equity <b>D.</b> all of the above (Correct)
Accounts Receivable Turnover	<b>D</b>	<b>J.</b> (Net Income - Preferred Stock) / Average Number of Common Shares Outstanding			

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Earning per Share	<b>H</b>	<b>A.</b> Current Assets - Current Liabilities	<b>1.</b> Long-term debt includes debt payable in more than three years <b>A.</b> True <b>B.</b> False (Correct)	<b>2.</b> In the Cash Flows Statement cash received from the owner is registered in the Operating Activities section <b>A.</b> True <b>B.</b> False (Correct)	<b>3.</b> Turnover ratios include return on owner's equity <b>A.</b> True <b>B.</b> False (Correct)
Equity Ratio	<b>F</b>	<b>B.</b> ( Income before Tax / Average Total Assets ) x 100%	<b>4.</b> Selling fixed assets to reduce accounts payable would improve the current ratio <b>A.</b> True (Correct) <b>B.</b> False	<b>5.</b> Working capital = Assets - Liabilities <b>A.</b> True <b>B.</b> False (Correct)	<b>6.</b> Direct method is one of the cash flows statement reporting methods <b>A.</b> True (Correct) <b>B.</b> False
Working Capital	<b>A</b>	<b>C.</b> Income before Interest & Tax / Annual Interest Expense	<b>7.</b> Retained Earnings are part of: <b>A.</b> Current assets <b>B.</b> Fixed Assets <b>C.</b> Liabilities <b>D.</b> Shareholder's Equity (Correct)	<b>8.</b> This ratio indicates how much an investor would have to pay for each dollar of earning <b>A.</b> equity ratio <b>B.</b> price-earning ratio (Correct) <b>C.</b> inventory turnover <b>D.</b> debt to total assets ratio	<b>9.</b> Uses of funds include: <b>A.</b> increase in liabilities <b>B.</b> decrease in assets <b>C.</b> both a. and b. <b>D.</b> none of the above (Correct)
Return on Total Assets	<b>B</b>	<b>D.</b> Credit Sales / Average Accounts Receivable	<b>10.</b> Other accrued liabilities item in the balance sheet refer to: <b>A.</b> original investment <b>B.</b> future expense items already paid <b>C.</b> unpaid wages (Correct) <b>D.</b> debts payable	<b>11.</b> A summary of a firm's revenues and expenses over a specified period, ending with net income or loss for the period <b>A.</b> flow of funds statement <b>B.</b> statement of cash flows <b>C.</b> income statement (Correct) <b>D.</b> balance sheet	<b>12.</b> Which of the following is registered as a cash outflow in the "operating activities" section of a cash flows statement? <b>A.</b> payments to suppliers <b>B.</b> repurchase own equity securities <b>C.</b> inventory supply (Correct) <b>D.</b> sales of securities of other entities
Times Interest Earned	<b>C</b>	<b>E.</b> Current Assets / Current Liabilities	<b>13.</b> Operating income in the income statement is shown as: <b>A.</b> EBIT (Correct) <b>B.</b> EBT <b>C.</b> EAT <b>D.</b> none of the above	<b>14.</b> Financial condition and profitability of the firm (health of a firm) is described by financial ratios: <b>A.</b> individually <b>B.</b> over time <b>C.</b> in comparison <b>D.</b> all of the above (Correct)	<b>15.</b> Which of the following is sources of funds? <b>A.</b> depreciation <b>B.</b> decrease in marketable security <b>C.</b> increase in accounts payable <b>D.</b> all of the above (Correct)
Profit Margin	<b>G</b>	<b>F.</b> ( Total Equity / Total Assets ) x 100%			
Quick Ratio	<b>I</b>	<b>G.</b> (Net Income / Net Sales) x 100%			
Return on Owner's Equity	<b>J</b>	<b>H.</b> (Net Income - Preferred Stock) / Average Number of Common Shares Outstanding			
Current Ratio	<b>E</b>	<b>I.</b> Quick Assets / Current Liabilities			
Accounts Receivable Turnover	<b>D</b>	<b>J.</b> [ (Net Income - Preferred Dividend) x 100% ] / Average Common Stock			

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Earning per Share	<b>E</b>	A. Current Assets - Current Liabilities	1. In the Cash Flows Statement cash received from customers is registered in the Financing Activities section A. True B. False (Correct)	2. Indirect method is one of the cash flows statement reporting methods A. True (Correct) B. False	3. Long-term debt to buy inventory would improve the current ratio A. True (Correct) B. False
Current Ratio	<b>H</b>	B. ( Income before Tax / Average Total Assets ) x 100%	4. Short-term liquidity ratios include average age of receivables A. True B. False (Correct)	5. Working capital + Current Assets = Current Liabilities A. True B. False (Correct)	6. Current assets include assets likely convertible to cash within two years A. True B. False (Correct)
Return on Total Assets	<b>B</b>	C. Income before Interest & Tax / Annual Interest Expense	7. Which of the following is uses of funds? A. net profit B. addition to fixed assets (Correct) C. decrease in cash D. none of the above	8. Percentage of the firm's assets financed by debt A. debt to total assets ratio (Correct) B. inventory turnover C. price-earning ratio D. equity ratio	9. Taxable income in the income statement is shown as: A. EBIT B. EBT (Correct) C. EAT D. none of the above
Working Capital	<b>A</b>	D. (Net Income / Net Sales) x 100%	10. A summary of a firm's payments during a period of time, reporting cash inflows & outflows based on the firm's: operating, investing, and financing activities A. balance sheet B. income statement C. statement of cash flows (Correct) D. flow of funds statement	11. Which statement is correct? A. Assets - Liabilities = Equity B. Assets - Equity = Liabilities C. Assets = Liabilities + Equity D. all of the above (Correct)	12. Which of the following is registered as a cash inflow in the "operating activities" section of the cash flows statement? A. repay amounts borrowed B. purchase of fixed assets C. sales of goods/services (Correct) D. borrowing
Return on Owner's Equity	<b>J</b>	E. (Net Income - Preferred Stock) / Average Number of Common Shares Outstanding	13. Sources of funds include: A. decrease in equity B. increase in assets C. both a. and b. D. none of the above (Correct)	14. Inventories are part of: A. Liabilities B. Shareholder's Equity C. Current assets (Correct) D. Fixed Assets	15. Analysis of the business risk of the firm includes: A. volatility in sales B. volatility in costs C. proximity to break-even point D. all of the above (Correct)
Quick Ratio	<b>I</b>	F. ( Total Equity / Total Assets ) x 100%			
Profit Margin	<b>D</b>	G. Credit Sales / Average Accounts Receivable			
Times Interest Earned	<b>C</b>	H. Current Assets / Current Liabilities			
Equity Ratio	<b>F</b>	I. Quick Assets / Current Liabilities			
Accounts Receivable Turnover	<b>G</b>	J. [ (Net Income - Preferred Dividend) x 100% ] / Average Common Stock			

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<i>C</i>	<i>H</i>	<i>E</i>	<b>B</b>	<b>A</b>	<b>A</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>A</b>	<b>A</b>
<i>F</i>	<i>F</i>	<i>H</i>	<b>B</b>	<b>B</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>B</b>	<b>B</b>
<i>I</i>	<i>A</i>	<i>B</i>	<b>D</b>	<b>C</b>	<b>B</b>	<b>D</b>	<b>B</b>	<b>D</b>	<b>B</b>	<b>A</b>	<b>B</b>
<i>G</i>	<i>B</i>	<i>A</i>	<b>C</b>	<b>B</b>	<b>A</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>D</b>	<b>C</b>
<i>J</i>	<i>C</i>	<i>J</i>	<b>D</b>	<b>B</b>	<b>D</b>	<b>A</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>C</b>	<b>D</b>
<i>B</i>	<i>G</i>	<i>I</i>									
<i>E</i>	<i>I</i>	<i>D</i>									
<i>H</i>	<i>J</i>	<i>C</i>									
<i>A</i>	<i>E</i>	<i>F</i>									
<i>D</i>	<i>D</i>	<i>G</i>									