Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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Chapter 02
Financial Statements, Cash Flow, and Taxes

True / False Questions

1. Formerly called the income statement, the statement of financial position is best described as a financial statement summarizing a firm's performance over a period of time. Formerly called the income statement.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

2. If an asset has a carrying value of $1,000 and its recoverable amount is $750, then a $250 impairment loss has been incurred.
TRUE

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

3. If an asset has a carrying value of $2,000 and its recoverable amount is $2,500, then $500 impairment loss has been incurred.
FALSE

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

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4. Impairment loss is the amount by which the carrying value of an asset or cash-generating unit exceeds its recoverable amount.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

5. According to generally accepted accounting principles (GAAP), assets are generally shown on financial statements at the higher of current market value or historical cost.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

6. A fundamental difference between Canadian GAAP and IFRS is that fair value accounting plays a more important role under IFRS.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-07 Value versus Cost

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7. The financial statement summarizing the value of a firm's equity on a particular date is the statement of comprehensive income.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

8. Patents on new anti-cholesterol drug are considered intangible fixed assets.
TRUE

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

9. The difference between a firm's current assets and its current liabilities is called net working capital.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital
Topic: 02-05 Liquidity

10. Statement of comprehensive income, also, referred to as the balance sheet, is a snapshot of the firm. It is a convenient means of organizing and summarizing what a firm owns (its assets), what a firm owes (its liabilities), and the difference between the two (the firm's equity) at a given time.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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11. Net income divided by the total number of outstanding shares is referred to as the profit margin.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

12. Non-cash items refer to expenses charged against revenues that do not directly affect cash flow.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-10 Non-Cash Items

13. If a firm's cash flow to stockholders is negative, then total dividends must have exceeded the value of net new equity sold by the firm during the year.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

14. A firm's marginal tax rate may differ from its average tax rate. However, it is the average tax rate that is relevant for financial decision-making purposes.
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

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15. The financial statement summarizing a firm's performance over a period of time is the statement of cash flows
FALSE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

16. Conceptually, capital cost allowance (CCA) is equivalent to depreciation.
TRUE

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

Multiple Choice Questions

17. Janex Corporation had OCF of $250, net capital spending of $500 and change in net working capital of $150. Given this information, determine its cash flow from assets.
A. $400
B. $800
C. $(400)
D. $(800)
E. $150

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

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18. Shareholders' equity in a firm is $500. The firm owes a total of $400 of which 75 percent is payable this year. The firm has net fixed assets of $600. What is the amount of the net working capital?
A. -$200
B. -$100
C. $0
D. $100
E. $200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

19.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

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Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

What is the amount of net new borrowing for 2018 ($ in millions)?
A. -$225
B. -$25
C. $0
D. $25
E. $225

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

20. **Knickerdoodles, Inc.**

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	2017	2018
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is net capital spending for 2018?
A. -$250
B. -$57
C. $0
D. $57
E. $477

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

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21. RDJ Manufacturing had 300 million shares of stock outstanding at the end of 2018. During 2018, the company reported net income of $600 million, retained earnings of $900 million, and $240 million in dividends paid. What is RDJ's earnings per share?
A. $0.50
B. $0.67
C. $0.80
D. $1.25
E. $2.00

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

22.

	2018
Cost of goods sold	$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What is the operating cash flow for 2015?
A. $520
B. $800
C. $1,015
D. $1,110
E. $1,390

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

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23.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

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What is the amount of the net capital spending for 2018 ($ in millions)?
A. -$290
B. $795
C. $1,080
D. $1,660
E. $2,165

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

24. Martha's Enterprises spent $2,400 to purchase equipment three years ago. This equipment is currently valued at $1,800 on today's statement of financial position but could actually be sold for $2,000. Net working capital is $200 and long-term debt is $800. What is the book value of shareholders' equity?
A. $200
B. $800
C. $1,200
D. $1,400
E. The answer cannot be determined from the information provided.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

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25.

KLM, Inc. **2018 Statement of comprehensive income**	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

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KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner's equity	$2,609	$2,549

What is the cash flow from assets for 2018?
A. $111
B. $355
C. $1,307
D. $2,259
E. $2,503

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

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26.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

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What is the change in the net working capital from 2017 to 2018 ($ in millions)?
A. $1,235
B. $1,035
C. $1,335
D. $3,405
E. $4,740

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

27.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
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Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

What is the cash flow from assets for 2018 ($ in millions)?
A. $430
B. $485
C. $1,340
D. $2,590
E. $3,100

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

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28. Dale Corporation had beginning fixed assets of $3,500 an ending fixed asset balance of $4,800 invested and depreciation expense of $200. Given this information, determine the net investment in fixed assets.
A. $1,200
B. $1,300
C. $1,400
D. $1,500
E. $1,600

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

29.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

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Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

What is the amount of the net capital spending for 2018 ($ in millions)?
A. $240
B. $620
C. $1,480
D. $1,860
E. $2,340

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

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30. The Burger Joint paid $420 in dividends and $611 in interest expense. The addition to retained earnings is $397.74 and net new equity is $750. The tax rate is 34%. Sales are $6,250 and depreciation is $710. What are the earnings before interest and taxes?
A. $1,576.67
B. $1,582.16
C. $1,660.00
D. $1,780.82
E. $1,850.00

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

31.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

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RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner's equity	$26,462	$28,267

What is the operating cash flow for the year 2018?
A. $361
B. $995
C. $1,725
D. $1,911
E. $2,455

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

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32.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
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Earnings before interest and taxes	1,330
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Earnings before taxes	1,060
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Net Income	700

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Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the operating cash flow for 2018 ($ in millions)?
A. $1,060
B. $1,560
C. $1,830
D. $1,920
E. $1,960

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

33.

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Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner's equity	$26,462	$28,267

What is the cash flow to stockholders for 2018?
A. -$2,160
B. -$1,840
C. $1,840
D. $2,160
E. $2,320

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

34.

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Dividends paid	$?
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			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner’s equity	$26,462	$28,267

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If there are 250 shares of stock outstanding, what is the amount of the earnings per share?
A. $0.64
B. $0.80
C. $1.21
D. $1.44
E. $2.19

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

35.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

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Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

If the firm has 180 million shares of stock outstanding, what is the firm's 2018 earnings per share?

A. $0.50
B. $0.61
C. $1.41
D. $1.83
E. $2.02

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

36.

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Less: Cost of goods sold	605
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Earnings before interest and taxes	599
Less: Interest paid	80
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Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
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Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

If the firm has 180 million shares of stock outstanding, what is the firm's 2018 dividends per share?

A. $0.50
B. $0.61
C. $1.41
D. $1.83
E. $2.02

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

37.

RST, Inc. **2018 Statement of comprehensive income**	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner's equity	$26,462	$28,267

If there are 100 shares of stock outstanding, what is the amount of the dividends paid per share?

A. $1.48
B. $1.60
C. $1.86
D. $2.01
E. $3.61

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

38. Marla's Homemade Cookies has net income of $1,280. During the year, the company sold $50 worth of common stock and paid dividends of $40. What is the amount of the cash flow to stockholders?
A. -$90
B. -$10
C. $10
D. $40
E. $90

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

39. Pete's Boats has beginning long-term debt of $180 and ending long-term debt of $210. The beginning and ending total debt balances are $340 and $360, respectively. The interest paid is $20. What is the amount of the cash flow to creditors?
A. -$10
B. $0
C. $10
D. $40
E. $50

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

40. Calculate EBIT given the following information: Cash flow from assets = $24,500; operating cash flow = $8,500; depreciation = $1,000; taxes = $2,500; capital spending = ($14,000); change in net working capital = ($2,000).
A. $8,000
B. $9,000
C. $10,000
D. $11,000
E. $12,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets

41. A Quebec resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $8,493
B. $9,493
C. $10,493
D. $11,493
E. $12,493

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

42. A New Brunswick resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $12,710
B. $11,710
C. $10,710
D. $9,710
E. $8,710

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

43. Given the following statement of financial position data, calculate net working capital: cash = $110, accounts receivable = $410, inventory = $350, net fixed assets = $1,000, accounts payable = $60, short-term debt = $375, and long-term debt = $510.
A. -$590
B. $0
C. $100
D. $435
E. $535

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

44.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

What is the firm's cash flow to creditors for 2018 ($ in millions)?
A. $30
B. $47
C. $100
D. $130
E. $146

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

45. Mylex has current assets of $95, net fixed assets of $250, long-term debt of $40, and owners' equity of $200, what is the value of current liabilities if that is the only other item on the statement of financial position?
A. -$50
B. $50
C. $105
D. $145
E. $545

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

46. Cantrell Industries spent $386,000 to purchase equipment three years ago. This equipment is currently valued at $276,000 on today's statement of financial position but could be sold for $298,000. Net working capital is $56,000 and long-term debt is $171,000. What is the book value of shareholders' equity?
A. $49,000
B. $71,000
C. $105,000
D. $161,000
E. $183,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

47. A Prince Edward Island resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $9,843
B. $10,843
C. $11,843
D. $12,843
E. $13,843

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

48.

Taxable income		Tax Rate
$0	$50,000	15%
$50,001	$75,000	25%
$75,001	$100,000	34%
$100,001	$335,000	39%
$335,001	$10,000,000	34%

The total tax on an income of $289,600 is:
A. $89,544
B. $96,194
C. $112,944
D. $113,900
E. $128,544

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

49. At the start of the year, Gershon, Inc. had total shareholders' equity = $12,000. If net income during the year was a $200 loss, dividends paid = $400, and $1,000 was raised from the sale of new stock, what is the end of year value for total shareholders' equity?
A. $10,060
B. $11,800
C. $12,400
D. $12,800
E. $13,200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-06 Debt versus Equity
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

50. BassiCorporation had a beginning and ending fixed asset balance of $400 and $650 respectively. During the year its net capital spending was $330. Given this information, determine the company's depreciation expense.
A. $80
B. $100
C. $120
D. $140
E. $160

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-15 Taxes

51.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner's equity	$2,609	$2,549

What is the change in net working capital for 2018?
A. -$643
B. -$122
C. $122
D. $643
E. $765

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

52.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the change in the net working capital from 2017 to 2018 ($ in millions)?
A. -$40
B. $75
C. $125
D. $2,005
E. $2,140

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

53.

Taxable income	Tax rate
$0 - $50,000	15%
$50,001 - $75,000	25%
$75,001 - $100,000	34%
$100,001 - $335,000	39%
$335,001 - $10,000,000	34%
$10,000,001 - $15,000,000	35%
$15,000,001 - $18,333,333	38%
$18,333,334 and above – 35%	

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

If a firm has taxable income = $74,000, how much will it pay in taxes?
A. $10,050
B. $11,750
C. $13,500
D. $16,750
E. $18,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

54. A Nova Scotia resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $12,500
B. $13,000
C. $13,500
D. $14,000
E. $14,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

55.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the cash flow to creditors for 2018?
A. -$170
B. -$35
C. $135
D. $170
E. $205

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

56. An Alberta resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $13,105
B. $13,658
C. $14,105
D. $14,658
E. $15,105

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

57.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the firm's net capital spending for 2018 ($ in millions)?
A. -$32
B. $32
C. $148
D. $328
E. $447

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

58. The Row Boat Cafe has operating cash flow of $36,407. Depreciation is $4,609 and interest paid is $1,105. A net total of $3,780 was paid on long-term debt. The firm spent $18,000 on fixed assets and increased net working capital by $3,247. What is the amount of the cash flow to stockholders?
A. $10,275
B. $12,933
C. $15,160
D. $19,998
E. $20,045

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

59. A firm has common stock of $5,500, paid-in surplus of $8,200, total liabilities of $6,600, current assets of $7,200, and fixed assets of $16,900. What is the amount of the shareholders' equity?
A. $10,300
B. $13,700
C. $15,600
D. $17,500
E. $20,300

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

60. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 3.
A. $15,800
B. $16,660
C. $17,400
D. $18,300
E. $19,200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

61. An Ontario resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $15,470
B. $16,470
C. $17,470
D. $18,470
E. $19,470

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

62. Blaze Corporation had OCF of $400, change in net working capital of 300 and cash flow from assets of $320. Given this information, calculate its net capital spending.
A. $(170)
B. $(220)
C. $170
D. $220
E. $150

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

63.

Master Machines, Inc.		
	2017	**2018**
Sales	$1,240	$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow to stockholders for 2018?
A. $124.40
B. $168.80
C. $171.10
D. $173.60
E. $175.90

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

64.

OPQ, Inc. 2018 statement of comprehensive income	
Net sales	$8,953
Cost of goods sold	$5,865
Depreciation	$?
EBIT	$?
Interest paid	$675
Earnings before taxes	$675
Taxes	$400
Net income	$705
Dividends paid	$?
Addition to retained earnings	$450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

OPQ, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$725	$1,135	Accounts payable	$859	$1,031
Accounts rec.	$2,330	$?	Notes payable	$?	$4,020
Inventory	$3,240	$5, 202	Current liabilities	$?	$?
Current assets	$?	$?	Long-term debt	$9,250	$9,750
Net fixed assets	$?	$9,211	Common stock	$250	$?
			Retained earnings	$?	$2,797
Total assets	$16,083	$17,848	Total liab. & equity	$?	$?

The cash flow to creditors for 2018 is _____ while the cash flow to stockholders for 2018 is _____.

A. -$640; $705
B. -$175; $255
C. $175; $255
D. $175; $450
E. $640; $450

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

65. A Saskatchewan resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $17,073
B. $17,973
C. $18,073
D. $18,973
E. $19,073

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

66. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $95,000 then determine the total tax paid.
A. $16,228
B. $17,988
C. $18,288
D. $19,398
E. $20,328

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

67. Amy's Dress Shoppe has sales of $421,000 with costs of $342,000. Interest expense is $18,000 and depreciation is $33,000. The tax rate is 34 %. What is the net income?
A. $9,520
B. $12,420
C. $18,480
D. $30,360
E. $52,140

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

68. A British Columbia resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $17,624
B. $18,264
C. $18,808
D. $19,206
E. $19,759

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

69.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the firm's cash flow to stockholders for 2018 ($ in millions)?
A. $89
B. $129
C. $188
D. $363
E. $383

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

70. A Manitoba resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $17,191
B. $18,191
C. $19,191
D. $20,191
E. $21,191

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

71. If total assets = $550, fixed assets = $375, current liabilities = $140, equity = $265, long-term debt = $145, and current assets is the only remaining item on the statement of financial position, what is the value of net working capital?
A. -$265
B. $35
C. $190
D. $230
E. $265

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

72. Toby's Pizza has total sales of $987,611 and costs of $724,268. Depreciation is $39,740 and the tax rate is 34 %. The firm does not have any interest expense. What is the operating cash flow?
A. $147,577.98
B. $187,317.98
C. $191,417.06
D. $213,008.14
E. $223,603.00

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

73.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the firm's cash flow from assets for 2018 ($ in millions)?
A. $21
B. $159
C. $197
D. $431
E. $1,087

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

74.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner's equity	$26,462	$28,267

What is the net working capital for 2018?
A. $643
B. $1,408
C. $2,055
D. $3,115
E. $5,509

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

75. At the beginning of the year, a firm has current assets of $91,807 and current liabilities of $102,343. At the end of the year, the current assets are $89,476 and the current liabilities are $92,638. What is the change in net working capital?
A. -$13,698
B. -$8,407
C. $2,109
D. $7,374
E. $11,991

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

76. Given the following statement of comprehensive income data, calculate operating cash flow: net sales = $16,500, cost of goods sold = $10,350, operating expenses = $3,118, depreciation = $1,120, interest expense = $900, tax rate = 34%.
A. $667.92
B. $1,912.00
C. $2,201.12
D. $2,381.92
E. $2,687.92

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

77.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the operating cash flow for 2018 ($ in millions)?
A. $845
B. $1,930
C. $2,215
D. $2,845
E. $3,060

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

78.

OPQ, Inc. 2018 statement of comprehensive income	
Net sales	$8,953
Cost of goods sold	$5,865
Depreciation	$?
EBIT	$?
Interest paid	$675
Earnings before taxes	$675
Taxes	$400
Net income	$705
Dividends paid	$?
Addition to retained earnings	$450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

OPQ, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$725	$1,135	Accounts payable	$859	$1,031
Accounts rec.	$2,330	$?	Notes payable	$?	$4,020
Inventory	$3,240	$5, 202	Current liabilities	$?	$?
Current assets	$?	$?	Long-term debt	$9,250	$9,750
Net fixed assets	$?	$9,211	Common stock	$250	$?
			Retained earnings	$?	$2,797
Total assets	$16,083	$17,848	Total liab. & equity	$?	$?

What is the operating cash flow for 2018?
A. $872
B. $2,013
C. $2,413
D. $2,688
E. $2,813

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

79.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner's equity	$2,609	$2,549

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the net new equity for 2018?
A. -$40
B. -$20
C. $20
D. $40
E. $60

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

80.

Master Machines, Inc.		
	2017	**2018**
Sales	$1,240	$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is net new borrowing for 2018?
A. -$40
B. -$20
C. $20
D. $40
E. $60

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

81. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $102,000, then determine the total tax paid.
A. $19,220
B. $19,668
C. $20,280
D. $20,930
E. $21,320

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

82. A Quebec resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $18,434
B. $19,434
C. $20,434
D. $21,434
E. $22,434

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

83. Jack's Shoes has net income of $19,600 in 2018 and owes $8,650 in taxes for the year. The company repaid $4,200 in loan principal and $650 in loan interest during the year. No new funds were borrowed. The depreciation expense is $420. What is the operating cash flow for the year?
A. $10,720
B. $19,370
C. $20,670
D. $28,670
E. $29,320

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

84. Given the following statement of comprehensive income data, calculate net income: sales = $135, cost of goods sold = $40, miscellaneous expenses = $35, depreciation = $20, interest expense = $20, tax rate = 34%.
A. $13.20
B. $19.80
C. $20.00
D. $23.10
E. $42.90

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

85. The total assets are $900, the fixed assets are $600, long-term debt is $500, and short-term debt is $200. What is the amount of net working capital?
A. $0
B. $100
C. $200
D. $300
E. $400

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

86. A firm has current assets of $400, shareholders' equity of $700, current liabilities of $300, and net fixed assets of $600. What is the amount of long-term debt?
A. $0
B. $100
C. $200
D. $300
E. $400

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

87. Suppose that a firm paid dividends of $300 and interest of $611. In addition, the firm raised cash by selling new debt of $400 and new equity of $911. What is the firm's cash flow to creditors?
A. -$1,040
B. -$240
C. $211
D. $890
E. $1,040

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

88. Six years ago, Thompson Distributors purchased a mailing machine at a cost of $368,000. This equipment is currently valued at $172,200 on today's statement of financial position but could actually be sold for $211,400. This is the only fixed asset the firm owns. Net working capital is $121,000 and long-term debt is $82,500. What is the book value of shareholders' equity?
A. $89,700
B. $210,700
C. $211,400
D. $249,900
E. $406,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

89. Based on the following information, calculate stockholders' equity: cash = $30; total current liabilities = $80; accounts receivable = $30; inventory = $90; net fixed assets = $220; accounts payable = $20; long term debt = $50.
A. $170
B. $190
C. $220
D. $240
E. $290

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-06 Debt versus Equity

90.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

What is the cash flow to creditors for 2018 ($ in millions)?
A. -$405
B. -$225
C. $225
D. $405
E. $630

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

91. Brandy's Candies paid $23 million in dividends during 2017, while also making net common stock repurchases of $27 million. What was the cash flow to stockholders for 2017?
A. -$4 million
B. $4 million
C. $23 million
D. $27 million
E. $50 million

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

92.

Master Machines, Inc.		
	2017	**2018**
Sales	$1,240	$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is the change in net working capital from 2017 to 2018?
A. -$69
B. -$54
C. $231
D. $255
E. $287

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

93.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow to stockholders for 2018 ($ in millions)?
A. -$250
B. -$25
C. $25
D. $250
E. $275

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

94. During the year, a firm paid $25,000 in interest expense and its long-term debt decreased from $350,000 to $250,000. What is the firm's cash flow to creditors?
A. -$75,000
B. -$25,000
C. $25,000
D. $75,000
E. $125,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

95. Ice Corporation has purchased a Class 10 piece of equipment for a cost of $50,000 with a CCA rate of 30%. Under the half year rule, the UCC amount used to calculate the first year CCA is:
A. $50,000
B. $15,000
C. $25,000
D. $35,000
E. $42,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

96.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner's equity	$26,462	$28,267

What is the cash flow to creditors for 2018?
A. -$1,075
B. -$660
C. -$264
D. $1,126
E. $2,120

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

97. An Alberta resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $29,125
B. $28,975
C. $27,174
D. $26,895
E. $26,204

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

98.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the amount of net new borrowing for 2018 ($ in millions)?
A. -$1,045
B. -$270
C. $270
D. $1,045
E. $1,315

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

99. Thompson's Jet Skis has operating cash flow of $218. Depreciation is $45 and interest paid is $35. A net total of $69 was paid on long-term debt. The firm spent $180 on fixed assets and increased net working capital by $38. What is the amount of the cash flow to stockholders?
A. -$104
B. -$28
C. $28
D. $114
E. $142

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

100. Chadwick Industries has equipment with a book value of $18 million that could be sold today for $21 million. The inventory is valued at $5.6 million and could be sold to a competitor today for $5.1 million. The firm has $740 thousand in cash and customers owe them $2.6 million. What is the total market value of the firm's assets?
A. $26.04 million
B. $26.44 million
C. $28.70 million
D. $29.04 million
E. $29.44 million

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

101. BandalCorporation had operating cash flows of $400, ending fixed asset value of $300, change in net working capital of $80, depreciation of $80, cash flow from assets of $190. Given this information, determine the beginning value of fixed assets.
A. $220
B. $250
C. $280
D. $300
E. $320

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

102.

Master Machines, Inc.		
	2017	**2018**
Sales	$1,240	$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is net capital spending for 2018?
A. $40
B. $70
C. $280
D. $310
E. $350

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

103. Given the following information from More Money, Inc.'s 2018 financial statements, calculate cash flow from assets: operating cash flow = $284,500, net fixed assets declined by $8,000, depreciation expense = $13,000, and net working capital increased by $1,500.
A. $262,000
B. $278,000
C. $281,000
D. $288,000
E. $301,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

104.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow from assets for 2018?
A. $50
B. $247
C. $297
D. $447
E. $517

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

105. Calculate ending fixed assets given the following information: cash flow from assets ($7,240); EBIT = $1,000; depreciation = $100; taxes = $240; change in net working capital = ($2,000); beginning fixed assets = $30,000
A. $40,000
B. $35,000
C. $30,000
D. $25,000
E. $20,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

106. A Saskatchewan resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $28,486
B. $29,486
C. $30,486
D. $31,486
E. $32,486

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

107.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net capital spending for 2018?
A. -$10
B. $30
C. $300
D. $530
E. $630

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

108. ABC Corporation reported retained earnings of $400 on its year-end 2017 statement of financial position. During 2018, the company reported a loss of $40 in the income statement, and it paid out a dividend of $11. What will retained earnings be for ABC's 2018 year-end statement of financial position?

A. $220
B. $349
C. $320
D. $380
E. $420

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

109.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the operating cash flow for 2018?
A. $143
B. $297
C. $325
D. $353
E. $367

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

110. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 1.
A. $7,800
B. $10,200
C. $34,000
D. $6,000
E. $12,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

111. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 1.
A. $7,800
B. $10,200
C. $34,000
D. $6,000
E. $12,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

112. Knight Insurance has shareholders' equity of $136,900. The firm owes a total of $71,400 of which 30 % is payable within the next year. The firm has net fixed assets of $152,800. What is the amount of the net working capital?
A. $21,420
B. $25,300
C. $34,080
D. $46,720
E. $55,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

113.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner’s equity	$26,462	$28,267

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the change in net working capital for 2018?
A. -$647
B. -$347
C. $347
D. $647
E. $994

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

114.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is net new borrowing for 2018?
A. -$70
B. -$35
C. $35
D. $70
E. $105

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

115. The Corner Store paid $46 in dividends and $120 in interest expense during the year. The addition to retained earnings is $142 and net new equity is $50. The tax rate is 20 %. Sales are $2,400 and depreciation is $140. What are the earnings before interest and taxes?
A. $286
B. $325
C. $355
D. $2,072
E. $2,260

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

116. During 2018, Spend-it Corporation reported net income of $200 and paid a $40 stock dividend. Spend-it's December 31, 2017 statement of financial position reported the following items: common stock = $220, capital surplus = $180, retained earnings = $300. What is the value of the retained earnings account for the December 31, 2018 statement of financial position?

A. $160
B. $340
C. $360
D. $460
E. $540

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

117.

	2017	**2018**
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the change in net working capital during 2018?
A. -$245
B. -$125
C. $362
D. $607
E. $904

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

118. A British Columbia resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $35,528
B. $36,531
C. $37,543
D. $38,559
E. $39,620

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

119.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner’s equity	$2,609	$2,549

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the operating cash flow for 2018?
A. $169
B. $272
C. $377
D. $425
E. $480

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

120. A Manitoba resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $36,922
B. $37,922
C. $38,922
D. $39,922
E. $40,922

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

121.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow from assets for 2018 ($ in millions)?
A. -$635
B. -$385
C. $385
D. $510
E. $635

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

122. The tax rates are as shown below. Your firm currently has taxable income of $98,650. How much additional tax will you owe if you increase your taxable income by $13,000?

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

A. $1,950.00
B. $4,420.00
C. $4,560.50
D. $4,800.00
E. $5,002.50

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

123.

	2018
Cost of goods sold	$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What are the sales for 2018?
A. $4,225
B. $4,385
C. $4,600
D. $4,815
E. $5,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

124. Swell, Inc. had net fixed assets of $6.5 million on December 31, 2017 and $11 million on December 31, 2018. If Swell's depreciation expense for 2018 was $750,000, what was the firm's 2018 capital spending?
A. $3.75 million
B. $4.25 million
C. $4.50 million
D. $5.25 million
E. $6.75 million

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

125.

Master Machines, Inc.		
	2017	**2018**
Sales	$1,240	$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is the operating cash flow for 2018?
A. $381.90
B. $396.10
C. $401.90
D. $440.10
E. $451.90

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

126. An Ontario resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $43,104
B. $42,104
C. $41,104
D. $40,104
E. $39,104

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

127. Kathy's Krafts has sales of $820,000 and costs of $530,000. Interest expense is $35,000. The tax rate is 34% and the tax amount is $71,400. What is the amount of the depreciation expense if that is the only remaining expense on the statement of comprehensive income?
A. $37,500
B. $38,000
C. $41,600
D. $45,000
E. $52,400

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

128.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

What is the amount of dividends paid in 2018 ($ in millions)?
A. $40
B. $370
C. $410
D. $660
E. $700

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

129. A firm has recently purchased Class 10 equipment for $100,000 with a CCA rate of 30%. Under the half-year rule, what is the amount of depreciation that the firm can claim as a tax-deductible expense in the second year?
A. $30,000
B. $15,000
C. $42,000
D. $25,500
E. $45,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

130.

	2017	**2018**
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is cash flow to creditors for 2018?
A. $100
B. $320
C. $420
D. $520
E. $720

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

131. A Quebec resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. $41,120
B. $42,120
C. $43,120
D. $44,120
E. $45,120

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

132.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is cash flow to stockholders for 2018?
A. $79
B. $189
C. $445
D. $524
E. $603

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

133.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the cash flow to stockholders for 2018?
A. $408
B. $417
C. $452
D. $482
E. $503

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

134. Hi-Performance Motors has net income of $62,408. The firm pays out 55 % of the net income to its shareholders as dividends. During the year, the company sold $125,000 worth of common stock. What is the cash flow to stockholders?
A. -$125,000.00
B. -$90,675.60
C. -$48,246.19
D. $22,309.11
E. $51,368.29

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

135. The owner of Fred's Electronics is trying to sell the business. The company built a building four years ago at a cost of $2.2 million. The building is currently appraised at $2.46 million. The firm's equipment originally cost $1.2 million and is currently valued at $700,000. The inventory is listed on the statement of financial position at $150,000 but is only worth $125,000. The owner expects to collect 90 % of the $300,000 in accounts receivable. The firm has $14,000 in cash and has total debt of $3.1 million. What is the market value of this firm?
A. $455,000
B. $469,000
C. $499,000
D. $504,000
E. $524,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

136. At the beginning of the year, Bob's Cabinet Works had long-term debt of $280 and total debt of $430. At the end of the year, long-term debt was $255 and total debt was $390. The firm paid $20 of interest during the year. What is the amount of the cash flow to creditors?
A. -$20
B. -$5
C. $5
D. $45
E. $60

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

137. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 5.
A. $3,499
B. $4,500
C. $5,050
D. $5,500
E. $6,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

138. The R.J. Ramboldt Co. paid dividends of $1,400, interest of $800, and taxes of $2,100 for the year. The tax rate is 35 % and the depreciation expense is $500. What is the operating cash flow for the year?
A. $4,800
B. $4,950
C. $5,200
D. $5,350
E. $5,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

139.

OPQ, Inc. 2018 statement of comprehensive income	
Net sales	$8,953
Cost of goods sold	$5,865
Depreciation	$?
EBIT	$?
Interest paid	$675
Earnings before taxes	$675
Taxes	$400
Net income	$705
Dividends paid	$?
Addition to retained earnings	$450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

OPQ, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$725	$1,135	Accounts payable	$859	$1,031
Accounts rec.	$2,330	$?	Notes payable	$?	$4,020
Inventory	$3,240	$5, 202	Current liabilities	$?	$?
Current assets	$?	$?	Long-term debt	$9,250	$9,750
Net fixed assets	$?	$9,211	Common stock	$250	$?
			Retained earnings	$?	$2,797
Total assets	$16,083	$17,848	Total liab. & equity	$?	$?

The net working capital at the end of 2017 is _____ and _____ at the end of 2018.
A. -$2,955; -$1,113
B. $2,059; $3,586
C. $5,436; $1,286
D. $5,436; $7,606
E. $2,059; $8,637

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

140. Given the following statement of comprehensive income data, calculate revenue: Net Income = $2,500, EBIT = $4,000, Depreciation = $500, Operating expenses = $1,500.
A. $3,000
B. $4,000
C. $5,500
D. $6,000
E. $2,500

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

141. Suppose a firm's net income is $950, dividends paid total $300, and new equity sales over the same period amount to $311. If the initial value of equity was $7,100, what is the cash flow to shareholders?
A. -$650
B. -$11
C. $50
D. $650
E. $8,100

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

142. Art's Boutique has sales of $640,000 and costs of $480,000. Interest expense is $40,000 and depreciation is $60,000. The tax rate is 34%. What is the net income?
A. $20,400
B. $39,600
C. $50,400
D. $79,600
E. $99,600

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

143. A firm has $1,800 in fixed assets, $400 in net working capital, $200 in accounts payable, and $100 in cash. What is the amount of the current assets?
A. $200
B. $400
C. $500
D. $600
E. $700

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

144. The total assets are $1,650, the fixed assets are $800, long-term debt is $700, and short-term debt is $450. What is the amount of net working capital?
A. $350
B. $400
C. $500
D. $950
E. $1,200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

145.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net working capital for 2018?
A. $362
B. $473
C. $519
D. $607
E. $1,060

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

146.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the firm's operating cash flow for 2018 ($ in millions)?
A. $359
B. $441
C. $543
D. $589
E. $623

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

147.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

What is the amount of dividends paid in 2018 ($ in millions)?
A. $25
B. $275
C. $570
D. $625
E. $845

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

148.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What are earnings before interest and taxes for 2018?
A. $112
B. $158
C. $580
D. $660
E. $780

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

149.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net income for 2018?
A. $112
B. $158
C. $580
D. $660
E. $780

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

150.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow to stockholders for 2018 ($ in millions)?
A. $360
B. $410
C. $580
D. $660
E. $910

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

151. The tax rates are as shown. California Surfin' currently has taxable income of $86,750. How much additional tax will the firm owe if taxable income increases by $16,500?

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

A. $5,773
B. $5,811
C. $6,120
D. $6,212
E. $6,435

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

152. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 5.
A. $4,929
B. $5,030
C. $6,141
D. $7,252
E. $8,163

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

153.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner's equity	$2,609	$2,549

What is the ending net working capital for 2018?
A. -$60
B. $40
C. $60
D. $643
E. $765

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

154. At year-end 2018, Jordan Company's statement of financial position showed current assets = $800, fixed assets = $1,500, intangible assets = $300, current liabilities = $600, and long-term liabilities = $1,400. What is the value of the shareholders' equity account?
A. $300
B. $500
C. $600
D. $900
E. $1,100

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

155. A firm has $300 in inventory, $600 in fixed assets, $200 in accounts receivables, $100 in accounts payable, and $50 in cash. What is the amount of the current assets?
A. $500
B. $550
C. $600
D. $1,150
E. $1,200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

156. A firm has net working capital of $350. Long-term debt is $600, total assets are $950 and fixed assets are $400. What is the amount of the total liabilities?
A. $200
B. $400
C. $600
D. $800
E. $1,200

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

157. Julie's Boutique paid $400 in dividends and $500 in interest this past year. Common stock increased by $500 and retained earnings decreased by $200. What is the net income for the year?
A. -$300
B. $200
C. $600
D. $700
E. $1,100

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

158. Zonex Corporation had an operating cash flow of $600, change in net working capital of $120 and cash flow from assets of $360. In addition, it had deprecation of $120, and a beginning fixed asset value of $500. Given this information, calculate the company's ending fixed asset value.
A. $400
B. $500
C. $600
D. $700
E. $800

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

159. The Phillip Edwards Co. has net income of $2,460 for the current year. During the year, the common stock account increased in value by $1,500 and retained earnings increased by $350. What is the amount the firm paid in dividends to its shareholders during the year?
A. $350
B. $380
C. $610
D. $2,110
E. $2,810

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

160.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is cash flow from assets for 2018?
A. $428
B. $540
C. $633
D. $923
E. $1,123

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

161.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

KLM, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner’s equity	$2,609	$2,549

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the net capital spending for 2018?
A. -$144
B. -$64
C. $64
D. $144
E. $208

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

162.

	2018
Cost of goods sold	$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What is the taxable income for 2018?
A. $360
B. $520
C. $640
D. $780
E. $800

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

163. Suppose that a firm paid dividends of $300 and interest of $611. In addition, the firm raised cash by selling new debt of $400 and new equity of $911. What is the firm's cash flow to stockholders?
A. -$1,250
B. -$611
C. $650
D. $890
E. $1,250

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

164.

Taxable income	Tax rate
0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

Celeste Video, Inc. reports 2018 taxable income of $200,011. How large is this firm's tax bill?
A. $48,750
B. $61,254
C. $67,000
D. $78,000
E. $91,125

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

165.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the change in net working capital from 2017 to 2018?
A. -$93
B. -$7
C. $7
D. $85
E. $97

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

166. Brad's Co. has equipment with a book value of $500 that could be sold today at a 50 % discount. Their inventory is valued at $400 and could be sold to a competitor for that amount. The firm has $50 in cash and customers owe them $300. What is the accounting value of their liquid assets?
A. $50
B. $350
C. $700
D. $750
E. $1,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

167. A new firm issued $500 in common stock. At the end of the first year, the firm had total assets of $1100 and total debt of $400. What was the amount of net income for the first year, assuming the firm paid no dividends?
A. -$200 (a loss)
B. $200
C. $700
D. $1200
E. Cannot be determined from the information provided

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

168. Bill's Mowers has beginning net fixed assets of $1,620 and ending net fixed assets of $1,780. Assets valued at $410 were sold during the year. Depreciation was $45. What is the value of the fixed asset purchases for the year?
A. $295
B. $615
C. $705
D. $795
E. $855

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes

169. Calculate earnings before interest and taxes given the following information: net income = $415; interest paid = $85; taxes = $300; sales = $2,000
A. $800
B. $750
C. $725
D. $700
E. $675

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

170.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner’s equity	$26,462	$28,267

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the amount of non-cash items for 2018?
A. $186
B. $201
C. $730
D. $1,364
E. $2,094

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

171. If net income = $46,750, depreciation expense = $20,000, interest expense = $10,000, and the tax rate = 15%, what is operating cash flow?
A. $21,250
B. $72,250
C. $76,750
D. $85,250
E. $93,350

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

172.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the amount of the non-cash expenses for 2018 ($ in millions)?
A. $270
B. $630
C. $780
D. $860
E. $1,130

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

173. Calculate beginning net working capital given the following information: cash flow from assets = $24,500; operating cash flow = $8,500; capital spending = ($14,000); ending net working capital = $8,000.
A. $6,000
B. $7,000
C. $8,000
D. $9,000
E. $10,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

174.

KLM, Inc. 2018 Statement of comprehensive income	
Net sales	$3,685
Cost of goods sold	$3,180
Depreciation	$104
Earnings before interest and taxes	$401
Interest paid	$25
Taxable income	$376
Taxes	$128
Net income	$248
Dividends paid	$60
Addition to retained earnings	$188

KLM, Inc.
Statement of financial positions as of December 31, 2017 and 2018

	2017	2018		2017	2018
Cash	$520	$601	Accounts payable	$621	$704
Accounts rec.	$235	$219	Notes payable	$333	$272
Inventory	$964	$799	Current liabilities	$954	$976
Current assets	$1,719	$1,619	Long-term debt	$350	$60
Net fixed assets	$890	$930	Common stock	$800	$820
			Retained earnings	$505	$693
Total assets	$2,609	$2,549	Total liabilities and Owner's equity	$2,609	$2,549

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow to stockholders for 2018?
A. $40
B. $60
C. $80
D. $148
E. $268

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

175.

Knickerdoodles, Inc.		
	2017	**2018**
Sales	$740	$785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the net working capital for 2018?
A. $345
B. $405
C. $805
D. $812
E. $1,005

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

176. Canadian Enterprises had earnings before interest and taxes (EBIT) of $865, depreciation of $120 and taxes of $180. Given this information, calculate OCF.
A. $825
B. $815
C. $805
D. $795
E. $765

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

177.

Nabors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	1,370
Earnings before interest and taxes	1,930
Less: Interest paid	630
Taxable Income	$1,300
Less: Taxes	455
Net income	$845

Nabors, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$310	$405	Accounts payable	$2,720	$2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	$2,820	$2,570
Total	$6,225	$7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	$17,185	$17,980	Total liab. & equity	$17,185	$17,980

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the amount of the non-cash expenses for 2018 ($ in millions)?
A. $570
B. $630
C. $845
D. $1,370
E. $2,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-10 Non-Cash Items

178. Tim's Playhouse paid $155 in dividends and $220 in interest expense. The addition to retained earnings is $325 and net new equity is $50. The tax rate is 25 %. Sales are $1,600 and depreciation is $160. What are the earnings before interest and taxes?
A. $480
B. $640
C. $860
D. $1,020
E. $1,440

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

179.

Aussel Motors, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc. 2017 and 2018 statement of financial position ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab. & equity	5725	7450

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the cash flow to creditors for 2018 ($ in millions)?
A. -$1,045
B. -$365
C. $885
D. $945
E. $1,585

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

180. A $40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 3.
A. $7,140
B. $8,250
C. $9,360
D. $10,470
E. $11,580

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

181.

	2017	2018
Sales	$2,900	$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is operating cash flow for 2018?
A. $248
B. $662
C. $908
D. $1,072
E. $1,375

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

182. All-Rite sold $133,500 in used equipment in 2018 and replaced it with $212,000 of new equipment. Depreciation for 2018 and $12,500. What is the net capital spending for 2018?
A. $66,000
B. $78,500
C. $91,000
D. $199,500
E. $212,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

183. Peter owns The Train Store which he is trying to sell so that he can retire and travel. The Train Store owns the building in which it is located. This building was built at a cost of $427,000 and is currently appraised at $575,000. The display counters and fixtures originally cost $87,000 and are currently valued at $49,000. The inventory is valued on the statement of financial position at $289,000 and has a retail market value equal to 1.4 times its cost. Peter expects the store to collect 97 % of the $48,041 in accounts receivable. The firm has $11,200 in cash and has total debt of $167,400. What is the market value of this firm?
A. $771,000
B. $907,800
C. $919,000
D. $945,800
E. $957,000

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

184.

Kuipers, Inc. 2018 statement of comprehensive income ($ in millions)	
Net sales	$1,384
Less: Cost of goods sold	605
Less: Depreciation	180
Earnings before interest and taxes	599
Less: Interest paid	80
Taxable income	519
Less: Taxes	156
Net income	$363
Addition to retained earnings	$254
Dividends paid	109

Kuipers, Inc. 2017 and 2018 Statement of financial positions ($ in millions)					
	2017	**2018**		**2017**	**2018**
Cash	$100	$121	Accounts payable	$400	$350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	$790	$720
Total	$890	$956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner’s equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	$2,446	$2,660	Total liabilities	$2,446	$2,660

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the firm's change in net working capital for 2018 ($ in millions)?
A. -$40 million
B. $4 million
C. $94 million
D. $136 million
E. $205 million

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

185. If cash flow from operations is $938, net capital spending is -$211, and net working capital declines by $73, what is cash flow from assets?
A. $654
B. $800
C. $954
D. $1,076
E. $1,222

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

186. Calculate cash flow from assets given the following information: EBIT = $1,000; depreciation = $100; taxes = $240; beginning fixed assets = $30,000; ending fixed assets = $40,000; beginning net working capital = $10,000; ending net working capital = $8,000.
A. –$6,350
B. –$7,240
C. –$8,130
D. –$9,020
E. –$10,900

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

187. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $95,000, then determine the average provincial tax rate.
A. 18.50%
B. 18.93%
C. 20.50%
D. 20.93%
E. 21.50%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

188. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $102,000, then determine the average provincial tax rate.
A. 19.28%
B. 20.25%
C. 21.28%
D. 25.38%
E. 25.58%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

189. An Alberta resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 23.43%
B. 23.92%
C. 24.03%
D. 24.43%
E. 24.92%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

190. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $102,000, then determine the marginal provincial tax rate.
A. 24%
B. 25%
C. 26%
D. 27%
E. 28%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

191. An Alberta resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 29.13%
B. 28.98%
C. 27.17%
D. 26.90%
E. 26.20%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

192. If provincial tax rates are 16% on the first $40,100; 20% on the next $40,100; and 24% on any income after that. If a resident had income of $95,000, then determine the marginal provincial tax rate.
A. 22%
B. 24%
C. 28%
D. 30%
E. 32%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

193. Which of the following are included in current liabilities?
A. Note payable to a supplier in eighteen months.
B. Debt payable to a mortgage company in nine months.
C. 30 year bonds.
D. Retained earnings.
E. Shareholders' equity.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

194. A Saskatchewan resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 28.46%
B. 28.97%
C. 30.36%
D. 30.97%
E. 31.46%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

195. An Ontario resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 28.45%
B. 29.45%
C. 30.45%
D. 31.45%
E. 32.45%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

196. A Saskatchewan resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 28.49%
B. 29.49%
C. 30.49%
D. 31.49%
E. 32.49%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

197. Given the tax rates as shown, what is the average tax rate for a firm with taxable income of $218,740?

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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

A. 25.38 %
B. 28.43 %
C. 30.67 %
D. 31.34 %
E. 39.00 %

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

198. A British Columbia resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 29.83%
B. 30.44%
C. 31.26%
D. 31.86%
E. 32.23%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

199. A Manitoba resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	EligibleDividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
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Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 29.99%
B. 30.99%
C. 31.99%
D. 32.99%
E. 33.99%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

200. A Quebec resident earned $30,000 in capital gains and $30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 31.39%
B. 32.39%
C. 33.39%
D. 34.39%
E. 34.39%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

201.

RST, Inc. 2018 Statement of comprehensive income	
Net sales	$8,769
Cost of goods sold	$6,128
Depreciation	$1,364
Earnings before interest and taxes	$1,277
Interest paid	$730
Taxable income	$547
Taxes	$186
Net income	$361
Dividends paid	$?
Addition to retained earnings	$?

RST, Inc. Statement of financial positions as of December 31, 2017 and 2018					
	2017	**2018**		**2017**	**2018**
Cash	$1,423	$965	Accounts payable	$1,007	$2,251
Accounts rec.	$2,196	$2,894	Notes payable	$2,100	$1,850
Inventory	$1,543	$1,650	Total	$3,107	$4,101
Total	$5,162	$5,509	Long-term debt	$8,670	$7,280
Net fixed assets	$21,300	$22,758	Common stock	$7,200	$9200
			Retained earnings	$7,485	$7,686
Total assets	$26,462	$28,267	Total liabilities and Owner’s equity	$26,462	$28,267

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

What is the average tax rate for 2018?
A. 19%
B. 25%
C. 34%
D. 39%
E. cannot be determined from the information provided

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

202.

Taxable income		**Tax Rate**
$0	$50,000	15%
$50,001	$75,000	25%
$75,001	$100,000	34%
$100,001	$335,000	39%
$335,001	$10,000,000	34%

The marginal tax rate on an income of $239,650 is:
A. 15%
B. 25%
C. 34%
D. 39%
E. 43%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

203. Alpha, Inc. earned $95,000 in net income in 2017 and paid $20,548.50 in taxes. Alpha, Inc. earned $95,001 in net income in 2018 and paid $20,548.84 in taxes. What is the marginal tax rate for Alpha, Inc.?

A. 15%
B. 25%
C. 34%
D. 35%
E. 38%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

204.

Taxable income	***Tax rate***
$0 - $50,000	*15%*
$50,001 - $75,000	*25%*
$75,001 - $100,000	*34%*
$100,001 - $335,000	*39%*
$335,001 - $10,000,000	*34%*
$10,000,001 - $15,000,000	*35%*
$15,000,001 - $18,333,333	*38%*
$18,333,334 and above _ 35%	

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

If a firm has taxable income of $17.5 million and a total tax bill of $6.1 million, its marginal tax rate is _____.
A. 15%
B. 25%
C. 34%
D. 38%
E. 39%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

205. Given the tax rates below, what is the average tax rate for a firm with taxable income of $178,500?

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

A. 29.62 %
B. 30.13 %
C. 34.00 %
D. 35.67 %
E. 39.00 %

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

206.

Taxable income	***Tax rate***
$0 - $50,000	*15%*
$50,001 - $75,000	*25%*
$75,001 - $100,000	*34%*
$100,001 - $335,000	*39%*
$335,001 - $10,000,000	*34%*
$10,000,001 - $15,000,000	*35%*
$15,000,001 - $18,333,333	*38%*
$18,333,334 and above _ 35%	

If a firm has taxable income of $17.5 million and a total tax bill of $6.1 million, its average tax rate is _____.
A. 15.0%
B. 25.9%
C. 34.9%
D. 38.2%
E. 42.2%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

207.

Taxable income	***Tax rate***
$0 - $50,000	*15%*
$50,001 - $75,000	*25%*
$75,001 - $100,000	*34%*
$100,001 - $335,000	*39%*
$335,001 - $10,000,000	*34%*
$10,000,001 - $15,000,000	*35%*
$15,000,001 - $18,333,333	*38%*
$18,333,334 and above _ 35%	

If a company has taxable income = $250,000, what is the average tax rate?
A. 32.3%
B. 34.0%
C. 36.8%
D. 39.6%
E. 42.0%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

208. A British Columbia resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 35.53%
B. 36.53%
C. 37.54%
D. 38.56
E. 39.62%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

209. A New Brunswick resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 40.03%
B. 39.03%
C. 38.03%
D. 37.03%
E. 36.03%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

210.

	Tax Rates	Tax Brackets
Federal	15.00%	Up to $43,953
	22.00	43,954 – 87,907
	26.00	87,908 – 136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to $37,606
	7.70	37,607 – 75,213
	10.50	75,214 – 86,354
	12.29	86,355 – 104,858
	14.70	104,859 – 150,000
	16.80	150,001 and over

Determined the federal marginal tax rate of a British Columbia resident that earned $89,000.
A. 26.00%
B. 12.29%
C. 38.29%
D. 29.00%
E. 45.80%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

211.

	Tax Rates	Tax Brackets
Federal	15.00%	Up to $43,953
	22.00	43,954 – 87,907
	26.00	87,908 – 136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to $37,606
	7.70	37,607 – 75,213
	10.50	75,214 – 86,354
	12.29	86,355 – 104,858
	14.70	104,859 – 150,000
	16.80	150,001 and over

Determined the provincial marginal tax rate of a British Columbia resident that earned $89,000.
A. 26.00%
B. 12.29%
C. 38.29%
D. 29.00%
E. 45.80%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

212.

	Tax Rates	Tax Brackets
Federal	15.00%	Up to $43,953
	22.00	43,954 – 87,907
	26.00	87,908 – 136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to $37,606
	7.70	37,607 – 75,213
	10.50	75,214 – 86,354
	12.29	86,355 – 104,858
	14.70	104,859 – 150,000
	16.80	150,001 and over

Determined the total marginal tax rate of a British Columbia resident that earned $89,000.
A. 26.00%
B. 12.29%
C. 38.29%
D. 29.00%
E. 45.80%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

213. A Manitoba resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
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Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 36.92%
B. 37.92%
C. 38.92%
D. 39.92%
E. 40.92%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

214. A Prince Edward Island resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
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Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 37.48%
B. 38.48%
C. 39.48%
D. 40.48%
E. 41.48%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

215. A Quebec resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
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Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 37.64%
B. 38.64%
C. 39.64%
D. 40.64%
E. 41.64%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

216. A Nova Scotia resident earned $20,000 in interest income and $10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 41.67%
B. 40.67%
C. 39.67%
D. 38.67%
E. 36.67%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

217. An Ontario resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
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Saskatchewan	44.00	22.00	24.81	34.91
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Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 43.10%
B. 42.10%
C. 41.10%
D. 40.10%
E. 39.10%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

218. A Quebec resident earned $40,000 in interest income and $60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
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New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. 41.12%
B. 42.12%
C. 43.12%
D. 44.12%
E. 45.12%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

219. The repurchase of outstanding stock by a corporation causes _____ for the firm, all else constant.
A. An immediate cash inflow
B. A decrease in the cash flow to stockholders
C. A decrease in both earnings per share and dividends per share
D. A decrease in dividends per share
E. Both a cash outflow and an increase in earnings per share

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity

220. A firm has a calendar tax year. On January 10, the firm purchased depreciable equipment for cash. This purchase will create:
A. A current cash outflow and an equal decrease in current net income.
B. A current cash outflow and a lesser decrease in current net income.
C. A decrease in net income by an amount equal to the decrease in net assets.
D. No change in net income for the current year.
E. An increase in the total taxes of the firm over a period of years.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-02 Assets
Topic: 02-10 Non-Cash Items

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

221. Which one of the following will increase the operating cash flow of a firm, all else constant?
A. An increase in depreciation expense
B. An increase in the taxes paid
C. A decrease in sales
D. A decrease in the interest expense
E. A decrease in variable costs

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

222. Which one of the following will increase earnings per share, all else held constant?
A. A decrease in the number of shares outstanding.
B. An increase in wages paid to employees.
C. A decrease in sales of the firm.
D. An increase in marginal tax rates.
E. An increase in depreciation expense.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

223. A liquid asset is defined as an asset which:
A. Has a physical presence and can be touched.
B. Can be quickly converted into cash without significant loss in value.
C. A firm expects to own for a period of ten years or more.
D. Has no physical presence, such as a patent.
E. A firm purchased with cash within the last year.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

224. Which of the following statements concerning a statement of financial position is (are) correct?
A. Assets equal liabilities minus shareholders' equity.
B. Current liabilities can be converted into cash within twelve months.
C. A patent is an example of an intangible asset.
D. Retained earnings is classified as long-term debt.
E. The statement is also known as a profit and loss statement.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity

225. Which of the following assets is the most liquid?
A. An office building
B. An electric saw for sale by a hardware store
C. A patent on a new kitchen appliance
D. A manufacturing plant
E. An amount receivable from a customer for a service provided

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

226. Which of the following will cause net income to decrease for the following year?
A. The accumulation of more long-term debt by a firm.
B. An increase in the amount of dividends paid per share.
C. A reduction in tax rates.
D. An increase in profit margins.
E. A reduction in depreciation expense.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

227. Which one of the following will decrease net working capital?
A. An increase in accounts receivable.
B. An increase in accounts payable.
C. A sale of a fixed asset for cash.
D. A sale of inventory at a profit.
E. A decrease in accounts payable.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-16 Individual Tax Rates

228. Which one of the following will increase shareholders' equity, all else held constant?
A. A purchase of equipment on account.
B. The collection of an account s receivable.
C. A sale of inventory at a profit.
D. A payment on a loan.
E. The declaration of a stock dividend.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

229. Which of the following assets would most likely be considered the least liquid?
A. A share of common stock in Nortel.
B. A bond issued by Corel.
C. A share of preferred stock in GM of Canada.
D. A Lethbridge, Alberta municipal bond.
E. A Canadian Treasury bill.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

230. Which one of the following is an example of an intangible asset?
A. Accounts receivable.
B. Inventory.
C. Accounts payable.
D. Furniture.
E. Patent.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets

231. For which of the following statement of financial position items will the book value and market value most likely be closest at the time the statement of financial position is prepared?
A. Net fixed assets.
B. Common stock.
C. Accounts receivable.
D. Long-term debt.
E. Retained earnings.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-07 Value versus Cost

232. Which of the following is NOT a component of cash flow from assets?
A. Net new borrowings.
B. Operating cash flow.
C. Additions to net working capital.
D. Retained Earnings.
E. Net payables.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

233. Which of the following will increase the amount of the cash flow to creditors?
A. A new long-term loan
B. The early payment of an account payable
C. An early payoff of a long-term loan
D. A decrease in the rate of interest charged on a loan
E. The payment of a cash dividend

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

234. Dividend tax credit is best described as:
A. An incentive for investors to invest in Canadian corporations by reducing federal and provincial tax on dividends income.
B. An incentive for investors to invest in US corporations by reducing federal and provincial tax on dividends income.
C. An incentive for investors to invest in European corporations by reducing federal and provincial tax on dividends income.
D. A method to pre-pay taxes to Canada Revenue Agency based on dividend income earned.
E. A tax incentive received by corporations if they provide dividends to investors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-20 Taxable Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

235. Which one of the following will cause cash flow to stockholders to increase, all else constant?
A. A secondary common stock offering
B. A decrease in dividends per share
C. An increase in cash flow to creditors given no change in cash flow from assets
D. A decrease in cash flow from assets given no change in cash flow to creditors
E. A decrease in cash flow to creditors given an increase in cash flow from assets

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

236. Which one of the following will increase net working capital?
A. A decrease in cash.
B. An increase in accounts payable.
C. An increase in depreciation.
D. A profitable sale of inventory.
E. The write-off of a bad debt.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-16 Individual Tax Rates

237. A current asset is:
A. An item currently owned by the firm.
B. An item that the firm expects to own within the next year.
C. An item currently owned by the firm that will convert to cash within the next 12 months.
D. The amount of cash on hand the firm currently shows on its statement of financial position.
E. The market value of all the items currently owned by the firm.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

238. Dividends per share:
A. Increases as the net income increases as long as the number of shares outstanding remains constant.
B. Decreases as the number of shares outstanding decrease, all else constant.
C. Are inversely related to the earnings per share.
D. Are based upon the dividend requirements established by Generally Accepted Accounting Procedures.
E. Are equal to the amount of net income distributed to shareholders divided by the number of shares outstanding.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

239. The asset category within the statement of financial position:
A. Are always equal to total liabilities minus shareholders' equity.
B. Represent items acquired with the use of the firm's assumed liabilities and equity.
C. Are listed in order of increasing liquidity.
D. Do not include intangible assets.
E. Provide an indication of revenues less expenses.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

240. Suppose you have the 2018 statement of comprehensive income for a firm, along with the 12/31/2017 and 12/31/2018 statement of financial positions. How would you calculate net capital spending?
A. Ending net fixed assets (2018) minus beginning net fixed assets (2017) plus 2015 depreciation
B. Beginning net fixed assets (2017) minus ending net fixed assets (2015) plus 2015 depreciation
C. Beginning net fixed assets (2017) plus ending net fixed assets (2015) minus 2015 depreciation
D. Ending net fixed assets (2015) minus beginning net fixed assets (2017) plus 2015 taxes paid
E. Ending net fixed assets (2015) plus beginning net fixed assets (2017) minus 2015 taxes paid

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-15 Taxes

241. _____ normally must be paid by a firm within 12 months.
A. Long-term bank loans
B. Current liabilities
C. Bonds
D. Marketable securities
E. Accounts receivable

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-04 Net Working Capital
Topic: 02-05 Liquidity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

242. Which of the following accurately describes the relation between book and market value?
A. Financial managers should rely on book values, and not market values, when making decisions for the firm, because the firm's tax liability is based on book values.
B. Financial managers should rely on market values, and not book values, when making decisions for the firm, because the firm's tax liability is based on market values.
C. Book value is an accounting summary of value and is inferior to market value as a source of current information regarding the true value of the firm.
D. The market value of current assets is often difficult to determine, and thus of little value to the decision making process of financial managers.
E. Market value always exceeds book value.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

243. Calculate the tax difference between a British Columbia resident and an Ontario resident both having $20,000 in interest income and $25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $1,213.50 more than the Ontario resident.
B. British Columbia resident would pay $1,213.50 less than the Ontario resident.
C. British Columbia resident would pay $1,456.50 more than the Ontario resident.
D. British Columbia resident would pay $1,456.50 less than the Ontario resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

244. Calculate the tax difference between a British Columbia resident and an Alberta resident both having $20,000 in capital gains and $10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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New Brunswick	46.84	23.42	27.35	36.02
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Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $1,919.00 more than the Alberta resident.
B. British Columbia resident would pay $1,919.00 less than the Alberta resident.
C. British Columbia resident would pay $1,619.00 more than the Alberta resident.
D. British Columbia resident would pay $1,619.00 less than the Alberta resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

245. Calculate the tax difference between a British Columbia resident and a Quebec resident both having $20,000 in interest income and $25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $1,356.50 less than the Quebec resident.
B. British Columbia resident would pay $1,356.50 more than the Quebec resident.
C. British Columbia resident would pay $2,456.50 less than the Quebec resident.
D. British Columbia resident would pay $2,456.50 more than the Quebec resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

246. Calculate the tax difference between a British Columbia resident and a Quebec resident both having $20,000 in capital gains and $10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $1,072.00 more than the Quebec resident.
B. British Columbia resident would pay $1,072.00 less than the Quebec resident.
C. British Columbia resident would pay $2,502.00 more than the Quebec resident.
D. British Columbia resident would pay $2,502.00 less than the Quebec resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

247. Calculate the tax difference between a British Columbia resident and an Alberta resident both having $20,000 in interest income and $25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $2,210.00 more than the Alberta resident.
B. British Columbia resident would pay $2,210.00 less than the Alberta resident.
C. British Columbia resident would pay $3,500.00 more than the Alberta resident.
D. British Columbia resident would pay $3,500.00 less than the Alberta resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

248. Calculate the tax difference between a British Columbia resident and an Ontario resident both having $20,000 in capital gains and $10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax brackets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

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New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

A. British Columbia resident would pay $999.00 more than the Ontario resident.
B. British Columbia resident would pay $999.00 less than the Ontario resident.
C. British Columbia resident would pay $888.00 more than the Ontario resident.
D. British Columbia resident would pay $888.00 less than the Ontario resident.
E. There are no tax differences between the two tax payers.

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

249. A fundamental difference between Canadian GAAP and IFRS is that:
A. There are no fundamental differences between Canadian GAAP and IFRS.
B. IFRS does not require a statement of comprehensive income.
C. Canadian GAAP records transactions in Canadian Dollars, whereas IFRS records transactions in Euros.
D. Fair value accounting plays a more important role under IFRS than Canadian GAAP.
E. Fair value accounting plays a more important role under Canadian GAAP than IFRS.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-07 Value versus Cost

250. Under GAAP, statement of financial position, assets are _____.
A. Carried on the books at historical cost.
B. Only carried on the books if they are relatively liquid.
C. Carried on the books at market value.
D. Listed in order of increasing relative liquidity.
E. Carried at the larger of historic cost and market value.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-07 Value versus Cost

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251. If operating cash flow is negative, then _____.
A. The firm is bankrupt.
B. The firm can pay no dividends.
C. Cash flow to bondholders must be negative.
D. Cash flow to stockholders must be positive.
E. Cash flow from assets may be positive.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

252. Cash flow from assets is equal to which of the following?
A. Cash flow to creditors - cash flow to shareholders
B. Cash flow to shareholders + cash flow to creditors
C. Cash flow to creditors + cash flow to the government
D. Cash flow to shareholders - net new borrowing
E. Cash flow to shareholders + operating cash flow

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

253. Cash flow to creditors is best described as:
A. A firm's interest payments to creditors less net new borrowings.
B. Dividends paid out by a firm less net new equity raised.
C. Cash flow to creditors is also referred to as free cash flow.
D. The net difference between total assets and total liabilities.
E. The sum of cash flow to bondholders and shareholders

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

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254. Free cash flow is commonly referred to as a firm's:
A. Cash flow to stockholders.
B. Cash flow from assets.
C. Cash flow to creditors.
D. Net working capital.
E. Liquid capital.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

255. Cash flow to shareholders is best described as:
A. A firm's interest payments to creditors less net new borrowings.
B. Dividends paid out by a firm less net new equity raised.
C. Cash flow to shareholders is also referred to as free cash flow.
D. The net difference between total assets and total liabilities.
E. The sum of cash flow to bondholders and shareholders

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

256. If the market value of an asset exceeds the book value of that asset, then the sale of the asset will:
A. Generate taxable income.
B. Result in a capital loss.
C. Cause a cash outflow for the firm.
D. Cause net profits to decline.
E. Cause operating cash flows to decrease.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

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257. Which of the following does NOT directly appear in either of the two definitions of cash flow from assets?
A. Addition to retained earnings.
B. Net capital spending.
C. Changes in net working capital.
D. Operating cash flow.
E. Cash flow to stockholders.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

258. The rationale for examining financial statements is to:
A. Extract key information for future decision making.
B. Attain precise and accurate data of the company.
C. Consider what went wrong.
D. Maintain consistency.
E. Determined if they adhere to GAAP.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-01 Statement of Financial Position
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

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259. The ease and speed with which an asset can be converted into cash is called:
A. Liquidity.
B. Marketability.
C. Convertibility.
D. Transferability.
E. Liability.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

260. Which one of the following is a tangible asset of a restaurant?
A. Baking oven.
B. Goodwill.
C. Copyrighted cook book.
D. Patent on a mixing machine.
E. Old family recipe.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

261. Which of the following statement of comprehensive income accounts is a non-cash item?
A. Wages and salaries.
B. Interest expense.
C. Cost of goods sold.
D. Depreciation.
E. Income taxes.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-10 Non-Cash Items

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262. CCA Half-year rule is best described as:
A. CRA's requirement to figure CCA on only one-half of an asset's installed cost for its last year of use.
B. CRS's option to value the assets at one-half of its value for the duration of use.
C. CRA's option to depreciate the asset over half of its useful life.
D. CRA's requirement to figure CCA on only one-half of an asset's installed cost for its first year of use.
E. An accounting rule that is not allowed under CRA requirements.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

263. Which of the following equation is correct?
A. EBIT + depreciation - taxes = OCF
B. Ending net fixed assets + depreciation = Net capital spending
C. Current assets - current liabilities = Change in net working capital
D. Operating cash flow + net capital spending = Cash flow from assets
E. EBIT - Depreciation + Taxes = OCF

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

264. The statement of financial position identity states that:
A. Current assets + Fixed assets = Total assets
B. Assets = Liabilities + Shareholders' equity
C. Current liabilities + Long-term debt = Total liabilities
D. Common stock + Retained earnings = Shareholders' equity
E. Cash flow = Market value - Book value

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

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265. Cash flow from assets represents the cash:
A. Generated solely from a firm's daily sales.
B. Generated solely from the sale of company assets.
C. Currently held in the bank.
D. Available to pay for current asset purchases.
E. Available to distribute to creditors and stockholders.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

266. The earnings per share will:
A. Decrease if the tax rate decreases.
B. Remain constant if the number of shares outstanding is increased.
C. Decrease anytime the revenue of a firm decreases.
D. Decrease only if the net income of a firm decreases.
E. Decrease if the number of shares outstanding is increased.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

267. The earnings per share will:
A. Increase as net income increases.
B. Increase as the number of shares outstanding increase.
C. Decrease as the total revenue of the firm increases.
D. Increase as the tax rate increases.
E. Decrease as the costs decrease.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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268. All else constant, the cash flow to stockholders:
A. Decreases when the dividends per share are decreased.
B. Remains unchanged when the firm repurchases shares of outstanding stock.
C. Decreases when a firm decreases its degree of financial leverage.
D. Decreases when the cash flow from assets increases.
E. Decreases as the common stock account balance decreases.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

269. Which of the following are included in current assets?
A. Inventory
B. Equipment
C. Depreciation
D. Accounts payable
E. Shareholders' equity

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets

270. Net income differs from operating cash flow due to the handling of:
A. Dividends and interest expense.
B. Interest expense and depreciation.
C. Depreciation and dividends.
D. Dividends, interest expense, and depreciation.
E. Dividends.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

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271. Which one of the following statements is correct concerning a statement of comprehensive income?
A. Interest expense decreases the taxes owed by a firm.
B. Net income is either paid out as dividends or added to the retained earnings of the firm.
C. Depreciation increases the net income of a firm.
D. Net income is equivalent to the operating cash flow of a firm.
E. Taxes will increase the amount of a loss incurred by a firm with negative taxable income.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

272. As seen on a statement of comprehensive income:
A. Interest is deducted from income and increases the total taxes incurred.
B. The tax rate is applied to the earnings before interest and taxes when the firm has both depreciation and interest expenses.
C. Depreciation is shown as an expense but does not affect the taxes payable.
D. Depreciation reduces both the taxable income and the net income.
E. Interest expense is added to earnings before interest and taxes to get taxable income.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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273. Which one of the following statements concerning net working capital is correct?
A. The greater the net working capital, the greater the ability of a firm to meet its short-term obligations.
B. The change in net working capital is equal to current assets minus current liabilities.
C. Depreciation must be added back to current assets when computing the change in net working capital.
D. Net working capital is equal to long-term assets minus long-term liabilities.
E. Net working capital is a part of the operating cash flow.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

274. Which one of the following is a non-cash item?
A. Down payment on a building.
B. Rent expense.
C. Depreciation of equipment.
D. Payroll tax expense.
E. Company provided health insurance.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-10 Non-Cash Items

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275. How will differentiating sources and uses of cash from past projects assist the manager in future projects?
A. Better predicting cash flows.
B. Perfectly timing cash flows.
C. Determining cash flows with perfect precision.
D. Identifying cash flows immediately.
E. Estimating stock price.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

276. Dividends per share are equal to:
A. Dividends paid divided by the par value of common stock.
B. Dividends paid divided by the total number of shares outstanding.
C. Dividends paid divided by total stockholders' equity.
D. Dividends paid multiplied by the par value of common stock.
E. Dividends paid multiplied by the total number of shares outstanding.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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277. The cash flow from assets is equal to:
A. Operating cash flow minus the change in net working capital plus net capital spending.
B. Cash flow to creditors minus the cash flow to shareholders.
C. Earnings before interest and taxes plus depreciation plus taxes.
D. Earnings before interest and taxes plus depreciation plus taxes minus net capital spending minus the change in net working capital.
E. Earnings before interest and taxes plus depreciation minus taxes minus net capital spending minus the change in net working capital.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

278. Suppose you have the beginning and ending year statement of financial positions of Samco, a steel company based in Hamilton, along with the year's statement of comprehensive income. Changes in net working capital (NWC) would be calculated as:
A. Ending NWC plus depreciation minus beginning NWC.
B. Ending NWC minus depreciation minus beginning NWC.
C. Ending NWC plus taxes paid plus beginning NWC.
D. Ending NWC minus beginning NWC.
E. Ending NWC plus beginning NWC.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

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279. Cash flow to stockholders is:
A. Equal to total cash flow from assets minus cash flow to creditors.
B. Equal to sales of equity plus cash dividends paid.
C. Equal to operating cash flow minus additions to net working capital minus net capital spending.
D. Equal to cash dividends minus repurchases of equity plus new equity sold.
E. Usually greater than cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

280. 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. Valuable to a firm even though liquid assets tend to be less profitable to own.
E. Generally associated with intangible assets.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-05 Liquidity

281. A statement of comprehensive income _____.
A. Measures performance as a snapshot on a specific date.
B. Prepared according to GAAP, will show revenue when it accrues.
C. Excludes accrued taxes payable.
D. Includes expenses only when they are ultimately paid off in cash.
E. Is an accurate representation of a firm's net cash flows.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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282. Non-cash items are:
A. The credit sales of a firm.
B. The accounts payable of a firm.
C. Expenses incurred for the purchase of intangible fixed assets.
D. Expenses charged against revenues that do not directly affect cash flow.
E. All accounts on the statement of financial position other than cash on hand.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-10 Non-Cash Items

283. Net working capital is defined as:
A. Total liabilities minus shareholders' equity.
B. Current liabilities minus shareholders' equity.
C. Fixed assets minus shareholders' equity.
D. Total assets minus total liabilities.
E. Current assets minus current liabilities.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

284. The _____ tax rate is the rate that applies if one more dollar of income is earned and the _____ tax rate is the total tax bill divided by taxable income.
A. marginal; flat
B. marginal; average
C. flat; marginal
D. flat; average
E. average; marginal

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

285. Free cash flow is best described as:
A. A firm's interest payments to creditors less net new borrowings.
B. Dividends paid out by a firm less net new equity raised.
C. Free cash flow is also referred to as cash flow from assets.
D. The net difference between total assets and total liabilities.
E. The difference of cash flow to bondholders and shareholders

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

286. The use of debt in a firm's capital structure is called:
A. Liquidity.
B. Equity financing.
C. Free cash flow.
D. Net working capital.
E. Financial leverage.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

287. Operating cash flow is defined as the cash flow:
A. Which a firm distributes to its shareholders in the form of dividends.
B. Which a firm uses to increase its current accounts.
C. From debt issued by a firm to finance its ongoing operations.
D. Used by a firm to acquire new fixed assets.
E. That results from a firm's ongoing, daily business activities.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

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288. The common set of standards and procedures by which audited financial statements are prepared is known as:
A. The matching principle.
B. The cash flow identity.
C. Generally Accepted Accounting Principles (GAAP).
D. The Freedom of Information Act (FOIA).
E. The 1993 Omnibus Budget Reconciliation Act.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

289. Book value:
A. Is equivalent to market value for firms with fixed assets.
B. Is based on historical cost.
C. Generally tends to exceed market value when fixed assets are included.
D. Is more of a financial than an accounting valuation.
E. Is adjusted to market value whenever the market value exceeds the stated book value.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

290. Which of the following assets is generally considered to be the least liquid?
A. Plant and equipment.
B. Inventory.
C. Goodwill.
D. Cash.
E. Accounts receivable.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

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291. Earnings per share is equal to:
A. Net income divided by the total number of shares outstanding.
B. Net income divided by the par value of common stock.
C. Gross income multiplied by the par value of common stock.
D. Operating income divided by the par value of common stock.
E. Net income divided by total stockholders' equity.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

292. The cash generated from a firm's normal business activities is called:
A. Financing cash flow.
B. Net income.
C. Gross profit.
D. Operating cash flow.
E. Free cash flow.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

293. Cash flow from assets is also known as the firm's _____.
A. Capital structure.
B. Equity structure.
C. Hidden cash flow.
D. Free cash flow.
E. Historical cash flow.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

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294. Which of the following is a component of cash flow to creditors?

I. Interest paid.
II. Net new borrowing.
III. Dividends paid.
A. I only
B. II only
C. I and II only
D. I and III only
E. II and III only

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

295. An increase in which of the following will cause operating cash flow to decrease, all else the same?

I. Interest expense.
II. Depreciation.
III. Taxes paid.
A. I and II only
B. II and III only
C. I only
D. II only
E. III only

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

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296. Intangible assets _____.
A. Are generally considered very liquid.
B. Are classified on the statement of financial position just before accounts receivable.
C. Include such things as patents.
D. Include any item that exists physically.
E. Are not generally very valuable.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

297. Shareholders' equity:
A. Includes common stock, paid in surplus, retained earnings, and long-term debt.
B. On a statement of financial position is equivalent to the market value of the outstanding shares of stock.
C. Includes all of a firm's earnings retained by the firm to date.
D. Increases, all else equal, when the dividends paid are greater than the net income for a year.
E. Includes the book value of any bonds issued by the firm.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

298. The earnings per share will:
A. Increase if the tax rate increases.
B. Remain constant if the number of shares outstanding is increased.
C. Increase anytime the revenue of a firm increases.
D. Increase only if the net income of a firm increases.
E. Increase if the number of shares outstanding is decreased.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

299. All else constant, the cash flow to stockholders:
A. Increases when the dividends per share are increased.
B. Remains unchanged when the firm repurchases shares of outstanding stock.
C. Increases when a firm increases its degree of financial leverage.
D. Increases when the cash flow from assets decreases.
E. Increases as the common stock account balance increases.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

300. An increase in the financial leverage of a firm as a result of an increase in outstanding debt _____ the potential reward to stockholders while _____ the risk of financial distress or bankruptcy.
A. Decreases; decreasing
B. Increases; decreasing
C. Increases; increasing
D. Decreases; increasing
E. Does not affect; increasing

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

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301. When a firm initially acquires debt to help finance its operations, it is said that the firm is:
A. Increasing its liquidity.
B. Increasing its marketability.
C. Increasing its operating cash flows.
D. Spending its cash flow from assets.
E. Employing financial leverage.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

302. A(n) _____ asset is one which can be quickly converted into cash without significant loss in value.
A. Current
B. Fixed
C. Intangible
D. Liquid
E. Long-term

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-05 Liquidity

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303. What is the proper measure of cash flow to creditors in a given year?
A. Interest paid.
B. Operating cash flow minus net new borrowing.
C. Interest paid plus changes in long-term debt.
D. Interest paid plus net new borrowing minus additions to net fixed assets.
E. Interest paid minus net new borrowing.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

304. Which one of the following statements concerning net working capital is correct?
A. Net working capital is negative when current assets exceed current liabilities.
B. Net working capital includes cash, accounts receivables, fixed assets, and accounts payable.
C. Inventory is a part of net working capital.
D. The change in net working capital is equal to the beginning net working capital minus the ending net working capital.
E. Net working capital includes accounts from the statement of comprehensive income.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

305. A current asset:
A. Has a life of less than one year.
B. Includes accounts payable.
C. Is an illiquid asset.
D. Is included in the statement of comprehensive income.
E. Is part of shareholders' equity.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

306. The long-term debts of a firm are:
A. Liabilities that come due within the next 12 months.
B. Liabilities that do not come due for at least 12 months.
C. Liabilities owed to the firm's suppliers.
D. Liabilities owed to the firm's shareholders.
E. Liabilities the firm expects to incur within the next 12 months.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

307. Which of the following is generally true regarding liquidity as it relates to the firm?
A. Liquidity is detrimental to a firm because it allows the firm to pay its bills more easily, thereby avoiding financial distress.
B. Liquidity is valuable to a firm because liquid assets can be sold quickly without much loss in value.
C. Liquidity is valuable to a firm because a firm can borrow money using its liquid assets, such as a warehouse, as collateral.
D. Assets are generally listed on a firm's statement of financial position in the order of increasing liquidity.
E. Liquid assets generally earn a large return, especially in comparison to illiquid assets.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-05 Liquidity

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308. Which of the following financial statement items is generally considered the most liquid?
A. Intangible assets.
B. Net fixed assets.
C. Long-term debt.
D. Patents and trademarks.
E. Accounts receivable.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

309. Accounts payable are a component of:
A. Net working capital.
B. Current assets.
C. Long-term debt.
D. Fixed assets.
E. Shareholders' equity.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

310. When you are making a financial decision, the most relevant tax rate is the _____ rate.
A. average
B. fixed
C. marginal
D. total
E. variable

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

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311.

Taxable income	Tax rate
0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

If Systemic Corporation reports taxable income of $77,000, then the _____.
A. average tax rate is 18.7%
B. average tax rate is 34.0%
C. marginal tax rate is 15.0%
D. marginal tax rate is 25.0%
E. marginal tax rate is 39.0%

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

312. The cost of an asset less the depreciation to date is referred to as the net _____ value.
A. Liquid
B. Book
C. Market
D. Cash
E. Financial

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

313. According to Generally Accepted Accounting Principles, costs are:
A. Matched with the Inventory level.
B. Recorded when paid.
C. Matched with revenues.
D. Matched with production levels.
E. Expensed as management desires.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-09 International Financial Reporting Standards (IFRS)
Topic: 02-11 Time and Costs

314. Operating cash flow is equal to earnings before interest and taxes:
A. Minus depreciation minus taxes.
B. Minus depreciation plus taxes.
C. Minus interest plus taxes.
D. Plus depreciation minus taxes.
E. Plus interest minus taxes.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

315. Assume a firm has depreciation, taxes, and interest expense. In this case, operating cash flow:
A. Is the same as net income.
B. Is the same as net income plus depreciation.
C. Must be positive because depreciation is added to the taxable income.
D. Can be positive, negative, or equal to zero.
E. Is equal to the cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

316. A firm with negative net working capital _____.
A. Is technically bankrupt.
B. Has no cash on hand.
C. Needs to sell some of its inventory to correct the problem.
D. Has more current liabilities than current assets.
E. Most likely will not run short of cash over the next six months.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

317. Which of the following statements is false?
A. While marginal and average tax rates often differ, it is the average tax rate that is relevant for most financial decisions.
B. The book value of an asset on the statement of financial position can be very different from its market value.
C. Net income as calculated from the statement of comprehensive income is not the net cash flow of the firm.
D. Non-cash items are expenses charged against revenues that do not directly affect cash flow.
E. The cash flow identity states that all net cash flows earned by the firm are distributed in whole to its creditors and shareholders.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

318. Operating cash flow can be computed as:
A. Net income minus depreciation plus taxes.
B. Cash flow from assets plus net capital spending plus the change in net working capital.
C. Net income plus depreciation.
D. Earnings before interest and taxes plus depreciation minus taxes.
E. Earnings before interest and taxes plus depreciation and interest, minus taxes.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

319. Net capital spending is equal to _____.
A. The change in net working capital.
B. The change in net fixed assets minus depreciation.
C. Net income plus depreciation.
D. Total cash flow to stockholders' less interest and dividends paid.
E. Operating cash flow minus cash flow from assets minus additions to net working capital.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-15 Taxes

320. Current assets minus current liabilities are referred to as:
A. Tangible assets.
B. Net working capital.
C. Net income.
D. Net assets.
E. Net book value.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

321. Which of the following would decrease the financial leverage of a firm?
A. Total assets increase and the debt-to-equity ratio remains constant.
B. Total debt increases and total assets remain constant.
C. Net new equity is sold and existing bonds are paid off.
D. Net new bonds are sold and outstanding common stock is repurchased.
E. Net new bonds are sold and short-term notes payable are paid off.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity

322. Cash flow to stockholders is equal to _____.
A. Net income.
B. Dividends paid.
C. Net new equity.
D. Dividends paid minus net new equity.
E. Dividends paid minus interest paid.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

323. _____ 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

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

324. An increase in which one of the following will cause the cash flow from assets to increase?
A. Depreciation
B. Change in net working capital
C. Net working capital
D. Taxes
E. Costs

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets

325. A computer used in a business office by the office manager is classified as:
A. A current asset.
B. An intangible asset.
C. Net working capital.
D. A tangible asset.
E. An inventory item.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

326. Value derived by subtracting current liabilities from current assets is called:
A. Operating cash flow.
B. Net capital spending.
C. Net working capital.
D. The liquid asset value.
E. Cash flow from assets.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

327. _____ refers to the net total cash flow of the firm accruing to its creditors and stockholders.
A. Operating cash flow.
B. Capital spending.
C. Net working capital.
D. Cash flow from assets.
E. Cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

328. _____ refers to the firm's interest payments less any net new borrowing.
A. Operating cash flow.
B. Capital spending.
C. Net working capital.
D. Cash flow from assets.
E. Cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

329. _____ refers to the firm's dividend payments less any net new equity raised.
A. Operating cash flow.
B. Capital spending.
C. Net working capital.
D. Cash flow from assets.
E. Cash flow to stockholders.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-14 Cash Flow to Creditors and Shareholders

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

330. _____ refers to the net spending of the firm on fixed asset purchases.
A. Operating cash flow.
B. Capital spending.
C. Net working capital.
D. Cash flow from assets.
E. Cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-15 Taxes

331. _____ refers to the cash flow from the firm's ongoing, normal business activities.
A. Operating cash flow.
B. Capital spending.
C. Net working capital.
D. Cash flow from assets.
E. Cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

332. The net new equity raised by a firm during a given year can be calculated as:
A. New equity sales minus equity repurchases plus retained earnings.
B. New equity sales minus equity repurchases plus retained earnings minus dividends paid.
C. New equity sales minus equity repurchases.
D. New equity sales plus retained earnings.
E. New equity sales minus dividends paid.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

333. Cash flow to stockholders must be positive when:
A. The dividends paid exceed the net new equity raised.
B. The net sale of common stock exceeds the amount of dividends paid.
C. No income is distributed but new shares of stock are sold.
D. Both the cash flow to assets and the cash flow to creditors are negative.
E. Both the cash flow to assets and the cash flow to creditors are positive.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

334. On January 1, Slowpay Company makes a verbal commitment to buy a $150,000 piece of equipment. (On January 5 the contract is signed.) A $1,000 down payment is paid on January 5 and the machine is delivered on January 11. The balance owed is due on February 15, but Slowpay waits until March 10 to pay. When will the firm that sold the equipment to Slowpay recognize the sale as income under GAAP rules?
A. On January 1, when the commitment is made.
B. On January 5, when the contract is signed.
C. On January 10, when Slowpay takes possession.
D. On February 15, when the payment is due.
E. On March 10, when payment is received.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

335. Operating cash flow is best described as:
A. A firm's interest payments to creditors less net new borrowings.
B. Dividends paid out by a firm less net new equity raised.
C. Operating cash flow is also referred to as free cash flow.
D. The net difference between total assets and total liabilities.
E. The amount of cash used in operating the company.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

336. Cash flow from assets is equal to:
A. Operating cash flow minus net new equity plus net new borrowing.
B. Cash flow to creditors minus cash flow to stockholders.
C. Operating cash flow minus the change in net working capital minus net capital spending.
D. Operating cash flow plus net capital spending minus the change in net working capital.
E. Operating cash flow minus depreciation plus taxes.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

337. Cash flow from assets is best described as:
A. A firm's interest payments to creditors less net new borrowings.
B. Dividends paid out by a firm less net new equity raised.
C. Operating cash flows.
D. The net difference between total assets and total liabilities.
E. The sum of cash flow to bondholders and shareholders

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

338. Assets are listed on the statement of financial position in:
A. Order of importance to the firm.
B. Order of increasing size.
C. Order of decreasing liquidity.
D. No particular order.
E. Order of preference in bankruptcy.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-05 Liquidity

339. The cash flow to creditors includes the cash:
A. Received by the firm when payments are paid to suppliers.
B. Outflow of the firm when new debt is acquired.
C. Outflow when interest is paid on outstanding debt.
D. Inflow when accounts payable decreases.
E. Received when long-term debt is paid off.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

340. Which of the following is NOT typically characterized as a current asset?
A. Inventory.
B. Cash on hand.
C. Patents.
D. Accounts receivable.
E. Marketable securities.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

341. Which one of the following will increase the net working capital of a retail bakery shop?
A. Purchase of inventory on credit
B. Purchase of new office equipment
C. Payment received from a customer
D. Sale of excess equipment
E. Sale of inventory on credit

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

342. The marginal tax rate can be explained as the amount of tax due:
A. Per dollar of taxable income earned.
B. On an additional dollar of taxable income.
C. Per share of stock outstanding.
D. In excess of the tax liability for the prior tax year.
E. As a percentage of the firm's sales for any given tax year.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

343. Fixed costs in the short-run generally include which of the following?
A. Manufacturing wages.
B. Material used in manufacturing.
C. Property insurance.
D. Utilities in manufacturing plant.
E. Contractual commitments to purchase supplies.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-11 Time and Costs

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

344. Anax Corporation purchased a long-term asset for $100,000. The asset has a 30% CCA rate. At the end of year 5, Anax sold the asset for 25% of its original value. Given this information, determine the value of the terminal loss or recapture at the end of year 5.
A. Recapture; $4,591
B. Recapture $4,391
C. Recapture $1,501
D. Terminal Loss $1,501
E. Terminal Loss $4,391

Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance
Topic: 02-24 Asset Purchases and Sales

345. Dividends paid:
A. Must be equal to or less than the net income earned each year.
B. Equal the cash flow to stockholders in any given year.
C. Reduce the taxable income of a firm.
D. Are considered a noncash expense.
E. Are equal to net income less the change in retained earnings.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

346. Depreciation:
A. Is a noncash expense that is recorded on the statement of comprehensive income.
B. Increases the net fixed assets as shown on the statement of financial position.
C. Reduces both the net fixed assets and the costs of a firm.
D. Is a non-cash expense which increases the net operating income.
E. Decreases net fixed assets, net income, and operating cash flows.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-10 Non-Cash Items

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

347. Capital cost allowance (CCA) is best described as:
A. The method by which Canadian businesses may claim depreciation expense for calculating taxable income under the Canadian Income Tax Act.
B. The method by which Canadian businesses may record capital assets under the Canadian Income Tax Act.
C. Refers to the beginning balance of an asset class before depreciation has been deducted.
D. Refers to the ending balance of an asset class after depreciation has been deducted.
E. Refers to a government tax credit provided to Canadian businesses for upgrading their capital assets.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

348. Cash flow from assets:
A. Is defined as the cash available for distribution to creditors and stockholders.
B. Is defined as the change in net fixed assets plus depreciation.
C. Refers to the change in a firm's cash account over a stated period of time.
D. Is defined as the net change in the total assets of a firm over a stated period of time.
E. Is another term for the net cash flow from a firm's ongoing, normal business activities.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

349. The statement of financial position:
A. Reflects the income and expenses incurred year-to-date.
B. Reflects the income and expenses for the current month only.
C. Reflects the financial status of the firm as of a particular date.
D. Reflects the cash flows of a firm over a period of time.
E. Reflects the current market value of the firm.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

350. Net capital spending:
A. Is negative if the sale of fixed assets is greater than the acquisition of current assets.
B. Is equal to zero if the decrease in the fixed assets account is equal to the depreciation expense for the period.
C. Reflects the net changes in total assets over a stated period of time.
D. Is equivalent to the cash flow from assets.
E. Is equal to the ending net fixed assets minus the beginning net fixed assets.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

351. When making financial decisions related to assets, you should:
A. Always consider market values.
B. Place more emphasis on book values than on market values.
C. Rely primarily on the value of assets as shown on the statement of financial position.
D. Place primary emphasis on historical costs.
E. Only consider market values if they are less than book values.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

352. In 2018, Sensicon Company, based in Toronto, experienced negative cash flow from assets. It must be the case that:
A. The company is in financial distress.
B. Cash flow to creditors and cash flow to shareholders are both negative.
C. Sensicon's interest payments were greater than its dividend payments.
D. Sensicon's dividend payments were greater than its interest payments.
E. Operating cash flow was less than the combination of additions to net working capital and net new capital expenditures.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow

353. Which of the following statements is true?
A. Liabilities equal assets plus shareholders' equity.
B. Shareholders' equity equals assets plus liabilities.
C. Shareholders' equity equals liabilities minus assets.
D. Assets equal liabilities plus shareholders' equity.
E. Assets equal liabilities minus shareholders' equity.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-03 Liabilities and Owners' Equity

354. Suppose a firm has a negative UCC balance. They:
A. Can claim the amount as a tax deductible expense.
B. Must add the amount (as a positive number) to their taxable income.
C. Should sell off all items in the asset pool.
D. Can calculate CCA for the year using the negative balance.
E. Should use the negative amount as a future tax loss.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

355. When net capital spending is a negative value, the firm has:
A. Depreciation expense which exceeds the cost of new assets acquired.
B. Acquired more fixed assets than it has current assets.
C. Sold more fixed assets than it acquired during a stated period of time.
D. Reduced its total assets during the course of the year.
E. Reduced its investment in inventory.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-15 Taxes

356. Which one of the following is a current asset?
A. Office desk.
B. Account payable.
C. Staples held for resale.
D. Company-owned truck.
E. Welding machine.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

357. The financial statement showing a firm's accounting value on a particular date is the:
A. Statement of comprehensive income.
B. Statement of financial position.
C. Statement of cash flows.
D. Tax reconciliation statement.
E. Shareholders' equity sheet.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

358. The financial statement summarizing a firm's performance over a period of time is the:
A. Statement of comprehensive income.
B. Statement of financial position.
C. Statement of cash flows.
D. Tax reconciliation statement.
E. Shareholders' equity sheet.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

359. The term used for revenues less cost of goods sold and operating expenses is:
A. Earnings before taxes.
B. Net income.
C. Taxable income.
D. Earnings before interest and taxes.
E. Gross profit.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

360. Net income is allocated to which two items?
A. Shareholders' equity and cash.
B. Paid-in surplus and dividends.
C. Taxes and dividends.
D. Paid-in surplus and cash.
E. Retained earnings and dividends.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income

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361. An increase in total assets:
A. Means that net working capital is also increasing.
B. Requires an investment in fixed assets.
C. Means that shareholders' equity must also increase.
D. Must be offset by an equal increase in liabilities and shareholders' equity.
E. Can only occur when a firm has positive net income.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

362. A decrease in which of the following will result in an increase in operating cash flow, all else equal?
A. Interest expense.
B. Depreciation.
C. Taxes.
D. Dividends.
E. Impairment.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow

363. Liquid assets:
A. Are defined as current assets minus current liabilities.
B. Are defined as inventory and equipment.
C. Tend to earn a low rate of return.
D. Include any asset which can be sold within two years.
E. Is another term for current assets.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets

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364. A firm starts its year with a 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 will be negative.
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 can be positive, negative, or equal to zero.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-16 Individual Tax Rates

365. Cash flow from assets must be negative when:
A. The firm has a taxable loss for the year.
B. The cash flow from creditors and the cash flow from stockholders are both negative.
C. The cash flow from creditors is negative and the cash flow from stockholders is positive.
D. The change in net working capital exceeds the net capital spending.
E. Operating cash flow is less than the change in net working capital.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets

366. Which of the following is probably considered a fixed cost, at least in the short run?
A. The cost of raw materials.
B. The cost of direct labour expenses.
C. The company president's salary.
D. The cost of utilities.
E. The commissions paid to the sales force.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-11 Time and Costs

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367. As an investor, how would you determine the total market value of a publicly traded corporation such as Research In Motion?
A. The values of debt and equity as they appear on the most recent financial statements.
B. The value of debt as it appears on the most recent financial statements plus the current market value of RIM's common stock.
C. The current market value of RIM's stock plus the market value of RIM's debt.
D. Through its stock price.
E. Through buy and sell recommendations.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

368. Net new equity is equal to _____.
A. The dollar value of equity sales minus any equity repurchases.
B. The dollar value of equity sales plus retained earnings.
C. The dollar value of equity sales plus retained earnings minus dividends paid.
D. The dollar value of equity sales plus retained earnings plus dividends paid.
E. The dollar value of equity sales plus dividends paid.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

369. A negative cash flow to stockholders means:
A. Cash flow from assets must also be negative.
B. Cash flow to creditors must also be negative.
C. The firm repurchased a significant number of outstanding shares.
D. Stockholders were a source of cash for the period.
E. The firm is bankrupt.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

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370. Capital gains is best described as:
A. The increase in the market value of current assets.
B. The increase in the market value of long-term capital assets.
C. The increase in value of shareholders' equity.
D. The increase in value of a firm's intangible assets.
E. The growth in value of investments that were purchased at a lower price than the amount sold.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-24 Asset Purchases and Sales

371. When evaluating project cash flows in a financial decision, _____.
A. Taxes can generally be ignored since they are a non-cash expense.
B. The financial manager should compute and use the marginal tax rate.
C. The marginal tax rate and average tax rate are of equal importance.
D. The financial manager should use the tax rate that is equal to the total tax liability divided by total taxable income.
E. Taxes are irrelevant unless income for the firm is greater than zero.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

372. Cash flow to creditors must increase when:
A. A firm increases its long-term debt by more than its interest expense in any given year.
B. The cash flow to stockholders is constant and the cash flow from assets increases.
C. The operating cash flow increases and the cash flow to stockholders decreases.
D. The interest rate on the firm's debt decreases.
E. A firm borrows more than it repays in any one given year.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

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373. Which of the following represents a use of the matching principle in accounting?
A. The cost of purchasing an item on account is recorded when the payable is paid.
B. Revenues from a credit sale are recorded when the receivable is received.
C. The production costs of inventory are recorded along with the revenue from the sale on the date the sale is made.
D. Costs are recorded as fixed or variable on the date of the transaction.
E. Revenues are recorded when cash is received, and costs recorded when payments are made.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-09 International Financial Reporting Standards (IFRS)

374. Which one of the following will decrease a firm's net working capital?
A. an increase in the cash account balance
B. the payment of a receivable by a customer
C. the purchase of a fixed asset using short-term debt
D. the acquisition of a building using long-term debt
E. the sale of inventory for cash

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-04 Net Working Capital

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

375. Which of the following will increase cash flow from assets?
A. The sale of machinery and equipment at book value
B. The sale of inventory at cost
C. The purchase of inventory on credit
D. An increase in accounts receivable due to a profitable sale
E. An increase in bonds payable

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-13 Cash Flow from Assets

376. Which one of the following will decrease the value of the owners' equity on a statement of financial position?
A. Dividends paid during the year in an amount which exceeds the net income for the year.
B. The sale of new shares of stock.
C. The purchase of new equipment using the proceeds of a bank loan.
D. The sale of inventory at a profit.
E. A decrease in the amount of long-term debt owed by a firm.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-07 Value versus Cost

377. Financial leverage refers to:
A. The proportion of debt used in a firm's capital structure.
B. The ratio of retained earnings to shareholders' equity.
C. The ratio of paid-in surplus to shareholders' equity.
D. The ratio of cost-of-goods-sold to total sales.
E. The amount of receivables present in the firm's asset structure.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-05 Liquidity
Topic: 02-06 Debt versus Equity

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378. Which one of the following will increase the value of shareholders' equity?
A. The repurchase of outstanding shares of stock by the issuer
B. Positive net income and a dividend payout ratio of 60 percent
C. The repayment of short-term debt
D. The conversion of short-term debt to long-term debt
E. The sale of fixed assets at their book value

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-06 Debt versus Equity

379. Which of the following is a true statement?
A. Accounting income is generally equal to firm cash flow.
B. Accounting statements are usually prepared to match the timing of income and expenses.
C. The statement of financial position equity account represents the market value of the firm to shareholders.
D. The statement of financial position tells investors exactly what the firm is worth.
E. Assets are usually listed on the statement of financial position at market value.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-09 International Financial Reporting Standards (IFRS)

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380. Loss carry-back is best described as:
A. Using a year's capital losses to offset capital gains in past years.
B. Using a year's capital losses to offset capital gains in future years.
C. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
D. Restatement of all prior years' financial statements if material errors are found
E. Restatement of retained earnings if past losses are discovered.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-24 Asset Purchases and Sales

381. Loss carry-forward is best described as:
A. Using a year's capital losses to offset capital gains in past years.
B. Using a year's capital losses to offset capital gains in future years.
C. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
D. The difference between UCC and adjusted cost of disposal when the UCC is greater.
E. When CCA and UCC are equal at the end of an asset's useful life.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-24 Asset Purchases and Sales

382. Terminal loss is best described as:
A. Using a year's capital losses to offset capital gains in past years.
B. Using a year's capital losses to offset capital gains in future years.
C. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
D. The difference between UCC and adjusted cost of disposal when the UCC is greater.
E. When CCA and UCC are equal at the end of an asset's useful life.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-24 Asset Purchases and Sales

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

383. Average tax rate is best described as:
A. The percentage of your income that goes to pay taxes.
B. The extra tax you would pay if you earned one more dollar.
C. The total dollar value of tax that is paid.
D. The rate set for differing tax brackets.
E. Pre-payments to Canada Revenue Agency to lower tax commitments.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

384. Marginal tax rate is best described as:
A. The percentage of your income that goes to pay taxes.
B. The extra tax you would pay if you earned one more dollar.
C. The total dollar value of tax that is paid.
D. The rate set for differing tax brackets.
E. Pre-payments to Canada Revenue Agency to lower tax commitments.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-19 Corporate Taxes

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385. Which of the following is/are true regarding the statement of financial position and statement of comprehensive income?
A. The statement of comprehensive income reflects a summary of activity that occurs over some period of time while the statement of financial position is a snapshot taken at a single point in time.
B. Both represent a summary of activity that occurs over some time period.
C. The two statements, taken together, give an accurate estimate of the firm's cash flows and market value.
D. Both are independent of the statement of cash flows.
E. Only the statement of financial position is required in developing the statement of cash flows.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-01 Statement of Financial Position
Topic: 02-08 Statement of Comprehensive Income

386. Which of the following are characteristics of a liquid asset?
A. Provide high yields.
B. Are highly specialized equipment.
C. There is a significant loss in value if sold.
D. Include the firm's shares and bonds.
E. Can be converted into cash quickly, with little or no loss in value, and generally earn low returns.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-05 Liquidity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

387. Your _____ tax rate is the amount of tax payable on the next dollar you earn.
A. deductible
B. residual
C. total
D. average
E. marginal

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

388. Your _____ tax rate measures the total taxes you pay divided by your taxable income.
A. deductible
B. residual
C. total
D. average
E. marginal

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-04 The difference between average and marginal tax rates.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-18 Taxes on Investment Income
Topic: 02-19 Corporate Taxes

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389. XYZ Company had a net income of $40 million in 2018. The firm paid no dividends. If there were no further changes to the stockholders' equity accounts, then _____ by $40 million.
A. Total debt must have increased.
B. Retained earnings must have increased
C. Total shareholders' equity must have decreased
D. Common stock must have decreased
E. The market value of the firm's stock must have decreased

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-03 Liabilities and Owners' Equity

390. Which one of the following statements concerning liquidity is correct?
A. If you can sell an asset in 18 months, it is a liquid asset.
B. If you can sell an asset next year at a price equal to its actual value, the asset is highly liquid.
C. Trademarks and patents are highly liquid.
D. The less liquidity a firm has, the lower the probability the firm will encounter financial difficulties.
E. Statement of financial position accounts are listed in order of decreasing liquidity.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-05 Liquidity

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

391. Net acquisitions is best described as:
A. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
B. Using a year's capital losses to offset capital gains in past years.
C. Using a year's capital losses to offset capital gains in future years.
D. The increase in value of an investment, when converted to cash.
E. Total installed cost of capital acquisitions minus adjusted cost of any disposals within an asset pool.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-24 Asset Purchases and Sales

392. Recaptured depreciation is best described as:
A. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
B. Using a year's capital losses to offset capital gains in past years.
C. Using a year's capital losses to offset capital gains in future years.
D. The difference between UCC and adjusted cost of disposal when the UCC is greater.
E. When CCA and UCC are equal at the end of an asset's useful life.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-24 Asset Purchases and Sales

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

393. Realized capital gains is best described as:
A. The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
B. Using a year's capital losses to offset capital gains in past years.
C. Using a year's capital losses to offset capital gains in future years.
D. Total installed cost of capital acquisitions minus adjusted cost of any disposals within an asset pool.
E. The increase in value of an investment, when converted to cash.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Medium
Learning Objective: 02-04 The difference between average and marginal tax rates.
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-20 Taxable Income
Topic: 02-24 Asset Purchases and Sales
Topic: 02-24 Asset Purchases and Sales

394. To estimate the amount of cash which could be received if an asset were sold today, you should use the asset's:
A. Historical cost.
B. Market value.
C. Value as shown on the latest statement of financial position.
D. Book value.
E. Depreciated historical cost.

Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-02 Assets
Topic: 02-07 Value versus Cost

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395. Which one of the following situations will cause cash flow to creditors to be negative?
A. When there are no new loans and the interest paid exceeds the principal repaid on a loan
B. When the amount of a new loan exceeds both the interest and principal payments made
C. When the amount of the loan paid off exceeds both the amount of a new loan plus the interest paid
D. When the rate of interest on all outstanding loans is decreased
E. When there are no new loans and the current loan is paid off in full

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-14 Cash Flow to Creditors and Shareholders

396. Which of the following statements about liquidity is true?
A. If a firm has a high degree of liquidity, it also faces a high degree of financial distress.
B. At times, too little liquidity can result in lower profits for a firm since there is often a trade-off between liquidity and profitability.
C. You can get an accurate picture of the liquidity of a firm by looking at its current assets.
D. Accounts receivable are generally considered to be more liquid than cash.
E. An asset is liquid if it can be sold quickly regardless of price.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-05 Liquidity

Short Answer Questions

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397. An impairment loss is defined as the amount by which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. What is the implication of an impairment loss on a firm's financial statements?

The difference between a company's carrying amount and its recoverable amount is considered an impairment loss. This means that the firm will have to write-down and reduce the value of the asset, while also recording an impairment loss expense. The effect will lower Total assets and equity categories in the statement of financial position. Additionally, the impairment loss will lower the statement of comprehensive income that will flow into the shareholders' equity category previously mentioned.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Hard
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-08 Statement of Comprehensive Income

398. Discuss how financial statement accounts are inter-connected along with the order that financial statements should be prepared.

There are extensive connections between accounts in the statement of financial position and the statement of comprehensive income. For instance, accounts receivable relates to revenue account; while inventory relates to cost of goods sold. Additionally, accounts payable relates to a variety of expense accounts.

Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: Medium
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

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399. What is a liquid asset and why is it necessary for a firm to maintain a reasonable level of liquid assets?

Liquid assets are those that can be sold quickly with little or no loss in value. A firm that has sufficient liquidity will be less likely to experience financial distress.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Easy
Learning Objective: 02-01 The difference between accounting value (or "book" value) and market value.
Topic: 02-01 Statement of Financial Position
Topic: 02-02 Assets
Topic: 02-03 Liabilities and Owners' Equity
Topic: 02-06 Debt versus Equity
Topic: 02-07 Value versus Cost

400. Discuss the difference between book values and market values on the statement of financial position and explain which is more important to the financial manager and why.

The accounts on the statement of financial position are generally carried at historical cost, not market values. Although the book value of current assets and current liabilities may closely approximate market values, the same cannot be said for the rest of the statement of financial position accounts. Ultimately, the financial manager should focus on the firm's stock price, which is a market value measure. Hence, market values are more meaningful than book values.

Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: Easy
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-09 International Financial Reporting Standards (IFRS)
Topic: 02-12 Cash Flow

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401. Explain why the statement of comprehensive income is not a good representation of cash flow.

Most statement of comprehensive incomes contain some noncash items, so these must be accounted for when calculating cash flows. More importantly, however, since GAAP is used to create statement of comprehensive incomes, revenues and expenses are booked when they accrue, not when their corresponding cash flows occur.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-14 Cash Flow to Creditors and Shareholders

402. Why is interest expense excluded from the operating cash flow calculation?

Operating cash flow is designed to represent the cash flow a firm generates from its day-to-day operating activities. Interest expense arises out of a financing choice and thus should rightfully be considered as a cash flow to creditors.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

403. Note that in all of our cash flow computations to determine cash flow from assets, we never include the addition to retained earnings. Why not? Is this an oversight?

The addition to retained earnings is not a cash flow. It is simply an accounting entry that reconciles the statement of financial position. Any additions to retained earnings will show up as cash flow changes in other statement of financial position accounts.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

404. Explain the effects depreciation has on both the cash flows and the statement of comprehensive incomes of a firm.

Depreciation reduces both the taxable and net income of a firm as reflected on the statement of comprehensive incomes. While depreciation itself is a noncash expense it does affect the cash flows indirectly by reducing the cash outflow for taxes.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-10 Non-Cash Items
Topic: 02-12 Cash Flow

405. If depreciation is added back to operating cash flow and to additions to fixed assets, does this process add deprecation back twice? Is it not double-counting?

In both cases, depreciation is added back because it was previously subtracted when obtaining ending balances of net income and fixed assets. And, since depreciation is a noncash expense, we need to add it back in both instances, so there is no double counting.

Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-10 Non-Cash Items
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets

Access Complete Test Bank for Fundamentals Of Corporate Finance CDN 10th Ross

406. Sometimes when businesses are critically delinquent on their tax liabilities, the tax authority comes in and literally seizes the business by chasing all of the employees out of the building and changing the locks. What does this tell you about the importance of taxes relative to our discussion of cash flow? Why might a business owner want to avoid such an occurrence?

Taxes must be paid in cash, and in this case, they are one of the most important components of cash flow. The reputation of a business can undergo irreparable harm if word gets out that the tax authorities have confiscated the business, even if only for a couple of hours until the business owner can come up with the money to clear up the tax problem. But, the bottom line is, if the owner can't come up with the cash, the tax authority has effectively put them out of business.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-17 Average versus Marginal Tax Rates
Topic: 02-21 Global Tax Rates

407. What does cash flow from assets represent? Elaborate by discussing operating cash flow, changes in net working capital, and additions to fixed assets.

Operating cash flow is the cash flow a firm generates from its day-to-day operations. In other words, it is the cash inflow generated as a result of putting the firm's assets to work. Changes in net working capital and fixed assets represent investments a firm makes in these assets. That is, a firm typically takes some of the cash flow it generates from using assets and reinvests it in new assets. Cash flow from assets, then, is the cash flow a firm generates by employing its assets, net of any acquisitions.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Hard
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

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408. Discuss the differences between net income and cash flow from operations. Which measure is more relevant to a corporate treasurer and why?

Noncash items, such as depreciation, reduce net income but do not affect cash flows. Interest expense is a cost of financing and not an operating expense; therefore it reduces net income but does not affect cash flow from operations. Cash flows are more relevant to the corporate treasurer since his/her focus is on the cash management of a firm and not the accounting management.

Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-08 Statement of Comprehensive Income
Topic: 02-12 Cash Flow

409. Explain why cash flow from assets must be positive over the long-term if a firm is to remain financially solvent.

Cash flow from assets must be positive over the long-term as a firm must be able to financially support its own operations. In the short-term, firms can borrow money and issue new securities in order to finance a negative cash flow from assets. However, if a firm does not show that it is financially viable after a period of time, the firm will no longer be able to raise funds in the capital markets.

Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: Medium
Learning Objective: 02-02 The difference between accounting income and cash flow.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

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410. How can you determine if a firm is self-sustaining by reviewing the firm's cash flow from assets?

If a firm's cash flow from assets is positive, you know that the firm is producing sufficient cash flow to meet the firm's normal operating costs. If the cash flow from assets is greater than the cash flow to creditors, then you also know that the firm is meeting its debt obligations and has some cash flow remaining which can be distributed to the firm's shareholders.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Hard
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-16 Individual Tax Rates

411. What does cash flow from assets represent? Elaborate by discussing operating cash flow, changes in net working capital, and additions to fixed assets.

Operating cash flow is the cash flow a firm generates from its day-to-day operations. In other words, it is the cash inflow generated as a result of putting the firm's assets to work. Changes in net working capital and fixed assets represent investments a firm makes in these assets. That is, a firm typically takes some of the cash flow it generates from using assets and reinvests it in new assets. Cash flow from assets, then, is the cash flow a firm generates by employing its assets, net of any fixed asset or net working capital acquisitions.

Accessibility: Keyboard Navigation
Blooms: Evaluate
Difficulty: Medium
Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
Topic: 02-12 Cash Flow
Topic: 02-13 Cash Flow from Assets
Topic: 02-14 Cash Flow to Creditors and Shareholders
Topic: 02-15 Taxes
Topic: 02-16 Individual Tax Rates

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412. When the half-year rule was introduced, do you think firms looked favourably or unfavourably upon the change?

Firms who purchased assets in January could now use only one-half of its original cost to calculate depreciation for the year, compared to the full cost that could have been used under the old system. Also, firms who could previously claim the original cost for a whole year, even thought they had only purchased and put in use the asset in December, had a reduction in the amount they could claim. (Therefore, all firms claim a smaller amount of depreciation in the first year so that their taxes increase and usable cash flows decrease.) Therefore, firms would not be in favour of the change.

Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: Medium
Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and undepreciated Capital Cost (UCC).
Topic: 02-23 Capital Cost Allowance

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