Test Bank for Essentials of Corporate Finance 11th Ross

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) A firm has common stock of $85, paid-in surplus of $210, total liabilities of $385, current assets of $340, and net fixed assets of $550. What is the amount of the shareholders' equity?
   - A) $680
   - B) $165
   - C) $890
   - D) $515
   - E) $505

2) Recently, the owner of Martha's Wares encountered severe legal problems and is trying to sell her business. The company built a building at a cost of $1,130,000 that is currently appraised at $1,330,000. The equipment originally cost $610,000 and is currently valued at $357,000. The inventory is valued on the balance sheet at $300,000 but has a market value of only one-half of that amount. The owner expects to collect 97 percent of the $170,200 in accounts receivable. The firm has $11,800 in cash and owes a total of $1,330,000. The legal problems are personal and unrelated to the actual business. What is the market value of this firm?
   - A) $683,894
   - B) $1,304,094
   - C) $833,894
   - D) $507,000
   - E) $1,004,094

3) Ivan's, Incorporated, paid $474 in dividends and $582 in interest this past year. Common stock increased by $192 and retained earnings decreased by $118. What is the net income for the year?
   - A) $938
   - B) $356
   - C) $774
   - D) $474
   - E) $582

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

Taxable Income	Tax Rate
$0 – 9,950	10%
9,950 – 40,525	12%
40,525 – 86,375	22%
86,375 – 164,925	24%

What is the average tax rate for an individual with taxable income of $106,500?

A) 19.42%
B) 24.00%
C) 17.53%
D) 20.07%
E) 18.39%

5) The tax rates are as shown below:

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

The taxable income is $80,600. How much additional tax will you owe if you increase your taxable income by $21,800?

A) $7,152
B) $8,502
C) $7,142
D) $7,532
E) $7,412

6) Your firm has total sales of $1,240. Costs are $690 and depreciation is $130. The tax rate is 22 percent. The firm does not have interest expenses. What is the operating cash flow?

A) $458
B) $412
C) $503
D) $366
E) $297

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7) Teddy's Pillows had beginning net fixed assets of $478 and ending net fixed assets of $564. Assets valued at $326 were sold during the year. Depreciation was $56. What is the amount of net capital spending?
   A) $86
   B) $468
   C) $142
   D) $30
   E) $294

8) At the beginning of the year, a firm has current assets of $321 and current liabilities of $225. At the end of the year, the current assets are $479 and the current liabilities are $265. What is the change in net working capital?
   A) $158
   B) $118
   C) −$118
   D) $0
   E) $198

9) At the beginning of the year, long-term debt of a firm is $288 and total debt is $329. At the end of the year, long-term debt is $259 and total debt is $339. The interest paid is $25. What is the amount of the cash flow to creditors?
   A) $54
   B) $25
   C) $29
   D) −$29
   E) −$54

10) Peggy Grey's Cookies has net income of $280. The firm pays out 37 percent of the net income to its shareholders as dividends. During the year, the company sold $73 worth of common stock. What is the cash flow to stockholders?
   A) $176.60
   B) $30.60
   C) $103.60
   D) $76.59
   E) $176.40

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11) A company has total equity of $2,145, net working capital of $235, long-term debt of $1,060, and current liabilities of $4,290. What is the company's net fixed assets?
    A) $7,495
    B) $4,525
    C) $2,970
    D) $5,375
    E) $3,205

12) Disturbed, Incorporated, had the following operating results for the past year: sales = $22,598; depreciation = $1,490; interest expense = $1,200; costs = $16,580. The tax rate for the year was 21 percent. What was the company's operating cash flow?
    A) $3,328
    B) $5,319
    C) $6,717
    D) $2,629
    E) $2,441

13) A company has net working capital of $1,591. If all its current assets were liquidated, the company would receive $5,533. What are the company's current liabilities?
    A) $4,738
    B) $3,562
    C) $6,779
    D) $7,124
    E) $3,942

14) You are examining a company's balance sheet and find that it has total assets of $20,937, a cash balance of $2,343, inventory of $5,073, current liabilities of $6,149, and accounts receivable of $2,857. What is the company's net working capital?
    A) $1,781
    B) $6,022
    C) $4,124
    D) $14,788
    E) $949

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15) You find the following financial information about a company: net working capital = $1,059; fixed assets = $6,153; total assets = $8,574; and long-term debt = $4,593. What are the company's total liabilities?
   A) $8,274
   B) $5,652
   C) $1,971
   D) $7,362
   E) $5,955

16) You find the following financial information about a company: net working capital = $1,368; fixed assets = $8,001; total assets = $12,038; and long-term debt = $4,667. What is the company's total equity?
   A) $10,696
   B) $6,006
   C) $4,702
   D) $9,331
   E) $4,037

17) Hoodoo Voodoo Company has total assets of $64,500, net working capital of $19,450, owners' equity of $31,610, and long-term debt of $22,090. What is the company's current assets?

   A) $45,050
   B) $53,700
   C) $30,250
   D) $31,610
   E) $34,250

18) A company has net working capital of $2,336, current assets of $6,550, equity of $22,350, and long-term debt of $10,580. What is the company's net fixed assets?
   A) $30,594
   B) $24,686
   C) $28,716
   D) $39,480
   E) $26,380

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19) Micro, Incorporated, started the year with net fixed assets of $76,050. At the end of the year, there was $97,750 in the same account, and the company's income statement showed depreciation expense of $13,840 for the year. What was the company's net capital spending for the year?
   - A) $41,025
   - B) $83,910
   - C) $35,540
   - D) $21,700
   - E) $43,435

20) At the beginning of the year, Shinedown Corporation had a long-term debt balance of $46,380. During the year, the company repaid a long-term loan in the amount of $12,105. The company paid $4,510 in interest during the year, and opened a new long-term loan for $10,710. How much is the ending long-term debt account on the company's balance sheet?
   - A) $52,580
   - B) $5,905
   - C) $44,985
   - D) $47,775
   - E) $49,495

21) At the beginning of the year, Nothing More Corporation had a long-term debt balance of $37,679. During the year, the company repaid a long-term loan in the amount of $10,489. The company paid $4,045 in interest during the year, and opened a new long-term loan for $9,235. What was the cash flow to creditors during the year?
   - A) $5,190
   - B) $1,254
   - C) $6,444
   - D) $13,910
   - E) $5,299

22) For the past year, Momsen Limited had sales of $46,577, interest expense of $3,932, cost of goods sold of $16,834, selling and administrative expense of $11,861, and depreciation of $6,560. If the tax rate was 24 percent, what was the company's net income?
   - A) $4,673
   - B) $5,616
   - C) $5,173
   - D) $14,631
   - E) $7,390

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23) For the past year, Kayla, Incorporated, has sales of $45,017, interest expense of $3,308, cost of goods sold of $15,434, selling and administrative expense of $11,101, and depreciation of $5,400. If the tax rate is 21 percent, what is the operating cash flow?
   A) $9,774
   B) $7,721
   C) $15,056
   D) $16,429
   E) $13,121

24) HUD Company had a beginning retained earnings of $31,385. For the year, the company had net income of $7,940 and paid dividends of $3,310. The company also issued $5,610 in new stock during the year. What is the ending retained earnings balance?
   A) $36,995
   B) $36,015
   C) $41,625
   D) $30,405
   E) $34,695

25) At the beginning of the year, Vendors, Incorporated, had owners' equity of $49,265. During the year, net income was $5,625 and the company paid dividends of $3,965. The company also repurchased $7,915 in equity. What was the owners' equity account at the end of the year?
   A) $47,590
   B) $37,385
   C) $41,350
   D) $35,725
   E) $43,010

26) At the beginning of the year, Vendors, Incorporated, had owners' equity of $47,900. During the year, net income was $4,400 and the company paid dividends of $3,300. The company also repurchased $6,900 in equity. What was the cash flow to stockholders for the year?
   A) −$10,200
   B) $8,000
   C) $10,200
   D) $3,600
   E) −$3,600

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27) Simon's Hot Chicken purchased its building seven years ago at a price of $142,870. The building could be sold for $182,150 today. The company spent $67,710 on other fixed assets that could be sold for $60,610. The company has accumulated depreciation of $83,950 on its fixed assets. Currently, the company has current liabilities of $38,580 and net working capital of $19,930. What is the ending book value of net fixed assets?

A) $126,630
B) $172,000
C) $165,210
D) $158,810
E) $210,580

28) Last year, Bad Tattoo Company had additions to retained earnings of $4,355 on sales of $94,335. The company had costs of $74,895, dividends of $2,680, and interest expense of $1,640. If the tax rate was 24 percent, what the depreciation expense?

A) $9,891
B) $8,543
C) $8,940
D) $14,274
E) $7,035

29) Kyra had taxable income of $128,462 last year. Her marginal tax rate was 34 percent and her average tax rate was 24.1 percent. How much did she have to pay in taxes for the year?

A) $43,677
B) $29,716
C) $28,014
D) $30,959
E) $29,372

30) Red Barchetta Company paid $27,950 in dividends and $28,941 in interest over the past year. During the year, net working capital increased from $13,746 to $18,469. The company purchased $43,100 in fixed assets and had a depreciation expense of $17,255. During the year, the company issued $25,250 in new equity and paid off $21,350 in long-term debt. What was the company's cash flow from assets?

A) $46,419
B) $53,388
C) $54,339
D) $52,991
E) $52,012

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31) Evil Pop Company began the year with net fixed assets of $16,943 and had $18,050 in the account at the end of the year. During the year, the company paid $4,030 in interest and expensed $3,515 in depreciation. The company purchased $7,510 in fixed assets during the year. How much in fixed assets did the company sell during the year?

A) $592
B) $4,587
C) $8,656
D) $2,888
E) $3,336

32) The Primus Corporation began the year with $7,091 in its long-term debt account and ended the year with $8,613 in long-term debt. The company paid $867 in interest during the year and issued $2,235 in new long-term debt. How much in long-term debt must the company have paid off during the year?

A) −$1,522
B) −$655
C) $713
D) $476
E) $1,522

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

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

34) A company is obligated to pay its creditors $7,000 at the end of the year. If the value of the company's assets equals $7,350 at that time, what is the value of shareholders' equity?

A) −$350
B) $350
C) $0
D) $14,350
E) −$175

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35) Maynard Enterprises paid $1,692 in dividends and $1,606 in interest over the past year. The common stock account increased by $1,536 and retained earnings decreased by $632. What was the company's net income?

A) $904
B) $2,168
C) $2,324
D) $2,596
E) $1,060

36) Mariota Industries has sales of $364,740 and costs of $194,170. The company paid $30,470 in interest and $14,050 in dividends. It also increased retained earnings by $68,222 during the year. If the company's depreciation was $18,785, what was its average tax rate?

A) 47.46%
B) 10.70%
C) 32.18%
D) 23.97%
E) 31.07%

37) During the past year, a company had cash flow to creditors, an operating cash flow, and net capital spending of $30,704, $69,967, and $30,800, respectively. The net working capital at the beginning of the year was $12,439 and it was $14,800 at the end of the year. What was the company's cash flow to stockholders during the year?

A) $10,824
B) $8,463
C) $6,102
D) $4,356
E) $2,361

38) During the past year, a company had cash flow to stockholders, an operating cash flow, and net capital spending of $15,593, $36,864, and $16,100, respectively. The net working capital at the beginning of the year was $6,387 and it was $7,730 at the end of the year. What was the company's cash flow to creditors during the year?

A) $3,828
B) $5,171
C) $1,343
D) $6,514
E) $2,082

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39) Hurricane Industries had a net income of $126,200 and paid 45 percent of this amount to shareholders in dividends. During the year, the company sold $78,000 in new common stock. What was the company's cash flow to stockholders?

A) −$56,790
B) $56,790
C) −$21,210
D) $21,210
E) $48,200

40) A company has $593 in inventory, $1,876 in net fixed assets, $270 in accounts receivable, $121 in cash, and $314 in accounts payable. What are the company's total current assets?

A) $714
B) $1,028
C) $984
D) $2,860
E) $1,298

41) A company has $1,378 in inventory, $4,827 in net fixed assets, $664 in accounts receivable, $298 in cash, $626 in accounts payable, $1,043 in long-term debt, and $5,422 in equity. What are the company's total assets?

A) $7,793
B) $12,589
C) $7,167
D) $8,156
E) $10,249

42) A company has $1,385 in inventory, $4,836 in net fixed assets, $670 in accounts receivable, $302 in cash, $634 in accounts payable, and $5,431 in equity. What is the company's long-term debt?

A) $1,762
B) $1,128
C) $1,307
D) $1,726
E) $1,165

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43) Lola Corporation has shareholders' equity of $132,800. The company has a total debt of $124,250, of which 55 percent is payable in the next 12 months. The company also has net fixed assets of $176,450. What is the company's net working capital?

A) $12,263
B) $16,575
C) $13,252
D) $52,200
E) $8,550

44) Smashed Pumpkins Company paid $216 in dividends and $638 in interest over the past year. The company increased retained earnings by $534 and had accounts payable of $714. Sales for the year were $16,615 and depreciation was $760. The tax rate was 22 percent. What was the company's EBIT?

A) $1,871
B) $3,655
C) $1,323
D) $1,600
E) $962

45) Kerch Company had beginning net fixed assets of $216,486, ending net fixed assets of $211,659, and depreciation of $40,417. During the year, the company sold fixed assets with a book value of $7,930. How much did the company purchase in new fixed assets?

A) $35,590
B) $41,357
C) $32,487
D) $43,520
E) $34,174

46) Adison Winery had beginning long-term debt of $37,516 and ending long-term debt of $42,867. The beginning and ending total debt balances were $46,387 and $51,296, respectively. The company paid interest of $4,183 during the year. What was the company's cash flow to creditors?

A) −$1,168
B) $5,351
C) −$726
D) $9,092
E) $726

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47) A company has net working capital of $830. Long-term debt is $4,375, total assets are $6,597, and fixed assets are $4,245. What is the amount of total liabilities?
   A) $5,205
   B) $7,427
   C) $5,897
   D) $8,620
   E) $5,767

48) Muffy's Muffins had net income of $2,675. The firm retains 70 percent of net income. During the year, the company sold $595 in common stock. What was the cash flow to shareholders?
   A) $1,398
   B) $1,278
   C) $803
   D) $208
   E) $2,468

49) A firm has $792 in inventory, $1,565 in fixed assets, $577 in accounts receivable, $339 in net working capital, and $189 in cash. What is the amount of current liabilities?
   A) $1,897
   B) $1,030
   C) $1,219
   D) $1,105
   E) $773

50) A balance sheet has total assets of $1,816, fixed assets of $1,256, long-term debt of $666, and short-term debt of $219. What is the net working capital?
   A) $447
   B) $1,150
   C) $560
   D) $371
   E) $341

51) Net working capital is defined as:
   A) the depreciated book value of a firm's fixed assets.
   B) the value of a firm's current assets.
   C) available cash minus current liabilities.
   D) total assets minus total liabilities.
   E) current assets minus current liabilities.

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52) The accounting statement that measures the revenues, expenses, and net income of a firm over a period is called the:
   A) statement of cash flows.
   B) income statement.
   C) GAAP statement.
   D) balance sheet.
   E) net working capital schedule.

53) The financial statement that summarizes a firm's accounting value as of a particular date is called the:
   A) income statement.
   B) cash flow statement.
   C) liquidity position.
   D) balance sheet.
   E) periodic operating statement.

54) Which one of the following decreases net income but does not affect the operating cash flow of a firm that owes no taxes for the current year?
   A) Indirect cost
   B) Direct cost
   C) Noncash item
   D) Period cost
   E) Variable cost

55) Which one of the following terms is defined as the total tax paid divided by the total taxable income?
   A) Average tax rate
   B) Variable tax rate
   C) Marginal tax rate
   D) Absolute tax rate
   E) Contingent tax rate

56) The tax rate that determines the amount of tax that will be due on the next dollar of taxable income earned is called the:
   A) average tax rate.
   B) variable tax rate.
   C) marginal tax rate.
   D) fixed tax rate.
   E) ordinary tax rate.

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57) Cash flow from assets is defined as:
- A) the cash flow to shareholders minus the cash flow to creditors.
- B) operating cash flow plus the cash flow to creditors plus the cash flow to shareholders.
- C) operating cash flow minus the change in net working capital minus net capital spending.
- D) operating cash flow plus net capital spending plus the change in net working capital.
- E) cash flow to shareholders minus net capital spending plus the change in net working capital.

58) Operating cash flow is defined as:
- A) a firm's net profit over a specified period.
- B) the cash that a firm generates from its normal business activities.
- C) a firm's operating margin.
- D) the change in the net working capital over a stated period.
- E) the cash that is generated and added to retained earnings.

59) Which one of the following has nearly the same meaning as free cash flow?
- A) Net income
- B) Cash flow from assets
- C) Operating cash flow
- D) Cash flow to shareholders
- E) Addition to retained earnings

60) Cash flow to creditors is defined as:
- A) interest paid minus net new borrowing.
- B) interest paid plus net new borrowing.
- C) operating cash flow minus net capital spending minus the change in net working capital.
- D) dividends paid plus net new borrowing.
- E) cash flow from assets plus net new equity.

61) Cash flow to stockholders is defined as:
- A) cash flow from assets plus cash flow to creditors.
- B) operating cash flow minus cash flow to creditors.
- C) dividends paid plus the change in retained earnings.
- D) dividends paid minus net new equity raised.
- E) net income minus the addition to retained earnings.

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62) Which one of the following is an intangible fixed asset?
   A) Inventory
   B) Machinery
   C) Copyright
   D) Account receivable
   E) Building

63) Production equipment is classified as:
   A) a net working capital item.
   B) a current liability.
   C) a current asset.
   D) a tangible fixed asset.
   E) an intangible fixed asset.

64) Net working capital includes:
   A) a land purchase.
   B) an invoice from a supplier.
   C) noncash expenses.
   D) fixed asset depreciation.
   E) the balance due on a 15-year mortgage.

65) Over the past year, a firm decreased its current assets and increased its current liabilities. As a result, the firm's net working capital:
   A) had to increase.
   B) had to decrease.
   C) remained constant.
   D) could have either increased, decreased, or remained constant.
   E) was unaffected as the changes occurred in the firm's current accounts.

66) Net working capital increases when:
   A) fixed assets are purchased for cash.
   B) inventory is purchased on credit.
   C) inventory is sold at cost.
   D) a credit customer pays for his or her purchase.
   E) inventory is sold at a profit.

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67) Shareholders' equity is equal to:
- A) total assets plus total liabilities.
- B) net fixed assets minus total liabilities.
- C) net fixed assets minus long-term debt plus net working capital.
- D) net working capital plus total assets.
- E) total assets minus net working capital.

68) Paid-in surplus is classified as:
- A) owners' equity.
- B) net working capital.
- C) a current asset.
- D) a cash expense.
- E) long-term debt.

69) Shareholders' equity is best defined as:
- A) the residual value of a firm.
- B) positive net working capital.
- C) the net liquidity of a firm.
- D) cash inflows minus cash outflows.
- E) the cumulative profits of a firm over time.

70) All else held constant, the book value of owners' equity will decrease when:
- A) the market value of inventory increases.
- B) dividends exceed net income for a period.
- C) cash is used to pay an accounts payable.
- D) a long-term debt is repaid.
- E) taxable income increases.

71) Net working capital decreases when:
- A) a new 3-year loan is obtained with the proceeds used to purchase inventory.
- B) a credit customer pays his or her bill in full.
- C) depreciation increases.
- D) a long-term debt is used to finance a fixed asset purchase.
- E) a dividend is paid to current shareholders.

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72) A firm's liquidity level decreases when:
   - A) inventory is purchased with cash.
   - B) inventory is sold on credit.
   - C) inventory is sold for cash.
   - D) an account receivable is collected.
   - E) proceeds from a long-term loan are received.

73) Highly liquid assets:
   - A) increase the probability a firm will face financial distress.
   - B) appear on the right side of a balance sheet.
   - C) generally, produce a high rate of return.
   - D) can be sold quickly at close to full value.
   - E) include all intangible assets.

74) Financial leverage:
   - A) increases as the net working capital increases.
   - B) is equal to the market value of a firm divided by the firm's book value.
   - C) is inversely related to the level of debt.
   - D) is the ratio of a firm's revenues to its fixed expenses.
   - E) increases the potential return to the stockholders.

75) The market value of:
   - A) accounts receivable is generally higher than the book value of those receivables.
   - B) an asset tends to provide a better guide to the actual worth of that asset than does the book value.
   - C) fixed assets will always exceed the book value of those assets.
   - D) an asset is reflected in the balance sheet.
   - E) an asset is lowered each year by the amount of depreciation expensed for that asset.

76) Which one of the following is included in the market value of a firm but not in the book value?
   - A) Raw materials
   - B) Partially built inventory
   - C) Long-term debt
   - D) Reputation of the firm
   - E) Value of a partially depreciated machine

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77) The market value of a firm's fixed assets:
  A) will always exceed the book value of those assets.
  B) is more predictable than the book value of those assets.
  C) in addition to the firm's net working capital reflects the true value of a firm.
  D) is decreased annually by the depreciation expense.
  E) is equal to the estimated current cash value of those assets.

78) Market values:
  A) reflect expected selling prices given the current economic situation.
  B) are affected by the accounting methods selected.
  C) are equal to the initial cost minus the depreciation to date.
  D) either remain constant or increase over time.
  E) are equal to the greater of the initial cost or the current expected sales value.

79) Which one of the following statements concerning the balance sheet is correct?
  A) Total assets equal total liabilities minus total equity.
  B) Net working capital is equal total assets minus total liabilities.
  C) Assets are listed in descending order of liquidity.
  D) Current assets are equal to total assets minus net working capital.
  E) Shareholders' equity is equal to net working capital minus net fixed assets plus long-term debt.

80) An income statement prepared according to GAAP:
  A) reflects the net cash flows of a firm over a stated period.
  B) reflects the financial position of a firm as of a particular date.
  C) distinguishes variable costs from fixed costs.
  D) records revenue when payment for a sale is received.
  E) records expenses based on the matching principle.

81) Net income increases when:
  A) fixed costs increase.
  B) depreciation increases.
  C) the average tax rate increases.
  D) revenue increases.
  E) dividends cease.

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82) Based on the recognition principle, revenue is recorded on the financial statements when the:
1. payment is collected for the sale of a good or service.
2. earnings process is virtually complete.
3. value of a sale can be reliably determined.
4. product is physically delivered to the buyer.
   - A) I and II only
   - B) I and IV only
   - C) II and III only
   - D) II and IV only
   - E) I and III only

83) Given a profitable firm, depreciation:
- A) increases net income.
- B) increases net fixed assets.
- C) decreases net working capital.
- D) lowers taxes.
- E) has no effect on net income.

84) The recognition principle states that:
- A) costs should be recorded on the income statement whenever those costs can be reliably determined.
- B) costs should be recorded when paid.
- C) costs of producing an item should be recorded when the sale of that item is recorded as revenue.
- D) sales should be recorded when the payment for that sale is received.
- E) sales should be recorded when the earnings process is virtually completed, and the value of the sale can be determined.

85) The matching principle states that:
- A) costs should be recorded on the income statement whenever those costs can be reliably determined.
- B) costs should be recorded when paid.
- C) costs of producing an item should be recorded when the sale of that item is recorded as revenue.
- D) sales should be recorded when the payment for that sale is received.
- E) sales should be recorded when the earnings process is virtually completed, and the value of the sale can be determined.

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86) Which one of these is correct?
   A) Depreciation has no effect on taxes.
   B) Interest paid is a noncash item.
   C) Taxable income must be a positive value.
   D) Net income is distributed either to dividends or retained earnings.
   E) Taxable income equals net income multiplied by (1 + Average tax rate).

87) Firms that compile financial statements according to GAAP:
   A) record income and expenses at the time they affect the firm's cash flows.
   B) have no discretion over the timing of recording either revenue or expense items.
   C) must record all expenses when incurred.
   D) can still manipulate their earnings to some degree.
   E) record both income and expenses as soon as the amount for each can be ascertained.

88) The concept of marginal taxation is best exemplified by which one of the following?
   A) Fazzari's paid $120,000 in taxes while its primary competitor paid only $80,000 in taxes.
   B) Mariano's Retreat paid only $45,000 in taxes on total revenue of $570,000 last year.
   C) Burke's Grocer increased its sales by $52,000 last year and had to pay an additional $16,000 in taxes.
   D) Edwardsville Centre paid no taxes last year due to carryforward losses.
   E) Sunset Charters paid $2.20 in taxes for every $10 of revenue last year.

89) Which one of the following will increase the cash flow from assets for a tax-paying firm, all else constant?
   A) An increase in net capital spending
   B) A decrease in the cash flow to creditors
   C) An increase in depreciation
   D) An increase in the change in net working capital
   E) A decrease in dividends paid

90) A negative cash flow to stockholders indicates a firm:
   A) had a net loss for the year.
   B) had a positive cash flow to creditors.
   C) paid dividends that exceeded the amount of the net new equity.
   D) repurchased more shares than it sold.
   E) received more from selling stock than it paid out to shareholders.

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91) If a firm has a negative cash flow from assets every year for several years, the firm:
   A) may be continually increasing in size.
   B) must also have a negative cash flow from operations each year.
   C) is operating at a high level of efficiency.
   D) is repaying debt every year.
   E) has annual net losses.

92) An increase in which one of the following will increase operating cash flow for a profitable, tax-paying firm?
   A) Fixed expenses
   B) Marginal tax rate
   C) Net capital spending
   D) Inventory
   E) Depreciation

93) Tressler Industries opted to repurchase 5,000 shares of stock last year in lieu of paying a dividend. The cash flow statement for last year must have which one of the following assuming that no new shares were issued?
   A) Positive operating cash flow
   B) Negative cash flow from assets
   C) Positive net income
   D) Negative operating cash flow
   E) Positive cash flow to stockholders

94) Net capital spending is equal to:
   A) ending net fixed assets minus beginning net fixed assets plus depreciation.
   B) beginning net fixed assets minus ending net fixed assets plus depreciation.
   C) ending net fixed assets minus beginning net fixed assets minus depreciation.
   D) ending total assets minus beginning total assets plus depreciation.
   E) ending total assets minus beginning total assets minus depreciation.

95) In 2021, what was the maximum average tax rate for corporations?
   A) 38%
   B) 25%
   C) 33%
   D) 39%
   E) 21%

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96) Which one of the following changes during a year will increase cash flow from assets but not affect the operating cash flow?
   A) Increase in depreciation
   B) Increase in accounts receivable
   C) Increase in accounts payable
   D) Decrease in cost of goods sold
   E) Increase in sales

97) Cash flow to creditors increases when:
   A) interest rates on debt decline.
   B) accounts payable decrease.
   C) long-term debt is repaid.
   D) current liabilities are repaid.
   E) new long-term loans are acquired.

98) Which one of the following indicates that a firm has generated sufficient internal cash flow to finance its entire operations for the period?
   A) Positive operating cash flow
   B) Negative cash flow to creditors
   C) Positive cash flow to stockholders
   D) Negative net capital spending
   E) Positive cash flow from assets

99) Gracie Art Gallery has total assets of $236,450, net working capital of $28,523, owners' equity of $128,659, and long-term debt of $105,000 What is the value of the current assets?
   A) $85,413
   B) $31,314
   C) $63,595
   D) $79,628
   E) $105,000

100) De la Cruz Automotive has net working capital of $22,600, current assets of $56,500, equity of $62,700, and long-term debt of $31,900. What is the amount of the net fixed assets?
   A) $9,300
   B) $49,400
   C) $94,600
   D) $103,900
   E) $72,000

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101) Al-Sadiq Plumbing Supply currently has $10,500 in cash. The company owes $26,900 to suppliers for merchandise and $47,500 to the bank for a long-term loan. Customers owe the company $33,000 for their purchases. The inventory has a book value of $62,400 and an estimated market value of $65,600. If the store compiled a balance sheet as of today, what would be the book value of the current assets?

A) $100,700
B) $79,500
C) $85,700
D) $105,900
E) $117,500

102) Nikki Heart Photography has total assets of $31,300, long-term debt of $8,600, net fixed assets of $25,600, and owners' equity of $20,540. What is the value of the net working capital?

A) $9,800
B) $104,595
C) $18,900
D) $3,540
E) $23,200

103) Lopez Bakery had $236,400 in net fixed assets at the beginning of the year. During the year, the company purchased $53,200 in new equipment. It also sold, at a price of $22,000, some old equipment that had a book value of $5,900. The depreciation expense for the year was $13,400. What is the net fixed asset balance at the end of the year?

A) $260,000
B) $283,700
C) $276,200
D) $270,300
E) $289,600

104) Preston Financial has ending net fixed assets of $98,700 and beginning net fixed assets of $84,900. During the year, the firm sold assets with a total book value of $13,200 and also recorded $9,800 in depreciation expense. How much did the company spend to buy new fixed assets?

A) −$47,800
B) $18,400
C) $36,800
D) $81,400
E) $73,600

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105) McKendree Industries has current liabilities of $54,900 and accounts receivable of $88,700. The firm has total assets of $395,000 and net fixed assets of $265,100. The owners' equity has a book value of $147,500. What is the amount of the net working capital?

A) $77,400
B) $75,000
C) $33,800
D) −$8,500
E) −$2,400

106) St. Louis Warehouse has net working capital of $42,400, total assets of $519,300, and net fixed assets of $380,200. What is the value of the current liabilities?

A) $61,700
B) $88,400
C) $102,900
D) $96,700
E) $111,500

107) Chun Industries reports the following account balances: inventory of $417,600, equipment of $2,028,300, accounts payable of $224,700, cash of $51,900, and accounts receivable of $313,900. What is the amount of the current assets?

A) $46,700
B) $56,000
C) $783,400
D) $975,000
E) $699,700

108) Swearingen United has total owners' equity of $18,800. The firm has current assets of $23,100, current liabilities of $12,200, and total assets of $36,400. What is the value of the long-term debt?

A) $5,400
B) $12,500
C) $13,700
D) $29,800
E) $43,000

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109) Utamuro Markets has beginning long-term debt of $64,500, which is the principal balance of a loan payable to Centre Bank. During the year, the company paid a total of $16,300 to the bank, including $4,100 of interest. The company also borrowed $11,000. What is the value of the ending long-term debt?

A) $45,100
B) $53,300
C) $58,200
D) $63,300
E) $85,900

110) Earley Construction has beginning retained earnings of $284,300. For the year, the company earned net income of $13,700 and paid dividends of $9,000. The company also issued $25,000 worth of new stock. What is the value of the retained earnings account at the end of the year?

A) $287,204
B) $289,454
C) $294,134
D) $289,000
E) $314,000

111) The Milwaukee Printing Company has net income of $26,310 for the year. At the beginning of the year, the firm had common stock of $55,000, paid-in surplus of $11,200, and retained earnings of $48,420. At the end of the year, the firm had total equity of $142,430. The firm paid dividends of $32,500. What is the amount of the net new equity raised during the year?

A) $34,000
B) $42,500
C) $25,000
D) $21,500
E) $0

112) Kahlan Opinion Surveys had beginning retained earnings of $24,600. During the year, the company reported sales of $105,700, costs of $78,300, depreciation of $9,000, dividends of $1,200, and interest paid of $635. The tax rate is 21 percent. What is the retained earnings balance at the end of the year?

A) $35,835.50
B) $36,082.15
C) $36,121.44
D) $37,671.44
E) $37,434

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113) Bolivar Farms had equity of $58,900 at the beginning of the year. During the year, the company earned net income of $8,200 and paid $2,500 in dividends. Also during the year, the company repurchased $3,500 of stock from one of its shareholders. What is the value of the owners' equity at year end?

A) $61,100
B) $67,600
C) $64,900
D) $64,400
E) $68,100

114) Di Bacco Winery has net working capital of $29,800, net fixed assets of $64,800, current liabilities of $34,700, and long-term debt of $23,000. What is the value of the owners' equity?

A) $36,900
B) $66,700
C) $71,600
D) $89,400
E) $106,300

115) Medeiros Imports has cash of $41,100 and accounts receivable of $54,200, all of which is expected to be collected. The inventory cost $82,300 and can be sold today for $116,500. The fixed assets were purchased at a total cost of $234,500 of which $118,900 has been depreciated. The fixed assets can be sold today for $138,000. What is the total book value of the firm's assets?

A) $327,800
B) $293,200
C) $346,800
D) $412,100
E) $415,600

116) Lester's Fried Chick'n purchased its building 11 years ago at a cost of $189,000. The building is currently valued at $209,000. The firm has other fixed assets that cost $56,000 and are currently valued at $32,000. To date, the firm has recorded a total of $49,000 in depreciation on the various assets it currently owns. Current liabilities are $36,600 and net working capital is $18,400. What is the total book value of the firm's assets?

A) $251,000
B) $241,000
C) $232,600
D) $214,400
E) $379,000

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117) Devante's Auto Repair has cash of $18,600, accounts receivable of $34,500, accounts payable of $28,900, inventory of $97,800, long-term debt of $142,000, and net fixed assets of $363,800. The firm estimates that if it wanted to cease operations today it could sell the inventory for $85,000 and the fixed assets for $349,000. The firm could collect 100 percent of its receivables as they are secured. What is the market value of the firm's assets?

A) $332,800
B) $458,200
C) $374,200
D) $495,500
E) $487,100

118) Trinity Industries has sales of $179,600, depreciation of $14,900, costs of goods sold of $138,200, and other costs of $28,400. The tax rate is 21 percent. What is the net income?

A) −$1,900
B) $382
C) −$1,204
D) $14,660
E) $13,665

119) Last year, Northside Pizza added $6,230 to retained earnings from sales of $104,650. The company had costs of $87,300, dividends of $2,500, and interest paid of $1,620. Given a tax rate of 21 percent, what was the amount of the depreciation expense?

A) $2,407
B) $3,908
C) $4,679
D) $4,102
E) $4,414

120) Dakota Pride Farms has sales of $509,600, costs of $448,150, depreciation expense of $36,100, and interest paid of $12,400. The tax rate is 21 percent. How much net income did the firm earn for the period?

A) $7,778
B) $9,324
C) $10,231
D) $8,671
E) $5,886

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121) For the year, Movers United has net income of $31,800, net new equity of $7,500, and an addition to retained earnings of $24,200. What is the amount of the dividends paid?

A) $100
B) $7,500
C) $7,600
D) $15,100
E) $16,700

122) Norris Company incurred depreciation expenses of $28,900 last year. The sales were $755,000 and the addition to retained earnings was $10,200. The firm paid interest of $6,200 and dividends of $5,000. The tax rate was 21 percent. What was the amount of the costs incurred by the company?

A) $691,013
B) $707,413
C) $700,659
D) $697,213
E) $719,900

123) For the year, Bethalto Furniture had sales of $818,790, costs of $748,330, and interest paid of $24,450. The depreciation expense was $56,100 and the tax rate was 21 percent. At the beginning of the year, the firm had retained earnings of $172,270 and common stock of $260,000. At the end of the year, retained earnings was $158,713 and common stock was $280,000. Any tax losses can be used. What is the amount of the dividends paid for the year?

A) $5,586
B) $6,466
C) $7,566
D) $7,066
E) $6,898

124) Pyri Flours, a sole proprietorship, owes $9,741 in taxes on taxable income of $61,509. If the firm earns $100 more in income, it will owe an additional $22 in taxes. What is the average tax rate on income of $61,609?

A) 15.00%
B) 30.33%
C) 33.33%
D) 35.00%
E) 15.85%

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125) Porter Jewelers, a sole proprietorship has a marginal tax rate of 32 percent and an average tax rate of 20.9 percent. If the firm owes $34,330 in taxes, how much taxable income did it earn?

A) $127,584
B) $116,649
C) $164,258
D) $157,500
E) $168,500

126) LaMarcus Photography, a sole proprietorship owes $190,874 in taxes on a taxable income of $608,606. The company has determined that it will owe $195,246 in tax if its taxable income rises to $620,424. What is the marginal tax rate at this level of income?

A) 39%
B) 38%
C) 37%
D) 35%
E) 32%

127) The Riverside Cafe has an operating cash flow of $83,770, depreciation expense of $43,514, and taxes paid of $21,590. A partial listing of its balance sheet accounts is as follows:

	Beginning Balance	Ending Balance
Current assets	$ 138,590	$ 129,204
Net fixed assets	599,608	597,913
Current liabilities	143,215	139,827
Long-term debt	408,660	402,120

What is the amount of the cash flow from assets?

A) $26,359
B) $47,949
C) $61,487
D) $43,909
E) $35,953

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128) National Importers paid $38,600 in dividends and $24,615 in interest over the past year while net working capital increased from $15,506 to $17,411. The company purchased $38,700 in net new fixed assets and had depreciation expenses of $14,784. During the year, the firm issued $20,000 in net new equity and paid off $23,800 in long-term debt. What is the amount of the cash flow from assets?

A) $21,811
B) $41,194
C) $36,189
D) $26,410
E) $67,015

129) Girabaldi's Preztels, general partnership, has net sales of $821,300 and costs of $698,500. The depreciation expense is $28,400 and the interest paid is $8,400. What is the amount of the firm's operating cash flow if the tax rate is 21 percent?

A) $97,620
B) $104,900
C) $99,220
D) $104,740
E) $105,240

130) Outdoor Sports paid $12,500 in dividends and $9,310 in interest over the past year. Sales totaled $361,820 with costs of $267,940. The depreciation expense was $16,500 and the tax rate was 21 percent. What was the amount of the operating cash flow?

A) $64,232
B) $65,306
C) $57,556
D) $70,056
E) $79,585

131) The balance sheet of a firm shows beginning net fixed assets of $348,200 and ending net fixed assets of $371,920. The depreciation expense for the year is $46,080 and the interest expense is $11,460. What is the amount of the net capital spending?

A) −$22,360
B) −$4,780
C) $23,720
D) $58,340
E) $69,800

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132) The financial statements of the Santa Domingo Marina reflect depreciation expenses of $41,600 and interest expenses of $27,900 for the year. The current assets increased by $31,800 and the net fixed assets increased by $28,600. What is the amount of the net capital spending for the year?

A) $13,000
B) $21,600
C) $28,600
D) $60,400
E) $70,200

133) Kahlil's Dog House had current assets of $67,200 and current liabilities of $71,100 last year. This year, the current assets are $82,600 and the current liabilities are $85,100. The depreciation expense for the past year is $9,600 and the interest paid is $8,700. What is the amount of the change in net working capital?

A) −$2,800
B) −$1,400
C) $1,400
D) $2,100
E) $2,800

134) The balance sheet of Koehn, Incorporated, has the following balances:

	Beginning balance	Ending balance
Cash	$ 30,300	$ 32,800
Accounts receivable	48,200	51,600
Inventory	126,500	129,200
Net fixed assets	611,900	574,300
Accounts payable	43,200	53,600
Long-term debt	415,000	304,200

What is the amount of the change in net working capital?

A) −$1,800
B) −$7,400
C) $1,800
D) −$8,100
E) $8,100

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135) During the past year, Rend Yard Services paid $36,800 in interest along with $2,000 in dividends. The company issued $3,000 of stock and $16,000 of new debt. The company reduced the balance due on its old debt by $18,400. What is the amount of the cash flow to creditors?

A) $8,200
B) $55,200
C) $2,400
D) $39,200
E) $15,800

136) A firm has earnings before interest and taxes of $27,130, net income of $16,220, and taxes of $5,450 for the year. While the firm paid out $31,600 to pay off existing debt it then later borrowed $42,000. What is the amount of the cash flow to creditors?

A) −$14,040
B) $0
C) −$4,940
D) $14,040
E) $4,660

137) A balance sheet shows beginning values of $56,300 for current liabilities and $289,200 for long-term debt. The ending values are $61,900 and $318,400, respectively. The income statement shows interest paid of $29,700 and dividends of $19,000. What is the amount of the net new borrowing?

A) $29,200
B) $40,450
C) $34,800
D) $70,150
E) $58,900

138) For the past year, LP Gas, Incorporated, had cash flow from assets of $38,100 of which $21,500 flowed to the firm's stockholders. The interest paid was $2,300. What is the amount of the net new borrowing?

A) −$14,300
B) −$9,700
C) $12,300
D) $14,300
E) $18,900

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139) The Underground Cafe has an operating cash flow of $187,000 and a cash flow to creditors of $71,400 for the past year. The firm reduced its net working capital by $28,000 and incurred net capital spending of $47,900. What is the amount of the cash flow to stockholders for the last year?

A) −$171,500

B) −$86,700

C) $21,200

D) $95,700

E) $39,700

140) Donegal's has compiled the following information:

Sales	$ 406,300
Interest paid	21,200
Long-term debt	248,700
Owners' equity	211,515
Depreciation	23,800
Accounts receivable	24,400
Other costs	38,600
Inventory	41,500
Accounts payable	22,600
Cost of goods sold	218,900
Cash	16,300
Taxes	34,100

What is the operating cash flow for the year?

A) $90,900

B) $96,700

C) $114,700

D) $93,500

E) $102,600

141) The DeGrange Carpentry Shop, a sole proprietorship has sales of $398,600, costs of $254,800, depreciation expense of $26,400, interest expense of $1,600, and a tax rate of 21 percent. What is the net income for this firm?

A) $91,930

B) $96,211

C) $97,516

D) $91,482

E) $89,219

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142) Prospect Avenue Nursery has sales of $318,400, costs of $199,400, depreciation expense of $28,600, interest expense of $1,100, and a tax rate of 21 percent. The firm paid out $23,400 in dividends. What is the addition to retained earnings?

A) $36,909
B) $34,645
C) $47,147
D) $37,208
E) $40,615

143) Zhang's fixed assets were purchased three years ago for $1.8 million. These assets can be sold to Stewart's today for $1.2 million. Roscoe's current balance sheet shows net fixed assets of $960,000, current liabilities of $348,000, and net working capital of $121,000. If all the current assets were liquidated today, the company would receive $518,000 cash. The book value of the firm's assets today is _____ and the market value is ____.

A) $1,081,000; $1,308,000
B) $1,081,000; $1,718,000
C) $1,307,000; $1,429,000
D) $1,429,000; $1,308,000
E) $1,429,000; $1,718,000

144) Omar's Market, a sole proprietorship has sales of $43,800, costs of $40,400, depreciation expense of $2,500, and interest expense of $1,100. If the tax rate is 21 percent, what is the operating cash flow, OCF? Assume tax losses can be carried forward and utilized.

A) $3,332
B) $3,279
C) $3,511
D) $3,442
E) $3,013

145) On December 31, 2020, The Water Street Theatre had net fixed assets of $812,650 while the December 31, 2021 balance sheet showed net fixed assets of $784,900. Depreciation for 2021 was $84,900. What was the firm's net capital spending for 2021?

A) $51,600
B) $42,410
C) $57,150
D) $54,400
E) $46,620

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146) Pacheo's Market had long-term debt of $638,100 at the beginning of the year compared to $574,600 at year-end. If the interest expense was $42,300, what was the firm's cash flow to creditors?

A) $21,200
B) $26,700
C) $54,900
D) $102,400
E) $105,800

147) Assume a company has sales of $423,800, production costs of $297,400, other expenses of $18,500, depreciation expense of $36,300, interest expense of $2,100, taxes of $23,600, and dividends of $12,000. In addition, you're told that during the year the firm issued $4,500 in new equity and redeemed $6,500 in outstanding long-term debt. If net fixed assets increased by $7,400 during the year, what was the addition to net working capital?

A) $11,500
B) $24,500
C) $15,800
D) $37,500
E) $30,400

148) Raymonds's sales for the year were $1,678,000. Cost of goods sold, administrative and selling expenses, and depreciation expenses were $1,141,000, $304,000, and $143,000, respectively. In addition, the company had an interest expense of $74,000 and a tax rate of 21 percent. What is the operating cash flow for the year?

A) $227,560
B) $271,420
C) $229,640
D) $285,400
E) $217,700

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149) For Year 2020, Precision Masters had sales of $42,900, cost of goods sold of $26,800, depreciation expense of $1,900, interest expense of $1,300, and dividends paid of $1,000. At the beginning of the year, net fixed assets were $14,300, current assets were $8,700, and current liabilities were $6,600. At the end of the year, net fixed assets were $13,900, current assets were $9,200, and current liabilities were $7,400. The tax rate was 21 percent. What is the cash flow from assets for 2020?

A) $9,914
B) $11,114
C) $9,360
D) $12,191
E) $11,970

150) The passage of the Tax Cuts and Jobs Act of 2017 created a revised progressive tax structure, which applies to all of the following except:

A) unmarried individuals.
B) sole proprietorships.
C) LLCs.
D) partnerships.
E) corporations.

151) GAAP, as they relate to the income statement includes the recognition principle: to recognize revenue when the earnings process is virtually complete, and the value of an exchange of goods or services is known or can be reliably determined.
Which of the following statements is true with regard to this principle?

A) Income and expense items can be recorded at any time the company deems appropriate.
B) Revenue is recognized at the time of sale. Costs associated with the sale of that product likewise would be recognized at that time.
C) Revenues must be reported only when cash is collected.
D) Expenses can be smoothed to make earnings appear greater.

152) The term “free cash flow” is another term to describe:

A) operating cash flow.
B) cash that comes “free” to the company.
C) cash flow from assets.
D) increases in cash account each year.

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153) Sunny Disposition, Incorporated, has net working capital of $32,500, current assets of $59,000, equity of $74,500, and long-term debt of $42,500. What is the amount of the net fixed assets?

A) $58,000
B) $111,000
C) $94,600
D) $63,900
E) $84,500

154) Kat Outfitting currently has $22,500 in cash. The company owes $49,500 to suppliers for merchandise and $52,500 to the bank for a long-term loan. Customers owe the company $41,000 for their purchases. The inventory has a book value of $76,800 and an estimated market value of $72,000. If the store compiled a balance sheet as of today, what would be the book value of the current assets?

A) $135,500
B) $79,500
C) $86,000
D) $140,300
E) $144,000

155) Zoey Pet Supply had $314,000 in net fixed assets at the beginning of the year. During the year, the company purchased $98,200 in new equipment. It also sold, at a price of $10,000, some old equipment that had a book value of $12,500. The depreciation expense for the year was $24,500. What is the net fixed asset balance at the end of the year?

A) $260,000
B) $283,700
C) $424,200
D) $375,200
E) $277,000

156) Joie's Fashions has current liabilities of $45,600 and accounts receivable of $59,700. The firm has total assets of $275,000 and net fixed assets of $205,500. The owners' equity has a book value of $107,500. What is the amount of the net working capital?

A) $121,900
B) $23,900
C) $9,800
D) $83,600
E) −$35,800

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Answer Key

Test name: Chapter 02

1) E

Shareholders' equity = Current assets + Net fixed assets − Total liabilities

Shareholders' equity = $340 + 550 − 385 = $505

2) A

Market value = $1,330,000 (building) + 357,000 (equipment) + (.5 × $300,000) (inventory) + (.97 × $170,200) (accounts receivable) + 11,800 cash − 1,330,000 (amount owed)

Market value = $683,894

3) B

Net income = Dividends paid + Change in retained earnings

Net income = $474 + (− $118) = $356

In this case, the change in retained earnings was a negative value.

4) E

Taxes paid = .10($9,950) + .12($40,525 − 9,950) + .22($86,375 − 40,525) + .24($106,500 − 86,375)

Taxes paid = $19,581.00

Average tax rate = $19,581.00/$106,500

Average tax rate = .1839, or 18.39%

5) D

Taxes on $80,600 income = .15($50,000) + .25($75,000 − 50,000) + .34($80,600 − 75,000) = $15,654

New taxable income = $80,600 + 21,800 = $102,400

Taxes on $102,400 income = .15($50,000) + .25($75,000 − 50,000) + .34($100,000 − 75,000) + .39($102,400 − 100,000) = $23,186

Additional tax = $23,186 − 15,654 = $7,532

6) A

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

Taxes = .22 × $420 = $92 (Tax rate × EBIT)

OCF = $420 + 130 − 92 = $458 (EBIT + Depreciation − Taxes)

7) C

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Net capital spending = $564 (ending net fixed assets) + 56 (Depreciation) − 478 (beginning net fixed assets)
Net capital spending = $142

8) B
Change in net working capital = ($479 − 265) − ($321 − 225) = $118

9) A
CFC = $25 − ($259 − 288) = $54

10) B
CFS = (.37 × $280) − $73 = $30.60

11) C
Total liabilities and equity = Total assets = $2,145 + 1,060 + 4,290 = $7,495
NWC = Current assets − Current liabilities
$235 = CA − $4,290
Current assets = $4,525
Net fixed assets = $7,495 − 4,525 = $2,970

12) B
EBIT = $22,598 − 16,580 − 1,490 = $4,528
EBT = $4,528 − 1,200 = $3,328
Taxes = $3,328(.21) = $699
OCF = $4,528 + 1,490 − 699 = $5,319

13) E
NWC = Current assets − Current liabilities
$1,591 = $5,533 − CL
CL = $3,942

14) C
NWC = Current assets − Current liabilities
NWC = ($2,343 + 2,857 + 5,073) − 6,149
NWC = $4,124

15) E

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Current assets = $8,574 − 6,153 = $2,421
$1,059 = $2,421 − CL
CL = $1,362
Total liabilities = $1,362 + 4,593 = $5,955

16) C
Current assets = $12,038 − 8,001 = $4,037
$1,368 = $4,037 − CL
CL = $2,669
Total equity = $12,038 − 4,667 − 2,669 = $4,702

17) C
Current liabilities = $64,500 − 31,610 − 22,090 = $10,800
Current assets = $19,450 + 10,800 = $30,250

18) A
Current liabilities = $6,550 − 2,336 = $4,214
Total liabilities and equity = Total assets = $22,350 + 10,580 + 4,214 = $37,144
Net fixed assets = $37,144 − 6,550 = $30,594

19) C
Net capital spending = $97,750 − 76,050 + 13,840 = $35,540

20) C
Ending long-term debt = $46,380 + 10,710 − 12,105 = $44,985

21) E
Cash flow to creditors = $10,489 + 4,045 − 9,235 = $5,299

22) B
EBT = $46,577 − 16,834 − 11,861 − 6,560 − 3,932 = $7,390
Taxes = $7,390(.24) = $1,774
Net income = $7,390 − 1,774 = $5,616

23) D
EBIT = $45,017 − 15,434 − 11,101 − 5,400 = $13,082
EBT = $13,082 − 3,308 = $9,774
Taxes = $9,774(.21) = $2,053
OCF = $13,082 + 5,400 − 2,053 = $16,429

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24) B
Retained earnings = $31,385 + (7,940 − 3,310) = $36,015

25) E
Ending owners' equity = $49,265 + 5,625 − 3,965 − 7,915 = $43,010

26) C
Cash flow to stockholders = $3,300 + 6,900 = $10,200

27) A
Net fixed assets = $142,870 + 67,710 − 83,950 = $126,630

28) B
EBIT = ($4,355 + 2,680)/(1 − .24) + 1,640 = $10,897
Depreciation = $94,335 − 74,895 − 10,897 = $8,543

29) D
Taxes = $128,462(.241) = $30,959

30) D

Cash flow from assets = ($28,941 + 21,350) + ($27,950 − 25,250) = $52,991

31) D
Net capital spending = $18,050 − 16,943 + 3,515 = $4,622
Fixed assets sold = $7,510 − 4,622 = $2,888

32) C
Net new borrowing = $8,613 − 7,091 = $1,522
Debt retired = $2,235 − 1,522 = $713

33) A
Cash flow from assets = $16,380 + 6,740 = $23,120
Net capital spending = $56,740 − 49,380 + 11,940 = $19,300
Change in net working capital = $50,265 − 19,300 − 23,120 = $7,845

34) B
Equity = Max[($7,350 − 7,000), 0] = $350

35) E

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Net income = $1,692 − 632 = $1,060

36) C
Net income = $14,050 + 68,222 = $82,272
EBT = $364,740 − 194,170 − 18,785 − 30,470 = $121,315
Taxes = $121,315 − 82,272 = $39,043
Average tax rate = $39,043/$121,315 = .3218, or 32.18%

37) C
Change in NWC = $14,800 − 12,439 = $2,361
CFA = $69,967 − 30,800 − 2,361 = $36,806
Cash flow to stockholders = $36,806 − 30,704 = $6,102

38) A
Change in NWC = $7,730 − 6,387 = $1,343
CFA = $36,864 − 16,100 − 1,343 = $19,421
Cash flow to creditors = $19,421 − 15,593 = $3,828

39) C
Cash flow to stockholders = $126,200(.45) − 78,000 = −$21,210

40) C
Current assets = $121 + 270 + 593 = $984

41) C
Total assets = $298 + 664 + 1,378 + 4,827 = $7,167

42) B
Total assets = $302 + 670 + 1,385 + 4,836 = $7,193
Long-term debt = $7,193 − 634 − 5,431 = $1,128

43) A
Current liabilities = .55($124,250) = $68,338
Total L&E = Total assets = $124,250 + 132,800 = $257,050
Current assets = $257,050 − 176,450 = $80,600
Net working capital = $80,600 − 68,338 = $12,263

44) D

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Net income = $216 + 534 = $750
EBT = $750/(1 − .22) = $962
EBIT = $962 + 638 = $1,600

45) D
Net capital spending = $211,659 − 216,486 + 40,417 = $35,590
Fixed assets bought = $35,590 + 7,930 = $43,520

46) A
Cash flow to creditors = $4,183 − ($42,867 − 37,516) = −$1,168

47) C
Current assets = $6,597 − 4,245 = $2,352
Current liabilities = $2,352 − 830 = $1,522
Total liabilities = $1,522 + 4,375 = $5,897

48) D
Cash flow to stockholders = (1 − .70) × $2,675 − 595 = $208

49) C
Current liabilities = ($189 + 577 + 792) − $339 = $1,219

50) E
Net working capital = ($1,816 − 1,256) − $219 = $341

51) E
52) B
53) D
54) C
55) A
56) C
57) C
58) B
59) B
60) A
61) D
62) C
63) D
64) B
65) B

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66) E
67) C
68) A
69) A
70) B
71) E
72) A
73) D
74) E
75) B
76) D
77) E
78) A
79) C
80) E
81) D
82) C
83) D
84) E
85) C
86) D
87) D
88) C
89) C
90) E
91) A
92) E
93) E
94) A
95) E
96) C
97) C
98) E
99) B
Current liabilities = $236,450 − 105,000 − 128,659 = $2,791
Current assets = $28,523 + 2,791 = $31,314

100) E
Net fixed assets = $31,900 + 62,700 − 22,600 = $72,000

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101) D
Current assets = $10,500 + 33,000 + 62,400 = $105,900

102) D
Current assets = $31,300 − 25,600 = $5,700

Current liabilities = $31,300 − 20,540 − 8,600 = $2,160

NWC = $5,700 − 2,160 = $3,540

103) D
Ending net fixed assets = $236,400 + 53,200 − 5,900 − 13,400 = $270,300

104) C
New fixed asset purchases = $98,700 − 84,900 + 13,200 + 9,800 = $36,800

105) B
Net working capital = $395,000 − 265,100 − 54,900 = $75,000

106) D

Current liabilities = $519,300 − 380,200 − 42,400 = $96,700

107) C
Current assets = $51,900 + 313,900 + 417,600 = $783,400

108) A
Long-term debt = $36,400 − 18,800 − 12,200 = $5,400

109) D
Ending long-term debt = $64,500 − 16,300 + 4,100 + 11,000 = $63,300

110) D
Retained earnings = $284,300 + 13,700 − 9,000 = $289,000

111) A
Net new equity = $142,430 − 55,000 − 11,200 − ($48,420 + 26,310 − 32,500) = $34,000

112) E

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EBT = $105,700 − 78,300 − 9,000 − 635 = $17,765
Net Income = $17,765 × .79 = $14,034
Balance of Retained Earnings = $24,600 + 14,034 − 1,200 = $37,434

113) A
Ending owners' equity = $58,900 + 8,200 − 2,500 − 3,500 = $61,100

114) C
Owners' equity = $29,800 + 64,800 − 23,000 = $71,600

115) B
Total book value = $41,100 + 54,200 + 82,300 + 234,500 − 118,900 = $293,200

116) A
Book value = $189,000 + 56,000 − 49,000 + 18,400 + 36,600 = $251,000

117) E
Market value = $18,600 + 34,500 + 85,000 + 349,000 = $487,100

118) A
EBT = $179,600 − 138,200 − 28,400 − 14,900 = −$1,900. EBT is negative so tax is zero; Net Income = −$1,900

119) C
Earnings before interest and taxes = [($6,230 + 2,500)/(1 − .21)] + $1,620 = $12,671
Depreciation = $104,650 − 87,300 − 12,671 = $4,679

120) C
Net income = ($509,600 − 448,150 − 36,100 − 12,400) × (1 − .21) = $10,231

121) C
Dividends paid = $31,800 − 24,200 = $7,600

122) C
Earnings before interest and taxes = [($5,000 + 10,200)/(1 − .21)] + $6,200 = $25,440.51
Costs = $755,000 − 28,900 − 25,440.51 = $700,659

123) A

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Net income = [($818,790 − 748,330 − 56,100 − 24,450) × (1 − .21)] = −$7,971
Dividends paid = −$7,971 − ($158,713 − 172,270) = $5,586

124) E
Average tax rate = ($9,741 + 22)/$61,609 = .1585, or 15.85%

125) C
Taxable income = $34,330/.209 = $164,258

126) C
Marginal tax rate = ($195,246 − 190,874)/($620,424 − 608,606) = .37, or 37%

127) B
Cash flow from assets = $83,770 − ($597,913 − 599,608 + 43,514) − [($129,204 − 139,827) − ($138,590 − 143,215)] = $47,949

128) E
Cash flow from assets = ($24,615 + 23,800) + ($38,600 − 20,000) = $67,015

129) D
EBIT = $821,300 − 698,500 − 28,400 = $94,400
Tax = ($94,400 − 8,400) × .21 = $18,060
OCF = $94,400 + 28,400 − 18,060 = $104,740

130) E
EBIT = $361,820 − 267,940 − 16,500 = $77,380
Tax = ($77,380 − 9,310) × .21 = $14,294.70
OCF = $77,380 + 16,500 − 14,294.70 = $79,585

131) E
Net capital spending = $371,920 − 348,200 + 46,080 = $69,800

132) E
Net capital spending = $28,600 + 41,600 = $70,200

133) C
Change in net working capital = ($82,600 − 85,100) − ($67,200 − 71,100) = $1,400

134) A

Change in net working capital = ($32,800 + 51,600 + 129,200 − 53,600) − ($30,300 + 48,200 + 126,500 − 43,200) = −$1,800

135) D
Cash flow to creditors = $36,800 − 16,000 + 18,400 = $39,200

136) C
Interest = $27,130 − 16,220 − 5,450 = $5,460
Cash flow to creditors = $5,460 + 31,600 − 42,000 = −$4,940

137) A
Net new borrowing = $318,400 − 289,200 = $29,200

138) A
Cash flow to creditors = $38,100 − 21,500 = $16,600
Net new borrowing = $2,300 − 16,600 = −$14,300

139) D
Cash flow to stockholders = [$187,000 − 47,900 − (−$28,000)] − $71,400 = $95,700

140) C
Operating cash flow = $406,300 − 218,900 − 38,600 − 34,100 = $114,700

141) D
Net income = ($398,600 − 254,800 − 26,400 − 1,600)(1 − .21) = $91,482

142) C
Addition to retained earnings = [($318,400 − 199,400 − 28,600 − 1,100) × (1 − .21)] − $23,400
Addition to retained earnings = $47,147

143) E
Book value = $121,000 + 348,000 + 960,000 = $1,429,000
Market value = $518,000 + 1,200,000 = $1,718,000

144) D
EBIT = $43,800 − 40,400 − 2,500 = $900
Tax = ($900 − 1,100) × .21 = −$42
OCF = $900 + 2,500 − (−$42) = $3,442

145) C

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Net capital spending = $784,900 − 812,650 + 84,900 = $57,150

146) E

Cash flow to creditors = $42,300 − ($574,600 − 638,100) = $105,800

147) B

OCF = $423,800 − 297,400 − 18,500 − 23,600 = $84,300

NCS = $7,400 + 36,300 = $43,700

CFA = CFC + CFS = [$2,100 − (−6,500)] + [$12,000 − 4,500] = $16,100

Add to NWC = OCF − NCS − CFA = $84,300 − 43,700 − 16,100 = $24,500

148) C

EBIT = ($1,678,000 − 1,141,000 − 304,000 − 143,000 = $90,000

Tax = ($90,000 − 74,000) × .21 = $3,360

OCF = $90,000 + 143,000 − 3,360 = $229,640

149) D

EBIT = ($42,900 − 26,800 − 1,900) = $14,200

Taxes = ($14,200 − 1,300)(.21) = $2,709

OCF = $14,200 + 1,900 − 2,709 = $13,391

CFA = $13,391 − ($13,900 − 14,300 + 1,900) − [($9,200 − 7,400) − ($8,700 − 6,600)] = $12,191

150) E

151) B

152) C

153) E

Net fixed assets = $42,500 + 74,500 − 32,500 = $84,500

154) D

Current assets = $22,500 + 41,000 + 76,800 = $140,300

155) D

Ending net fixed assets = $314,000 + 98,200 − 12,500 − 24,500 = $375,200

156) B

Net working capital = $275,000 − 205,500 − 45,600 = $23,900