**Topic 10 Knowledge Check**

|  |  |
| --- | --- |
| Points: | 25 |

Started on Jun 21 at 22:11

Your Submission:

Top of Form

1. Bookmark question for later

Accounts that vary directly with sales are called:

|  |
| --- |
| * + Discretionary accounts   + Sales-based accounts   + Spontaneous accounts   + Elastic accounts   + Fluid accounts |
|  |

1. Bookmark question for later

Generally speaking, as a firm grows its sales what is required?

|  |
| --- |
| * + Increased retained earnings.   + Better financial ratios.   + Less financing is needed because of the growth.   + Increased financing is needed to fund the growth.   + More shareholders. |
|  |

1. Bookmark question for later

If DFN is negative, what does it indicate?

|  |
| --- |
| * + We don’t have enough funds in the forecasted period.   + We have extra funds in the forecasted period.   + Our model didn’t work. DFN can’t be negative.   + Our sales go down in the forecast.   + GIGO. DFN can’t be negative. |
|  |

1. Bookmark question for later

Which of the following is usually NOT a spontaneous account?

|  |
| --- |
| * + Current assets   + Accounts payable   + Accruals   + Long-term debt   + All of these choices are spontaneous |
|  |

1. Bookmark question for later

Firms should grow their sales as fast as possible.

|  |
| --- |
| TrueFalse |
|  |

1. Bookmark question for later

What is typically covered by discretionary accounts?

|  |
| --- |
| * + CAPM   + EVA   + FCF   + DFN   + GIGO |
|  |

1. Bookmark question for later

When using the percent of sales method, accounts like accounts receivable always have to vary with sales.

|  |
| --- |
| TrueFalse |
|  |

1. Bookmark question for later

Forecasting is vulnerable to the inputs that we put into the model. What is the acronym for this concern?

|  |
| --- |
| * + EVA   + GIGO   + FCF   + EFN   + SGA |
|  |

1. Bookmark question for later

Which of the following is NOT one of the four factors of growth according to the DuPont and SGR?

|  |
| --- |
| * + Profitability   + Leverage   + Asset utilization   + Dividend policy   + All of these are growth factors |
|  |

1. Bookmark question for later

What is Dividends/Net Income called?

|  |
| --- |
| * + Retention ratio   + Plowback ratio   + Dividend payout ratio   + None of these choices   + Dividend yield |
|  |

1. Bookmark question for later

The amount of product or service a firm can produce with its given fixed assets is known as:

|  |
| --- |
| * + Economies of scale   + Capability   + Economies of scope   + Capacity   + Catabolism |
|  |

1. Bookmark question for later

What are pro forma statements?

|  |
| --- |
| * + Statements using historical data.   + Forecasted financial statements.   + Unaudited financial statements.   + Statements perturbing the historical data. |
|  |

1. Bookmark question for later

When we talk about discretionary accounts, who’s discretion is being exercised?

|  |
| --- |
| * + Forecasters   + Management   + Equity holders   + Creditors   + Shareholders |
|  |

1. Bookmark question for later

How do we compute future levels of spontaneous accounts?

|  |
| --- |
| * + Divide projected level of sales by historical percent of sales.   + Multiply projected level of sales by historical percent of sales.   + Add projected level of sales to historical percent of sales.   + Subtract historical percent of sales from level of sales.   + None of these choices. |
|  |

1. Bookmark question for later

Growth typically requires increased \_\_\_\_\_\_\_\_ in the firm (for forecasting purposes).

|  |
| --- |
| * + Risk   + Leverage   + Strategy   + Investment   + Efficiency |
|  |

1. Bookmark question for later

Sometimes we multiply “net margin” times projected sales to get forecasted net income. What is the ratio for net margin?

|  |
| --- |
| * + E/NI   + S/NI   + NI/RE   + NI/E   + NI/S |
|  |

1. Bookmark question for later

You perform an analysis and determine the net profit margin (NI/S) is 8%, the total asset turnover (S/A) is 5, and the equity multiplier (A/E) = 1. If the firm pays no dividends because it is a high-growth start-up, what is the SGR?

|  |
| --- |
| * + 8%   + 20%   + 0%   + 5%   + 40% |
|  |

1. Bookmark question for later

Which of the following is NOT a non-spontaneous (discretionary) account?

|  |
| --- |
| * + Notes payable   + Long-term financing   + Common stock   + Accounts payable   + All of these choices are non-spontaneous |
|  |

1. Bookmark question for later

If sales are $1,000,000, then what are the total current assets given the following?

* + - * Cash 25% of sales
      * Accounts receivable 13% of sales
      * Accounts payable 10% of sales
      * Accrued payroll 5% of sales
      * Cost of goods sold 50% of sales
      * Inventory 15% of cost of goods sold

|  |
| --- |
| * + 380,000   + 338,000   + 455,000   + 1,030,000 |
|  |

1. Bookmark question for later

Whole Pine Inc. forecasts sales of $450 million. It has established the following percentages of spontaneous accounts:  5% of cash, 17% of A/R, 11% of inventory, 48% of PP&E, and 18% of A/P. It holds a mortgage of $30 million, bonds of $50 million, equity of $150 million, and earnings of $35 million. What is the DFN?

|  |
| --- |
| * + -16.5 million   + 18.5 million   + 15.5 million   + 33 million |
|  |

1. Bookmark question for later

Paradigm Toys forecasts sales of 750,000. Their financial department has developed the following forecast percentages based on historical averages: Cash 11%, A/R 8%, 13% for inventory and accounts payable of 14%. Property Plant and Equipment is 210,000. The company has long term debt of 120,000 and equity of 85,000. It estimates profits at 55,000.  What is the DFN?

|  |
| --- |
| * + 85,000   + 25,000   + 110,000   + 30,000 |
|  |

1. Bookmark question for later

Jaunty Coffee Co. had sales of $70 million and expenses of $50 million, and they paid 40% in taxes. It has equity of $42 million. The board approved dividends totaling $4,500,000. What is the company's sustainable growth rate?

|  |
| --- |
| * + .1667   + .1786   + .6015   + .1429 |
|  |

1. Bookmark question for later

Freedom Rock Bicycles earned $25 million after tax in the last year. The company has $100 million in assets and $85 million in equity. It has a policy of paying 12% of earnings as dividends. What is the SGR of Freedom Rock?

|  |
| --- |
| * + .1285   + .2588   + .2200   + .0353 |
|  |

1. Bookmark question for later

What is the increase in retained earnings given the following?

* + Sales are $10 million
  + Net earnings pre-tax are $1 million
  + Dividend payout ratio is .12
  + Tax rate is 40%

|  |
| --- |
| * + 880,000   + 528,000   + 400,000   + 726,000 |
|  |

1. Bookmark question for later

What is the sustained growth rate given the following?

* + Sales are 2.5 million
  + Total expenses (including cost of goods sold through taxes) are 2.0 million
  + Total assets are 3.0 million
  + Equity is 1.3 million
  + Dividend payout ratio is .25

|  |
| --- |
| * + .2885   + .7500   + .2552   + .3846 |

Bottom of Form