

## AUSTIN'S CYCLE SHOP - ANSWER KEY & EXPLANATIONS

### BALANCE SHEET

*What is the basic equation of the Balance Sheet?*

The correct answer is:  $\text{Assets} = \text{Liabilities} + \text{Equity}$ .

*Which of the following is true about Equity Ratio?*

The correct answer is: Equity Ratio as of any given date is a company's Total Equity divided by its Total Assets. As of year end 2013, Cam's was 55.2% and Austin's was 70.6%.

*Which of the following is true about Inventory Turnover?*

The correct answer is: Inventory Turnover is a company's COGS divided by its Inventories. In 2013, Cam's COGS was \$3.9B and its Inventory Turnover was 3.5. Austin's had COGS of \$4.1B and Inventory Turnover of 3.4. In 2013, Cam's Inventory Turnover was 3.5 and Austin's was 3.4.

*Which of the following is true about Return on Assets?*

The correct answer is: Return on Assets is a company's Net Income divided by its Total Assets. For 2013, Cam's had Net Income of \$290.7M and Return on Assets of 10.0%. Austin's in the same period had Net Income of \$397M and Return on Assets of 11.7%.

***If you still have questions about the quiz, or have a different question you would like answered, please visit the discussion board for this lecture and let me know!***