Q-1. The following items are from a company's Cash Flow Statement.

Classification of cash flow	**Item**	**Amount (£-000s)**
Operating activities	Cash received from customers	55,000
Investing activities	Interest and dividends received	10,000
Financing activities	Net repayment of revolving credit loan	12,000

Which of the following standards and formats did the company most likely use in the preparation of its financial statements?

A. IFRS, direct format

B. IFRS, indirect format

C. Either IFRS or U.S. GAAP, direct format

Q-2. Under GAAP, an analyst gathered the following information from a company's financial statements. Using indirect method, the company's operating cash flows are *closest* to:

Net income	$240
Decrease in inventory	$40
Depreciation	$50
Increase in account receivables	$20
Decrease in wages payable	$10
Increase in unearned revenues	$30
Increase in PP&E	$70
Gains from the sale of a segment	$4

A. $197.

B. $270.

C. $326.

Q-3. The following annual financial data are available for a company:

	£ millions
Beginning interest payable	90.4
Cash paid for interest	103.3
Ending interest payable	84.5

Interest expense for the year is closest to:

A. 71.6.

B. 97.4.

C. 109.2.

Q-4. Silverago Incorporated, an international metals company, reported a loss on the sale of equipment of $2 million in 2010. In addition, the company's income statement shows depreciation expense of $8 million and the cash flow statement shows capital expenditure of $10 million, all of which was for the purchase of new equipment. Using the following information from the comparative balance sheets, how much cash did the company receive from the equipment sale?

Balance Sheet Item	12/31/2009	12/31/2010	Change
Equipment	$100 million	$105 million	$5 million
Accumulated depreciation—equipment	$40 million	$46 million	$6 million

A. $1 million.

B. $2 million.

C. $3 million.

Solution: A.

Ending year net book value is $59 million (=105 –46), and the beginning year net book value is $60 million (=100 –40).

Q-5. The following selected data are available for a firm:

	$ millions
Net income	90.0
Non-cash charges	15.2
Interest expense	28.0
Capital expenditures	34.3
Working capital expenditures	13.0

If the firm's tax rate is 40%, the free cash flow to the firm (FCFF) is closest to:

A. 57.9.

B. 74.7.

C. 87.7.