Q-1. **Solution: A.**

Because inventories are excluded from the quick ratio, holding all other variables constant, an increase in cash, marketable securities, or receivables will increase a company's quick ratio. In addition, holding all other variables constant, an increase in current liabilities will decrease a company's quick ratio.

Q-2. **Solution: A.**

For the most recent fiscal year, the average accounts receivable balance is $15.62 million [= ($300,000,000/365) × 19].

The desired average accounts receivable balance for the next fiscal year is $16.03 million (= ($390,000,000/365) × 15). T

his is an increase of $0.41 million (= 16.03 million – 15.62 million).

Q-3. **Solution: B.**

The total capitalized costs include fixed production costs, the direct conversion costs of material and labor, storage costs required as part of production, normal waste cost but not abnormal waste costs. $450,000 +$225,000 +$135,000+$25,000+$7,500 = $842,500.

Q-4. **Solution: B.**

Under both IFRS and US GAAP, the impairment has occurred for the inventory in the market. Under IFRS, the inventory would be written down to 5.5 (its NRV), and the COGS will increase 0.3. under US GAAP, the inventory would be written down to 5.0, its replacement cost, and the COGS will increase 0.8. So the COGS under US GAAP will be 0.5 higher than COGS under IFRS.

Q-5. **Solution: A.**

Inventory turnover is cost of goods sold divided by average inventory. As reported, this was $1,827 / $557.5 = 3.28. Under FIFO, cost of goods sold would have been $1,820.5 and inventory would have been $616.3 and $618.8 (average $617.6). Adjusted inventory turnover would thus be 2.96.