

# 2007 Level 1 Sample Exam Volume 1

## SS7/8/9/10-Financial Statement Analysis

Q27. Assume U.S.GAAP (generally accepted accounting principles) applies unless otherwise noted. During 2006 Ballantyne Corporation acquired a piece of land on which to build a new manufacturing facility and incurred the following costs related to the purchase:

Purchase price	\$200,000
Brokerage fees	\$7,500
Legal fees	\$5,000
Tearing down old building	\$15,000
Property taxes	\$6,500

Ballantyne's capitalized cost of the land for accounting purposes is closest to:

- A. \$200,000
- B. \$215,000
- C. \$227,500
- D. \$234,000

Q33. Which of the following is the least likely reason an investor or creditor would use the Statement of Cash Flows?

- A. To determine a company's monthly cash budget.
- B. To assess a company's ability to manage cash flow.
- C. To anticipate a company's need for additional financing.
- D. To assess a company's ability to pay dividends and interest.

## SS11-Corporate Finance

Q37. A profitable company is considering the replacement of old equipment used in the manufacturing process with new, more efficient equipment. An analyst gathered the following information about the old and new equipment

old equipment:

Original cost	\$40,000
Current book value	\$10,000
Current market value	\$15,000
Estimated salvage value in three years	\$2,500
Cost of new equipment (including freight and installation costs of \$3,000)	\$83,000
Marginal tax rate for the company	40%
Increase in net working capital required	\$5,500

If the new equipment is purchased, the old machine will be sold to another company. The initial (net) investment outlay for the replacement project is closest to:

- A. \$ 71,500
- B. \$ 73,000
- C. \$ 73,500
- D. \$ 75,500

Q39. Manchester Manufacturing Industries (MMI) manufactures and sells laser printer cartridges for \$75 each. Fixed operating costs are \$ 550,000 for up to 40,000 units of output. Fixed interest costs are currently \$75,000 per year. Variable costs are \$50 per cartridge. The breakeven quantity of unit sales for MMI is closest to:

- A. 8,333
- B. 12,500
- C. 22,000
- D. 25,000