# Module 1 Quiz

Passed

**13/15** points earned (86%)

Quiz passed!

Correct

1 / 1 points

1. Consider the following two balance sheets for firms A and B and answer the question below.

**FIRM A**

|  |  |  |  |
| --- | --- | --- | --- |
| Current Assets | $300,000 | Current Liabilities | $300,000 |
| Non-Current Assets | $900,000 | Non-Current Liabilities | $300,000 |
|  | \_\_\_\_\_\_\_ | Equity | $600,000 |
| Total Assets | 1,200,000 | Total | $1,200,000 |

**FIRM B**

|  |  |  |  |
| --- | --- | --- | --- |
| Current Assets | $200,000 | Current Liabilities | $100,000 |
| Non-Current Assets | $800,000 | Non-Current Liabilities | $400,000 |
|  | \_\_\_\_\_\_\_ | Equity | $500,000 |
| Total Assets | 1,000,000 | Total | $1,000,000 |

Is the following statement true or false?

Firm A has more liquidity than firm B since it has more current assets.

1. True
2. **False**

Correct

1 / 1 points

2. Consider the following two balance sheets for firms A and B and answer the question below.

**FIRM A**

|  |  |  |  |
| --- | --- | --- | --- |
| Current Assets | $300,000 | Current Liabilities | $300,000 |
| Non-Current Assets | $900,000 | Non-Current Liabilities | $300,000 |
|  | \_\_\_\_\_\_\_ | Equity | $600,000 |
| Total Assets | 1,200,000 | Total | $1,200,000 |

**FIRM B**

|  |  |  |  |
| --- | --- | --- | --- |
| Current Assets | $200,000 | Current Liabilities | $100,000 |
| Non-Current Assets | $800,000 | Non-Current Liabilities | $400,000 |
|  | \_\_\_\_\_\_\_ | Equity | $500,000 |
| Total Assets | 1,000,000 | Total | $1,000,000 |

Is the following statement true or false?

Firm B and Firm A have similar leverage ratios.

1. **True**
2. False

Correct

1 / 1 points

3. Consider the following data and answer the question below.

**Company 1**

|  |  |  |  |
| --- | --- | --- | --- |
| Cash | 80 | Payables | 250 |
| Inventory | 300 | Short term debt | 140 |
| Receivables | 210 |  |  |
| Current Assets | 590 | Current liabilities | 390 |

Which of the following options is correct?

1. Current ratio = 1.51; quick ratio = 0.77; cash ratio = 0.14
2. Current ratio = 2.36; quick ratio = 0.74; cash ratio = 0.14
3. Current ratio = 2.36; quick ratio = 0.54; cash ratio = 0.21
4. **Current ratio = 1.51; quick ratio = 0.74; cash ratio = 0.21**

Correct

1 / 1 points

4. Consider the following data and answer the question below.

**Company 1**

|  |  |  |  |
| --- | --- | --- | --- |
| Cash | 80 | Payables | 250 |
| Inventory | 300 | Short term debt | 140 |
| Receivables | 210 |  |  |
| Current Assets | 590 | Current Liabilities | 390 |

Assume that Company 1 sells 100 in receivables to a bank, receiving 85 in cash.

Which of the following options is correct?

1. Company 1's cash ratio went up, but the quick ratio remained the same.
2. **Company 1's cash ratio went up, and the quick ratio went down.**
3. Company 1's current ratio did not change.
4. Company 1's quick ratio went up as a result of the increase in cash.

1  
point

5. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

What is the market value of assets for this company?

1. 1,500
2. **3,500**
3. 4,650
4. 2,650

1  
point

6. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

Which option is correct?

1. Debt/(Debt + Equity) = 0.20 and Liabilities/Assets = 0.25
2. Debt/(Debt + Equity) = 0.20 and Liabilities/Assets = 0.77
3. **Debt/(Debt + Equity) = 0.72 and Liabilities/Assets = 0.77**
4. Debt/(Debt + Equity) = 0.72 and Liabilities/Assets = 0.25

Correct

1 / 1 points

7. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

Is the following statement true or false?

Since this company has positive book equity, it is correct to compute leverage ratios using the book value of equity.

1. True
2. **False**

Correct

1 / 1 points

8. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Income Statement:**

|  |  |
| --- | --- |
| Sales | 1300 |
| Costs | 1200 |
| Operating Income | 100 |
| Interest | 40 |
| Taxable income | 60 |
| Taxes | 18 |
| Net income | 42 |

The company's OPAT (operating profit after taxes) is \_\_\_\_\_\_\_\_\_.

1. **82**
2. 100
3. 140
4. 42

Correct

1 / 1 points

9. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Income Statement:**

|  |  |
| --- | --- |
| Sales | 1300 |
| Costs | 1200 |
| Operating Income | 100 |
| Interest | 40 |
| Taxable income | 60 |
| Taxes | 18 |
| Net income | 42 |

Which option is correct?

1. Asset turnover = 0.28; profit margin = 0.08; ROA = 0.02
2. Asset turnover = 0.28; profit margin = 0.06; ROA = 0.05
3. **Asset turnover = 0.87; profit margin = 0.06; ROA = 0.05**
4. Asset turnover = 0.87; profit margin = 0.08; ROA = 0.02

Correct

1 / 1 points

10. Examine the following cash flow statements and answer the question below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | A | B | C |
| Cash From Operating | 250 | -300 | -250 |
| Cash From Investing | -400 | 400 | 100 |
| Cash From Financing | 150 | -100 | 150 |
| Net Change in Cash | 0 | 0 | 0 |

Is the following statement true or false?

Firm C is likely to be a start up since it has negative cash profits, but it is investing in the business and raising funds from investors.

1. True
2. **False**

Correct

1 / 1 points

11. Examine the following cash flow statements and answer the question below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | A | B | C |
| Cash From Operating | 250 | -300 | -250 |
| Cash From Investing | -400 | 400 | 100 |
| Cash From Financing | 150 | -100 | 150 |
| Net Change in Cash | 0 | 0 | 0 |

Is the following statement true or false?

Firm A is the only firm that appears to be growing.

1. **True**
2. False

Correct

1 / 1 points

12. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Cash Flow Statement:**

|  |  |
| --- | --- |
| Cash flow from operations | 150 |
| Cash flow from investments | -45 |
| Cash flow from financing | -80 |
| Net change in cash | 25 |

This company's cash profitability ratio is \_\_\_\_\_\_\_.

1. 0.43
2. **0.1**
3. 0.03
4. 0.04

Correct

1 / 1 points

13. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Cash Flow Statement:**

|  |  |
| --- | --- |
| Cash flow from operations | 150 |
| Cash flow from investments | -45 |
| Cash flow from financing | -80 |
| Net change in cash | 25 |

Is the following statement true or false?

This company is returning cash to investors rather than raising new financing in the market.

1. **True**
2. False

Correct

1 / 1 points

14. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Income Statement:**

|  |  |
| --- | --- |
| Sales | 1300 |
| Costs | 1200 |
| Operating Income | 100 |
| Interest | 40 |
| Taxable income | 60 |
| Taxes | 18 |
| Net income | 42 |

Which option is correct?

1. **Value/OPAT = 56.7; Market/Book = 3.1**
2. Value/OPAT = 110.7; Market/Book = 3.1
3. Value/OPAT = 83.3; Market/Book = 4.04
4. Value/OPAT = 83.3; Market/Book = 13.3

Correct

1 / 1 points

15. Consider the following data and answer the question below.

**Balance sheet in book values:**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | 1500 | Total debt | 900 |
|  |  | Liabilities | 1150 |
|  |  | Equity | 350 |
|  |  |  |  |
| Stock price | 35 |  |  |
| Shares outstanding | 100 |  |  |

**Income Statement:**

|  |  |
| --- | --- |
| Sales | 1300 |
| Costs | 1200 |
| Operating Income | 100 |
| Interest | 40 |
| Taxable income | 60 |
| Taxes | 18 |
| Net income | 42 |

Is the following statement true or false?

The market expects this company's cash flows to grow significantly in the future.

1. **True**
2. False