# Module 2 Quiz

**11/12** points earned (91%)

Quiz passed!

Correct  
1 / 1 points

1. Consider the following income statement to answer the question below.

|  |  |  |
| --- | --- | --- |
|  | 2015 | 2016 |
| Revenue | 60000 | 66000 |
| COGS | 42000 |  |
| SG&A | 13000 |  |
| EBIT | 5000 |  |
| Interest expense | 1300 |  |
| Income before tax | 3700 |  |
| Income taxes | 1110 |  |
| Earnings | 2590 |  |

Forecast EBIT in 2016 using the percentage of sales method and choose the correct answer.

1. EBIT = 4,800
2. EBIT = 6,000
3. EBIT = 5,250
4. **EBIT = 5,500**

Correct  
1 / 1 points

2. Consider the following income statement to answer the question below.

|  |  |  |
| --- | --- | --- |
|  | 2015 | 2016 |
| Revenue | 60000 | 66000 |
| COGS | 42000 |  |
| SG&A | 13000 |  |
| EBIT | 5000 |  |
| Interest expense | 1300 |  |
| Income before tax | 3700 |  |
| Income taxes | 1110 |  |
| Earnings | 2590 |  |

Suppose that interest expenses in 2016 will be 5% of total debt in 2015, and total debt in 2015 is equal to 30,000. The income tax is the same as in 2015. Forecast earnings in 2016 and choose the correct answer.

1. Earnings = 3,060
2. **Earnings = 2,800**
3. Earnings = 2,900
4. Earnings = 3,000

Correct  
1 / 1 points

3. For the following question you will need the cash flow statement below.

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2016** |
| Earnings | 2590 |  |
| Depreciation | 1200 | 1260 |
| Increase in working capital | -200 | -670 |
| Cash flow from operations | 3590 |  |
|  |  |  |
| Cash flow from investments | -2500 |  |
|  |  |  |
| Cash flow from financing | 230 |  |
|  |  |  |
| Net change in cash | 1320 |  |

Cash flow from operations in 2016 is \_\_\_\_\_\_\_.

1. 3,950
2. 4,255
3. **3,390**
4. 4,003

Correct  
1 / 1 points

4. For the following question you will need the cash flow statement below.

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2016** |
| Earnings | 2590 |  |
| Depreciation | 1200 | 1260 |
| Increase in working capital | -200 | -670 |
| Cash flow from operations | 3590 |  |
|  |  |  |
| Cash flow from investments | -2500 |  |
|  |  |  |
| Cash flow from financing | 230 |  |
|  |  |  |
| Net change in cash | 1320 |  |

Suppose the company is planning a capital expenditure of -6,000 in 2016. Assume also that this company does not pay dividends. Can the company finance this capital expenditure without issuing new external finance?

1. **Yes, but only if existing cash in the beginning of 2015 is greater than 1,290.**
2. No, because the company does not have sufficient cash to finance the capital expenditure.
3. No, because the capital expenditure is larger than the operating cash flow in 2016.
4. Yes, because cash balances are sufficient to cover the difference between the capital expenditure and cash flow in 2016.

Correct  
1 / 1 points

5. Consider the following income statement and balance sheet to answer the question below.

|  |  |  |  |
| --- | --- | --- | --- |
| Revenue | 270000 |  |  |
| COGS | 230000 |  |  |
| SG&A | 20000 |  |  |
| EBIT | 20000 |  |  |
|  |  |  |  |
| Cash | 4000 | Short term debt | 15000 |
| Inventory | 20000 | Accounts payable | 19000 |
| Receivables | 25000 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_ |
| Current Assets | 49000 | Current Liabilities | 34000 |

The company's collection period is \_\_\_\_\_\_\_.

1. 26 days
2. **34 days**
3. 29 days
4. 36 days

Correct  
1 / 1 points

6. Consider the following income statement and balance sheet to answer the question below.

|  |  |  |  |
| --- | --- | --- | --- |
| Revenue | 270000 |  |  |
| COGS | 230000 |  |  |
| SG&A | 20000 |  |  |
| EBIT | 20000 |  |  |
|  |  |  |  |
| Cash | 4000 | Short term debt | 15000 |
| Inventory | 20000 | Accounts payable | 19000 |
| Receivables | 25000 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_ |
| Current Assets | 49000 | Current Liabilities | 34000 |

Days in inventory are \_\_\_\_\_\_\_\_.

1. 27 days
2. 32 days
3. **29 days**
4. 24 days

Correct  
1 / 1 points

7. Consider the following income statement and balance sheet to answer the question below.

|  |  |  |  |
| --- | --- | --- | --- |
| Revenue | 270000 |  |  |
| COGS | 230000 |  |  |
| SG&A | 20000 |  |  |
| EBIT | 20000 |  |  |
|  |  |  |  |
| Cash | 4000 | Short term debt | 15000 |
| Inventory | 20000 | Accounts payable | 19000 |
| Receivables | 25000 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_ |
| Current Assets | 49000 | Current Liabilities | 34000 |

The company's cash conversion cycle is \_\_\_\_\_\_\_\_.

1. **35 days**
2. 38 days
3. 24 days
4. 21 days

Correct  
1 / 1 points

8. Consider a company with sales that are initially equal to 650 million, and grow at a rate of 8% per quarter. The company’s profit margin is 7%. Inventory must be in place a quarter before the goods are sold. All goods are paid in cash.

The company's cash flow in the first quarter is \_\_\_\_\_\_\_.

1. -3.2
2. 8.2
3. **-0.7**
4. 11.4

Correct  
1 / 1 points

9. Consider a company with sales that are initially equal to 650 million and grow at a rate of 8% per quarter. The company’s profit margin is 7%. Inventory must be in place a quarter before the goods are sold. All goods are paid in cash.

The company's cash flow in the year is \_\_\_\_\_\_\_.

1. -2
2. 51.3
3. -0.7
4. **-3.2**

Correct  
1 / 1 points

10. Consider a company with sales that are initially equal to 650 million and grow at a rate of 8% per quarter. The company’s profit margin is 7%. Inventory must be in place a quarter before the goods are sold. All goods are paid in cash.

True or false?

If the growth rate of sales goes up with no change in costs, the company will generate higher cash flow during the year.

1. True
2. **False**

1  
point

11. Consider the following example of the effect of seasonality in sales on cash flows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| Receivables at start of period | 45 |  |  |  |
| Forecast sales | 90 | 85 | 130 | 155 |
| Collections: |  |  |  |  |
| -Sales in current period (70%) | 63 |  |  |  |
| -Sales from last period (30%) | 45 |  |  |  |
| --Total collections | 108 |  |  |  |
| Receivables at end of period | 27 |  |  |  |
|  |  |  |  |  |
| Percentage sales collected this period | 70% |  |  |  |

Total collections in the second quarter are \_\_\_\_\_\_\_\_.

1. 87
2. 85
3. **27**
4. **94**

Correct  
1 / 1 points

12. Consider the following example of the effect of seasonality in sales on cash flows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **First Quarter** | **Second Quarter** | **Third Quarter** | **Fourth Quarter** |
| Receivables at start of period | 45 |  |  |  |
| Forecast sales | 90 | 85 | 130 | 155 |
| Collections: |  |  |  |  |
| -Sales in current period (70%) | 63 |  |  |  |
| -Sales from last period (30%) | 45 |  |  |  |
| --Total collections | 108 |  |  |  |
| Receivables at end of period | 27 |  |  |  |
|  |  |  |  |  |
| Percentage sales collected this period | 70% |  |  |  |

Suppose the company’s total uses of cash are equal to 150 in the first quarter, 90 in the second quarter, and 95 in the third quarter. The company starts the year with no cash reserves. Which option best describes the firm’s short term financial situation?

1. The company is not generating positive cash flow.
2. **This company will need to borrow money in the first two quarters to cover the difference between sources and uses of cash.**
3. This company will need to borrow money in the third quarter to cover the difference between sources and uses of cash.
4. This company will not need short term financing during the year.