Knowledge Check #2

Working with Financial Statement

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Part 1: Sources and Uses of Cash

1. Which of the following is classified as a **Source** of cash?
   - A) An increase in Accounts Receivable
   - B) A decrease in Accounts Payable
   - C) An increase in Common Stock
   - D) The purchase of new manufacturing equipment
2. According to the mechanics of cash flow, a decrease in an asset account is a _____ and an increase in a liability account is a _____.
   - A) Use; Source
   - B) Source; Use
   - C) Use; Use
   - D) Source; Source
3. A firm's "engine" for sustainable growth is generally considered to be:
   - A) Positive Financing Cash Flow (CFF)
   - B) Positive Operating Cash Flow (CFO)
   - C) Negative Investing Cash Flow (CFI)
   - D) High Net Income regardless of cash movement
4. If a company decreases its Notes Payable by Rp35.000.000, how is this recorded?
   - A) A source of cash in Financing Activities
   - B) A use of cash in Operating Activities
   - C) A use of cash in Financing Activities
   - D) An increase in Investing Activities
5. A firm reports Net Income of Rp435M and Depreciation of Rp276M. If Inventory increased by Rp29M and Accounts Payable increased by Rp32M, what is the Net Cash from Operating Activity?
   - A) Rp714M
   - B) Rp711M
   - C) Rp691M
   - D) Rp717M

6. A company reports Net Income of Rp500M and Depreciation of Rp100M. During the year, Accounts Receivable increased by Rp50M, Inventory decreased by Rp30M, and Accounts Payable decreased by Rp40M. Calculate the CFO.

   A) Rp540M
   B) Rp620M
   C) Rp460M
   D) Rp500M

Part 2: Common-Size and Trend Analysis

7. In a common-size statement, an item like Interest Expense is expressed as a percentage of:

   A) Total Assets
   B) Net Income
   C) Total Sales
   D) Total Equity

8. What is the primary purpose of a **Common-Base Year Analysis**?

   A) To compare a small firm to a large firm.
   B) To investigate operational trends relative to a specific point in time.
   C) To calculate current liquidity.
   D) To standardize profit margins against sales.

9. In Year 1 (Base Year), Inventory was Rp100M (10% of Assets). In Year 2, Inventory is Rp150M and Total Assets are Rp2.000M. Which statement is true?

   A) The common-size inventory percentage increased.
   B) The common-base year amount for inventory is 1,5.
   C) The firm is more liquid relative to its size.
   D) Inventory grew faster than the total asset base.

Part 3: Liquidity and Solvency Ratios

10. Which ratio measures the firm's ability to pay liabilities over the short run without undue stress?

    A) Debt-to-Equity
    B) Liquidity Ratios
    C) Asset Turnover
    D) Return on Assets (ROA)

11. Current Assets = Rp500M, Inventory = Rp150M, and Current Liabilities = Rp200M. What is the **Quick Ratio**?

    A) 2,50
    B) 1,75
    C) 1,25
    D) 0,75

12. The "Interval Measure" is calculated as:

A) Current Assets / Average Daily Operating Costs
B) Cash / Current Liabilities
C) Current Assets / Current Liabilities
D) Sales / Net Working Capital

13. If Total Assets are Rp1.000.000 and Total Equity is Rp400.000, what is the **Equity Multiplier**?

    A) 0.40
    B) 1.50
    C) 2.50
    D) 2.00

14. A firm has a Debt-to-Equity ratio of 1,0. To double the ROE without changing PM or Asset Turnover, what must the new Debt-to-Equity ratio be?

    A) 2,0
    B) 3,0
    C) 4,0
    D) 1,5

Part 4: Asset Management and Efficiency

15. Sales = Rp1.200M, COGS = Rp800M, and Inventory = Rp200M. What is the **Days' Sales in Inventory** (365 days)?

    A) 60,8 days
    B) 91,25 days
    C) 45,6 days
    D) 182,5 days

16. If a firm has an Inventory Turnover of 8 and a Receivables Turnover of 10, what is the **Operating Cycle**?

    A) 45,6 days
    B) 36,5 days
    C) 82,1 days
    D) 18,0 days

17. Company X has an Operating Cycle of 120 days. Its COGS is Rp730M and its Accounts Payable balance is Rp60M. What is the **Cash Conversion Cycle (CCC)**?

    A) 150 days
    B) 90 days
    C) 60 days
    D) 30 days

18. Sales = Rp5.000M, Current Assets = Rp1.200M, and Current Liabilities = Rp800M. What is the **NWC Turnover**?

    A) 4,17
    B) 12,5
    C) 6,25
    D) 1,25

Part 5: Market Ratios and Value

19. A PEG ratio higher than 2.0 is often interpreted as:
    - A) Undervalued
    - B) Fairly valued
    - C) Expensive
    - D) Efficient
20. Which market ratio compares market value to the replacement cost of assets?
    - A) P/E Ratio
    - B) PEG Ratio
    - C) Tobin's Q
    - D) Market-to-book
21. If Tobin's Q is less than 1 ($Q < 1$), it suggests:
    - A) High intangible value
    - B) Asset inefficiency or undervaluation
    - C) High growth expectations
    - D) Fair value
22. Stock Price = Rp5.000, EPS = Rp250, and growth rate = 10%. What is the **PEG Ratio**?
    - A) 1,0
    - B) 2,0
    - C) 0,5
    - D) 2,5
23. If a company's PBV is 4,0 and its ROE is 20%, what is the firm's **P/E Ratio**?
    - A) 5,0
    - B) 20,0
    - C) 80,0
    - D) 0,05

Part 6: DuPont Identity and Limitations

24. The DuPont Identity decomposes ROE into which three components?
    - A) PM, Asset Turnover, and Equity Multiplier
    - B) NI, Sales, and Assets
    - C) Liquidity, Solvency, and Profitability
    - D) Operating, Investing, and Financing flows
25. PM = 10%, Asset Turnover = 1,5, and Equity Multiplier = 2.0. What is the **ROE**?
    - A) 15%
    - B) 20%
    - C) 30%
    - D) 3.5%

26. ROE = 24%, Asset Turnover = 1,6, and PM = 5%. If Total Assets = Rp2.500.000, what is the firm's **Total Debt**?

   A) Rp833.333
   B) Rp1.666.667
   C) Rp937.500
   D) Rp1.562.500

27. Why is "Historical Cost" considered a limitation of financial statements?

   A) It excludes current market values of long-held assets.
   B) It allows LIFO vs FIFO distortion.
   C) It includes brand loyalty.
   D) It ignores interest.

28. "Window Dressing" refers to:

   A) Adjusting for inflation.
   B) Making ratios look better temporarily at year-end.
   C) Finding flaws in DuPont analysis.
   D) Enhancing human capital.

29. High ROE should be scrutinized because it might be driven by:

   A) High Profit Margins
   B) Excessive efficiency
   C) Dangerous levels of debt
   D) Low asset turnover

30. A firm has a Profit Margin of 8% and a Total Asset Turnover of 2,0. If the firm has no debt, what is its ROE?

   A) 8%
   B) 16%
   C) 32%
   D) 4%