

Week 2 quiz

LATEST SUBMISSION GRADE

100%

1. Imagine you work as a financial accountant in an organisation. Identify an appropriate profitability measure from the following which demonstrates the performance of the assets of your organisation.

1 / 1 point

- ☒ Earnings Before Interests, Taxes, Depreciation and Amortisation (EBITDA)
- ☐ Earnings Before Depreciation and Amortisation (EBDA)
- ☐ Earnings Before Interests and Taxes (EBIT)
- ☐ Net Profit After Tax (NPAT)

**Correct**

The calculation of EBITDA takes all non-cash expenses such as depreciation and amortisation and others i.e., interest and taxes, into consideration.

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2. Which of the following measures is used to calculate the amount of 'free cash flows available to shareholders'?

1 / 1 point

- ☒ Equity Free Cash Flows (EFCF)
- ☐ Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)
- ☐ Operating Free Cash Flows (OFCF)
- ☐ Earnings Before Interest and Taxes (EBIT)

**Correct**

EFCF reflects free cash flows available to shareholders as it adjusts interest, taxes, depreciation, net debt repayments and amortisation.

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3. Which of the following is NOT a component of firm's profitability?

1 / 1 point

- ☐ Asset turnover

- ☐ Profit margin
- ☐ Leverage
- ☒ Current asset ratio

**Correct**

Current asset ratio is not a ratio of measuring firm's profitability rather it indicates the performance of firm's current asset against current liabilities

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4. Which of the following is NOT a measure of efficiency?

1 / 1 point

- ☐ Profit margin
- ☒ Leverage
- ☐ Return on assets
- ☐ Asset turnover

**Correct**

Leverage is not a component of efficiency

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5. Which of the following shows how EBITDA is calculated?

1 / 1 point

- ☒ Adding depreciation and amortisation tax, tax, and interest to NPAT
- ☐ Adding tax and interest to NPAT
- ☐ Adding tax to NPAT
- ☐ Adding Depreciation and Amortization to NPAT

**Correct**

EBITDA is calculated by adding back depreciation and amortisation, interest, and taxes with NPAT

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6. Why should we focus on EBITDA instead of NPAT in measuring firm's financial performance?

1 / 1 point

- ☐ EBITDA provides insights into non cash expenses like depreciation and amortisation
- ☐ EBITDA provides insights into tax expense
- ☐ EBITDA provides insights into interest expenses
- ☒ All of the above

✓ **Correct**

Correct. EBITDA provides insights into non cash expenses like depreciation and amortization, interest, taxes, etc.

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7. Why are accounting ratios important?

1 / 1 point

- ☐ To know how an organisation is doing overall
- ☐ To know whether an organisation is on track to achieve its strategic objectives or not.
- ☒ To know how an organisation is doing overall and to track organisations to achieve its strategic objectives or not.
- ☐ None of the above

✓ **Correct**

Correct.

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8. How can we assess achievement of strategic organisational ambitions?

1 / 1 point

- ☐ By knowing the status of organisational operational objectives
- ☐ By linking operational objectives and outcomes with the tactical solutions.
- ☒ By linking operational objectives and outcomes with the tactical solutions and the overall strategic direction of the organisation
- ☐ All of the above.

✓ **Correct**

Correct. linking all, operational objectives and outcomes with the tactical solutions and the overall strategic direction of the organisation it with tactical solutions and the overall strategic direction, we can conclude on whether

organisational strategic ambitions are achieved or not.

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9. How is Equity Free Cash Flows calculated?

1 / 1 point

- ☐ By deducting net debt re-payments from operating free cash flows
- ☒ By deducting net debt re-payments and after-tax interest payments from operating free cash flows
- ☐ By deducting net debt re-payments and before-tax interest payments from operating free cash flows
- ☐ None of the above



Correct

Correct.

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10. EBITDA stands for:

1 / 1 point

- ☐ Earnings Before Interest, Taxation, Depreciation and Allowance for bad debts
- ☐ Earnings Before Interest, Taxation, Debt and Amortisation
- ☒ Earnings Before Interest, Taxation, Depreciation and Amortisation
- ☐ None of the above



Correct

Correct.

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