

QUIZ # 02

SPRING SEMESTER 2009

FIN 621 - Financial Statement Analysis

Marks:20

Student ID/Login ID: _____

Student Name: _____

Please read the following instructions carefully before attempting Quiz

- This Quiz covers lesson no. 11- 19
- **Last date for submission of quiz no 2 is as per announcement**
- All instruction will be considered during checking quiz. So, consider all these.
- To attempt a quiz, students should be asked to submit their solution files (word documents) in the following shape / form.

Q no.	Selected option
1	B
2	A
3	D

- Quiz file must be in Word Format, all other formats would be marked zero.
- Give the answer according to question
- Use only the black font color
- Don't rely only on handouts, use recommended books as well
- Avoid choosing more than one option.
- Make sure that you upload the solution before due date. No solution will be accepted through E-mail after the due date.
- Cheating or copying of solution is strictly prohibited; No credit will be given to copied assignment.
- Once you upload the quiz on LMS, it will not be replaced under any condition.

1. Which of the following would **NOT** be the characteristics of current assets?
 - A. Likely to change before the next accounting period is over
 - B. Not bought for resale
 - C. Use as part of the firm's trading operations
 - D. Liquidity

2. ABC Company has Rs. 150,000 cash, Rs. 80,000 as accounts receivables, Rs. 20,000 as allowance for doubtful accounts, Rs. 10,000 as work in progress inventory, Rs. 55,000 as prepaid expenses, Rs. 50,000 land purchased in the current year. Calculate the value of current assets.
 - A. Rs. 275,000
 - B. Rs. 315,000
 - C. Rs. 365,000
 - D. Rs. 220,000

3. Which of the following would be considered a cash-flow item from a "financing" activity?
 - A. A cash outflow to the government for taxes
 - B. A cash outflow to repurchase the firm's own common stock
 - C. A cash outflow to lenders as interest
 - D. A cash outflow to purchase bonds issued by another company

4. Which of the following is **NOT** an example of cash equivalents?
 - A. Certificates of Deposit
 - B. Money market accounts
 - C. Money market mutual funds
 - D. Euro Bond

5. Which of the following would **NOT** be considered a cash flow from "operating" activities?
 - A. Payments for the sale of loans
 - B. Interest received on loans
 - C. Tax payments
 - D. Payment of debt principle

6. Depreciation is added back to profit when arriving at the cash flow from operating activities because:
 - A. Depreciation is only an estimated amount
 - B. Depreciation does not affect profit
 - C. Depreciation does not result in a flow of cash
 - D. Depreciation only affects the balance sheet, not the profit and loss account

7. If net profit before taxation and interest was Rs. 95,000, depreciation for the year was Rs. 17,000, stock has decreased during the year by Rs. 7,000, debtors have increased by Rs. 11,000 and creditors have decreased by Rs. 4,000, what is the overall cash flow from operating activities?

- A. Rs. 104,000
- B. Rs. 112,000
- C. Rs. 98,000
- D. Rs. 134,000

8. In the long run, a business must generate positive net cash flow from which of the following activities, if it is to survive?

- A. Investing activities
- B. Financing activities
- C. Operating activities
- D. Non cash activities

9. The income statement of the UBL shows the interest revenue of Rs. 6,000, and the amount of accrued interest receivable has increased from Rs. 3000 to Rs. 4000 during the year. Calculate the amount of interest received.

- A. Rs. 7000
- B. Rs. 8000
- C. Rs. 5000
- D. Rs. 1000

10. The statement of cash flow does **NOT** assist investors, creditors and others in assessing such factors as:

- A. The company's ability to generate positive cash flows in future periods
- B. The company's ability to meet its obligations and to pay dividends
- C. The company's ability to forecast future losses
- D. The company's needs for external financing

11. Which of the following should **NOT** be called "Sales"?

- A. Goods sold for cash
- B. Office fixtures sold
- C. Goods sold on credit
- D. Sale of item previously included in 'Purchases'

12. An incorrect inventory balance would **NOT** cause an error in the calculation of _____.

- A. Cost of goods sold
- B. Net income
- C. Gross profit
- D. Dividends

13. Which of the following is **NOT** true about the specific identification method?

- A. It requires a very detailed physical count
- B. This method allows management to easily manipulate ending inventory cost
- C. This method is very hard to use on interchangeable goods
- D. This results in an overstated inventory account during the period of inflation

14. Under the periodic inventory system, which of the following is a correct closing entry?

- A. Debit - Income Summary; Credit - Sales
- B. Credit - Income Summary; Debit - Purchase Returns & Allowances
- C. Debit - Income Summary; Credit Merchandise Inventory
- D. Debit Purchases; Credit - Income Summary

15. In a periodic inventory system, when merchandise is purchased its cost is debited to _____ account.

- A. Inventory
- B. Inventory expense
- C. Purchases
- D. Cost of goods sold

16. Which of the following is **NOT** a financial asset?

- A. Marketable securities
- B. Receivables
- C. Inventory
- D. Short-term investments

17. Notes to financial statements are beneficial in meeting the disclosure requirements of financial reporting. The note should **NOT** be used to:

- A. Describe significant accounting policies
- B. Describe depreciation methods employed by the company
- C. Describe principles and methods peculiar to the industry
- D. Correct an improper presentation in the financial statements

18. A company purchased the land in exchange for the capital stock; it would affect which of the following?

- A. Cash flow from operating activities
- B. Cash flow from investing activities
- C. Cash flow from financing activities
- D. It would not affect any section

19. Which of the following would **NOT** represent the cash outflows for the business?

- A. Purchase of building for cash
- B. The sale of land for cash
- C. Retirement of long term debt
- D. The payment of cash for dividends

20. The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. The income statement reported Sales Revenue of Rs. 200,000. Using this information, compute cash collected from customers.

- A. Rs. 215,000
- B. Rs. 205,000
- C. Rs. 195,000
- D. Rs. 200,000