1. The goal of the firm is to _________.
   a. maximize profit
   b. minimize risk
   c. promote social good
   d. maximize shareholder wealth

2. Which of the following would affect the Times Interest Earned Ratio?
   a. issuing new long-term debt
   b. increasing notes payable
   c. buying shares of the company with the proceedings of more long-term debt.
   d. a and b would affect the Times Interest Earned Ratio
   e. all of the above

3. What information does the net profit margin provide?
   a. how liquid the business is
   b. how much of the assets were purchased with equity
   c. if the company is profitable
   d. if the business is solvent
   e. it’s a bankruptcy safety net

4. Which of the following is a USE of cash?
   a. purchase of investment assets
   b. sale of investment assets
   c. increasing a bank loan
   d. paying off a bank loan
   e. a & d are correct

5. What information does the DuPont Equation reveal?
   a. the return on equity
   b. what the components of return on equity contribute
   c. whether the stockholders will buy or sell the shares
   d. a & b
   e. all of the above

Use the following to prepare a multi-step income statement for Panther, Inc. and answer 6-10.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>25,000</td>
</tr>
<tr>
<td>Beginning inventory</td>
<td>80,000</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>15,000</td>
</tr>
<tr>
<td>Management salaries</td>
<td>20,000</td>
</tr>
<tr>
<td>Advertising expenditures</td>
<td>12,000</td>
</tr>
<tr>
<td>Ending inventory</td>
<td>72,000</td>
</tr>
<tr>
<td>Gross sales</td>
<td>500,000</td>
</tr>
<tr>
<td>Taxes</td>
<td>50,000</td>
</tr>
<tr>
<td>Returns and allowances</td>
<td>10,000</td>
</tr>
<tr>
<td>Lease payments</td>
<td>40,000</td>
</tr>
<tr>
<td>Materials purchases</td>
<td>230,000</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>8,000</td>
</tr>
<tr>
<td>Repairs and maintenance costs</td>
<td>7,000</td>
</tr>
<tr>
<td>Accumulated depreciation(prior year)</td>
<td>212,820</td>
</tr>
</tbody>
</table>

6. Panther’s COGS is $__________.
   a. 238,000
   b. 235,000
   c. 340,000
   d. 451,000

7. Panther’s gross profit is $__________.
   a. 112,000
   b. 252,000
   c. 143,000
   d. 95,200

8. Panther’s operating profit is $__________.
   a. 160,000
   b. 225,000
   c. 150,000
   d. 110,000

9. Panther’s net profit margin is ______%.
   a. 11.35
   b. 22.35
   c. 14.31
10. Panther’s accumulated depreciation for this year is $_______.
   a. 125,205
   b. 302,500
   c. 238,230
   d. 227,820

Use the following to prepare a balance sheet for the Steeler Company and answer 11-15.

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross fixed assets</td>
<td>300,000</td>
</tr>
<tr>
<td>Inventories</td>
<td>150,000</td>
</tr>
<tr>
<td>Long-term debt (excluding current portion)</td>
<td>150,000</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>12,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>80,000</td>
</tr>
<tr>
<td>Notes payable</td>
<td>40,000</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>8,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>100,000</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>5,000</td>
</tr>
<tr>
<td>Net accounts receivable</td>
<td>105,000</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>72,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>50,000</td>
</tr>
<tr>
<td>Common stock ($0.20) par</td>
<td>60,000</td>
</tr>
<tr>
<td>Cash</td>
<td>???</td>
</tr>
<tr>
<td>Net Income</td>
<td>30,000</td>
</tr>
<tr>
<td>RE (prior year)</td>
<td>90,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>10,000</td>
</tr>
<tr>
<td>Net fixed assets (prior year)</td>
<td>185,000</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>200,000</td>
</tr>
</tbody>
</table>

11. Steeler’s cash balance is $_______.
   a. 12,000
b. 22,000
c. 32,000
d. 42,000
12. Steeler’s net fixed assets are $______.
   a. 220,000
   b. 230,000
   c. 240,000
   d. 250,000
13. Steeler’s dividend per share is $______.
   a. 0.40
   b. 0.30
   c. 0.20
   d. 0.10
14. Steeler spent $______ on fixed assets in the current year.
   a. 15,000
   b. 25,000
   c. 35,000
   d. 45,000
15. Steeler’s total liabilities are $__________.
   a. 257,000
   b. 267,000
   c. 277,000
   d. 278,000

Use the following for 16-24.

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>30,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>50,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>70,000</td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>150,000</strong></td>
<td><strong>175,000</strong></td>
</tr>
<tr>
<td>Net plant and equipment</td>
<td>345,000</td>
<td>365,000</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>495,000</strong></td>
<td><strong>540,000</strong></td>
</tr>
<tr>
<td>Notes payable</td>
<td>25,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Accounts payable to suppliers</td>
<td>49,000</td>
<td>54,000</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>---------------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Accruals</td>
<td>16,000</td>
<td>11,000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>90,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>230,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Common stock ($2.00 par value)</td>
<td>25,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>90,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>60,000</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td><strong>495,000</strong></td>
<td><strong>540,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Income Statement</strong></th>
<th><strong>2008</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>650,000</td>
</tr>
<tr>
<td>COGS</td>
<td>410,000</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td><strong>240,000</strong></td>
</tr>
<tr>
<td>General and administrative</td>
<td>70,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>110,000</strong></td>
</tr>
<tr>
<td>Interest expense</td>
<td>38,000</td>
</tr>
<tr>
<td><strong>EBT</strong></td>
<td><strong>72,000</strong></td>
</tr>
<tr>
<td>Taxes</td>
<td>24,000</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>48,000</strong></td>
</tr>
</tbody>
</table>

16. Cash flow from operations is $_____.  
   a. 111,000  
   b. 112,000  
   c. 113,000  
   d. 114,000  

17. Cash flow from financing is $_____.  
   a. -3,000
18. Cash flow from investing is $______.
   a. -80,000
   b. 80,000
   c. -90,000
   d. 90,000

19. Total change in cash flow is $______.
   a. 30,000
   b. 20,000
   c. 40,000
   d. 45,000

Using the same information following the company plans to grow 20%. Construct a pro forma balance sheet for 2009 to answer 20-24

   20. Assuming a dividend of 70% of 2009 net income, retained earnings are $_____.
       a. 87,520
       b. 97,280
       c. 34,250
       d. 49,500

   21. Total outside funds needed will be $______.
       a. 95,720
       b. 85,720
       c. 75,720
       d. 77,720

   22. Assume the current ratio will be 1.75 notes payable will be $______.
       a. 42,000
       b. 44,000
       c. 46,000
       d. 48,000

   23. Assume a debt ratio of 0.60 long-term debt will be $______.
       a. 248,800
       b. 268,800
       c. 288,800
       d. 298,800

   24. Assume a share price of $36.92 capital surplus will be $______.
       a. 67,280
       b. 77,280
       c. 87,280
       d. 97,280
25. A firm has a net profit margin of 8 percent on sales of $450,000,000. If the firm has 
debt of $80,000,000, total assets of $215,000,000, and an after tax interest cost on 
total debt of 9 percent, what is the firm's ROA?
   a. $7,200,000
   b. 13.4%
   c. 16.7%
   d. 37.2%
   e. not enough information to determine

26. Other things held constant, which of the following would NOT affect a firm’s 
Return on Equity?
   a. accounts receivable are collected and deposited in the firm's checking 
account
   b. fixed assets are sold for cash at a price greater than their book value
   c. long-term debt is issued to purchase common shares
   d. common stock is sold and long term debt paid off
   e. all of the above would effect the ROE

27. How can an investor determine how many shares a company has outstanding?
   a. divide the total sales by the net income the results is shares outstanding
   b. subtract the additions to retained earnings for that year from net income
   c. divide common stock account on the balance sheet by the par value per 
share
   d. multiply the par value by the dividends per share
   e. add current and long term liabilities

28. Taco Swill, Inc. has sales of $375,000, cost of $195,000, depreciation expense of 
$25,000, interest expense of $16,000, and a tax rate of 35%. What is the net income 
for this firm?
   a. $139,000
   b. $100,750
   c. $397,150
   d. $ 48,650
   e. $ 90,350

29. Which of the following is correct?
   a. ending inventory + materials purchased – ending inventory
   b. assets + liabilities = equity
   c. net accounts receivable – allowance for doubtful accounts = gross accounts 
receivables
   d. gross sales – returns and allowances = cost of goods sold
   e. gross fixed assets – depreciation = net fixed assets