

1.

Award: 2.00 points

Statement of financial position is best described as a financial statement summarizing a firm's performance over a period of time. Formerly called the income statement.

☐ True→ ☒ False**References****True / False**

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

2.

Award: 2.00 points

If an asset has a carrying value of \$1,000 and its recoverable amount is \$750, then a \$250 impairment loss has been incurred.

→ ☒ True☐ False**References****True / False**

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

3.

Award: 2.00 points

If an asset has a carrying value of \$2,000 and its recoverable amount is \$2,500, then \$500 impairment loss has been incurred.

- ☐ True
- ☐ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

4.

Award: 2.00 points

Impairment loss is the amount by which the carrying value of an asset or cash-generating unit exceeds its recoverable amount.

- ☐ True
- ☐ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

5.

Award: 2.00 points

According to generally accepted accounting principles (GAAP), assets are generally shown on financial statements at the higher of current market value or historical cost.

- ☐ True
- ☐ False

References

True / False

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

6.

Award: 2.00 points

A fundamental difference between Canadian GAAP and IFRS is that fair value accounting plays a more important role under IFRS.

- ☐ True
- ☐ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

7.

Award: 2.00 points

The financial statement summarizing the value of a firm's equity on a particular date is the statement of comprehensive income.

- ☐ True
- ☒ False

References

True / False

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

8.

Award: 2.00 points

Patents on new anti-cholesterol drug are considered intangible fixed assets.

- ☒ True
- ☐ False

References

True / False

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

9.

Award: 2.00 points

The difference between a firm's current assets and its current liabilities is called net working capital.

→ ☒ True

☐ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

10.

Award: 2.00 points

Statement of comprehensive income is also referred to as the balance sheet, is a snapshot of the firm. It is a convenient means of organizing and summarizing what a firm owns (its assets), what a firm owes (its liabilities), and the difference between the two (the firm's equity) at a given time.

☐ True

→ ☒ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

11.

Award: 2.00 points

Net income divided by the total number of outstanding shares is referred to as the profit margin.

- ☐ True
- ☐ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

12.

Award: 2.00 points

Non-cash items refer to expenses charged against revenues that do not directly affect cash flow.

- ☐ True
- ☐ False

References

True / False

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

13.

Award: 2.00 points

If a firm's cash flow to stockholders is negative, then total dividends must have exceeded the value of net new equity sold by the firm during the year.

☐ True

→ ☒ False

References

True / False

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

14.

Award: 2.00 points

A firm's marginal tax rate may differ from its average tax rate. However, it is the average tax rate that is relevant for financial decision-making purposes.

☐ True

→ ☒ False

References

True / False

Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

15.

Award: 2.00 points

The financial statement summarizing a firm's performance over a period of time is the statement of cash flows

- ☐ True
- ☒ False

References

True / False Learning Objective: 02-02 The difference between accounting income and cash flow.

Difficulty: Easy Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

16.

Award: 2.00 points

Conceptually, capital cost allowance (CCA) is equivalent to depreciation.

- ☒ True
- ☐ False

References

True / False Difficulty: Moderate Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

17.

Award: 2.00 points

Janex Corporation had OCF of \$250, net capital spending of \$500 and change in net working capital of \$150. Given this information, determine its cash flow from assets.

- ☐ \$400
- ☐ \$800
- ☒ \$(400)
- ☐ \$(800)
- ☐ \$150

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

18.

Award: 2.00 points

Shareholders' equity in a firm is \$500. The firm owes a total of \$400 of which 75 percent is payable this year. The firm has net fixed assets of \$600. What is the amount of the net working capital?

- ☐ -\$200
- ☐ -\$100
- ☒ \$0
- ☐ \$100
- ☐ \$200

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

19.

Award: 2.00 points

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the amount of net new borrowing for 2015 (\$ in millions)?

- ☐ -\$225
- ☐ -\$25
- ☐ \$0
- ☐ \$25
- ☒ \$225

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

20.

Award: 2.00 points

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is net capital spending for 2015?

- ☐ -\$250
- ☒ -\$57
- ☐ \$0
- ☐ \$57
- ☐ \$477

References**Multiple Choice** Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

21.

Award: 2.00 points

RDJ Manufacturing had 300 million shares of stock outstanding at the end of 2015. During 2015, the company reported net income of \$600 million, retained earnings of \$900 million, and \$240 million in dividends paid. What is RDJ's earnings per share?

- ☐ \$0.50
- ☐ \$0.67
- ☐ \$0.80
- ☐ \$1.25
- ☒ \$2.00

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

22.

Award: 2.00 points

	2015
Cost of goods sold	\$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What is the operating cash flow for 2015?

- ☐ \$520
- ☐ \$800
- ☐ \$1,015
- ☒ \$1,110
- ☐ \$1,390

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

23.

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Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the amount of the net capital spending for 2015 (\$ in millions)?

- ☐ -\$290
- ☐ \$795
- ☒ \$1,080
- ☐ \$1,660
- ☐ \$2,165

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

24.

Award: 2.00 points

Martha's Enterprises spent \$2,400 to purchase equipment three years ago. This equipment is currently valued at \$1,800 on today's statement of financial position but could actually be sold for \$2,000. Net working capital is \$200 and long-term debt is \$800. What is the book value of shareholders' equity?

- ☐ \$200
- ☐ \$800
- ☒ \$1,200
- ☐ \$1,400
- ☐ The answer cannot be determined from the information provided.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

25.

Award: 2.00 points

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the cash flow from assets for 2015?

- ☐ \$111
- ☒ \$355
- ☐ \$1,307
- ☐ \$2,259
- ☐ \$2,503

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

26.

Award: 2.00 points

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2015 statement of comprehensive income
(\$ in millions)

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(\$ in millions)

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Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the change in the net working capital from 2014 to 2015 (\$ in millions)?

- ☐ \$1,235
- ☐ \$1,035
- ☒ \$1,335
- ☐ \$3,405
- ☐ \$4,740

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

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Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the cash flow from assets for 2015 (\$ in millions)?

- ☒ \$430
- ☐ \$485
- ☐ \$1,340
- ☐ \$2,590
- ☐ \$3,100

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

28.

Award: 2.00 points

Dale Corporation had beginning fixed assets of \$3,500 an ending fixed asset balance of \$4,800 invested and depreciation expense of \$200. Given this information, determine the net investment in fixed assets.

- ☐ \$1,200
- ☐ \$1,300
- ☐ \$1,400
- ☒ \$1,500
- ☐ \$1,600

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

Aussel Motors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
(\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the amount of the net capital spending for 2015 (\$ in millions)?

- ☐ \$240
- ☐ \$620
- ☐ \$1,480
- ☐ \$1,860
- ☒ \$2,340

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

30.

Award: 2.00 points

The Burger Joint paid \$420 in dividends and \$611 in interest expense. The addition to retained earnings is \$397.74 and net new equity is \$750. The tax rate is 34 percent. Sales are \$6,250 and depreciation is \$710. What are the earnings before interest and taxes?

- ☐ \$1,576.67
- ☐ \$1,582.16
- ☐ \$1,660.00
- ☐ \$1,780.82
- ☒ \$1,850.00

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

31.

Award: 2.00 points

RST, Inc.
2015 Statement of comprehensive income

Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the operating cash flow for the year 2015?

- ☐ \$361
- ☐ \$995
- ☐ \$1,725
- ☐ \$1,911
- ☒ \$2,455

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

32.

Award: 2.00 points

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(\$ in millions)

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			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the operating cash flow for 2015 (\$ in millions)?

- ☐ \$1,060
- ☐ \$1,560
- ☒ \$1,830
- ☐ \$1,920
- ☐ \$1,960

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

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What is the cash flow to stockholders for 2015?

- ☐ -\$2,160
☒ -\$1,840
☐ \$1,840
☐ \$2,160
☐ \$2,320

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

34.

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Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

If there are 250 shares of stock outstanding, what is the amount of the earnings per share?

- ☐ \$0.64
- ☐ \$0.80
- ☐ \$1.21
- ☒ \$1.44
- ☐ \$2.19

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

35.

Award: 2.00 points

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

If the firm has 180 million shares of stock outstanding, what is the firm's 2015 earnings per share?

- ☐ \$0.50
- ☐ \$0.61
- ☐ \$1.41
- ☐ \$1.83
- ☒ \$2.02

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

36.

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Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

If there are 100 shares of stock outstanding, what is the amount of the dividends paid per share?

- ☐ \$1.48
- ☒ \$1.60
- ☐ \$1.86
- ☐ \$2.01
- ☐ \$3.61

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

38. Award: 2.00 points

Marla's Homemade Cookies has net income of \$1,280. During the year, the company sold \$50 worth of common stock and paid dividends of \$40. What is the amount of the cash flow to stockholders?

- ☐ -\$90
- ☒ -\$10
- ☐ \$10
- ☐ \$40
- ☐ \$90

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

39. Award: 2.00 points

Pete's Boats has beginning long-term debt of \$180 and ending long-term debt of \$210. The beginning and ending total debt balances are \$340 and \$360, respectively. The interest paid is \$20. What is the amount of the cash flow to creditors?

- ☒ -\$10
- ☐ \$0
- ☐ \$10
- ☐ \$40
- ☐ \$50

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

40.

Award: 2.00 points

Calculate EBIT given the following information: Cash flow from assets = \$24,500; operating cash flow = \$8,500; depreciation = \$1,000; taxes = \$2,500; capital spending = (\$14,000); change in net working capital = (\$2,000).

- ☐ \$8,000
- ☐ \$9,000
- ☒ \$10,000
- ☐ \$11,000
- ☐ \$12,000

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

41.

Award: 2.00 points

A Quebec resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$8,493
- ☐ \$9,493
- ☐ \$10,493
- ☐ \$11,493
- ☒ \$12,493

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

42.

Award: 2.00 points

A New Brunswick resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$12,710
- ☒ \$11,710
- ☐ \$10,710
- ☐ \$9,710
- ☐ \$8,710

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

43.

Award: 2.00 points

Given the following statement of financial position data, calculate net working capital: cash = \$110, accounts receivable = \$410, inventory = \$350, net fixed assets = \$1,000, accounts payable = \$60, short-term debt = \$375, and long-term debt = \$510.

- ☐ -\$590
- ☐ \$0
- ☐ \$100
- ☒ \$435
- ☐ \$535

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

44.

Award: 2.00 points

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's cash flow to creditors for 2015 (\$ in millions)?

- ☒ \$30
- ☐ \$47
- ☐ \$100
- ☐ \$130
- ☐ \$146

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

45.

Award: 2.00 points

Mylex has current assets of \$95, net fixed assets of \$250, long-term debt of \$40, and owners' equity of \$200, what is the value of current liabilities if that is the only other item on the statement of financial position?

- ☐ -\$50
- ☐ \$50
- ☒ \$105
- ☐ \$145
- ☐ \$545

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

46.

Award: 2.00 points

Cantrell Industries spent \$386,000 to purchase equipment three years ago. This equipment is currently valued at \$276,000 on today's statement of financial position but could actually be sold for \$298,000. Net working capital is \$56,000 and long-term debt is \$171,000. What is the book value of shareholders' equity?

- ☐ \$49,000
- ☐ \$71,000
- ☐ \$105,000
- ☒ \$161,000
- ☐ \$183,000

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

47.

Award: 2.00 points

A Prince Edward Island resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$9,843
- ☐ \$10,843
- ☒ \$11,843
- ☐ \$12,843
- ☐ \$13,843

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

48.

Award: 2.00 points

Taxable income		Tax Rate
\$ 0	\$ 50,000	15%
\$ 50,001	\$ 75,000	25%
\$ 75,001	\$ 100,000	34%
\$100,001	\$ 335,000	39%
\$335,001	\$10,000,000	34%

The total tax on an income of \$289,600 is:

- ☐ \$89,544
- ☒ \$96,194
- ☐ \$112,944
- ☐ \$113,900
- ☐ \$128,544

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

49.

Award: 2.00 points

At the start of the year, Gershon, Inc. had total shareholders' equity = \$12,000. If net income during the year was a \$200 loss, dividends paid = \$400, and \$1,000 was raised from the sale of new stock, what is the end of year value for total shareholders' equity?

- ☐ \$10,060
- ☐ \$11,800
- ☒ \$12,400
- ☐ \$12,800
- ☐ \$13,200

References

Multiple Choice

Learning Objective:
02-01 The difference
between accounting
value (or book value)
and market value.

Difficulty: Moderate

Learning Objective:
02-02 The
difference between
accounting income
and cash flow.

50.

Award: 2.00 points

Bassi Corporation had a beginning and ending fixed asset balance of \$400 and \$650 respectively. During the year its net capital spending was \$330. Given this information, determine the company's depreciation expense.

- ☒ \$80
- ☐ \$100
- ☐ \$120
- ☐ \$140
- ☐ \$160

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

51.

Award: 2.00 points

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the change in net working capital for 2015?

- ☐ -\$643
- ☒ -\$122
- ☐ \$122
- ☐ \$643
- ☐ \$765

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

52.

Award: 2.00 points

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the change in the net working capital from 2014 to 2015 (\$ in millions)?

- ☐ -\$40
- ☐ \$75
- ☒ \$125
- ☐ \$2,005
- ☐ \$2,140

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

53.

Award: 2.00 points

Taxable income	<i>Tax rate</i>
\$0 –\$ 50,000	15%
\$50,001 – \$ 75,000	25%
\$75,001 – \$100,000	34%
\$100,001 – \$335,000	39%
\$335,001 – \$10,000,000	34%
\$10,000,001 – \$15,000,000	35%
\$15,000,001 – \$18,333,333	38%
<i>\$18,333,334 and above</i>	<i>35%</i>

If a firm has taxable income = \$74,000, how much will it pay in taxes?

- ☐ \$10,050
- ☐ \$11,750
- ☒ \$13,500
- ☐ \$16,750
- ☐ \$18,500

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

54.

Award: 2.00 points

A Nova Scotia resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ \$12,500
- ☐ \$13,000
- ☐ \$13,500
- ☐ \$14,000
- ☐ \$14,500

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

55.

Award: 2.00 points

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the cash flow to creditors for 2015?

- ☐ -\$170
- ☒ -\$35
- ☐ \$135
- ☐ \$170
- ☐ \$205

References**Multiple Choice** Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

56.

Award: 2.00 points

An Alberta resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$13,105
- ☐ \$13,658
- ☐ \$14,105
- ☒ \$14,658
- ☐ \$15,105

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

57.

Award: 2.00 points

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's net capital spending for 2015 (\$ in millions)?

- ☐ -\$32
- ☐ \$32
- ☐ \$148
- ☒ \$328
- ☐ \$447

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

58.

Award: 2.00 points

The Row Boat Cafe has operating cash flow of \$36,407. Depreciation is \$4,609 and interest paid is \$1,105. A net total of \$3,780 was paid on long-term debt. The firm spent \$18,000 on fixed assets and increased net working capital by \$3,247. What is the amount of the cash flow to stockholders?

- ☒ \$10,275
- ☐ \$12,933
- ☐ \$15,160
- ☐ \$19,998
- ☐ \$20,045

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

59.

Award: 2.00 points

A firm has common stock of \$5,500, paid-in surplus of \$8,200, total liabilities of \$6,600, current assets of \$7,200, and fixed assets of \$16,900. What is the amount of the shareholders' equity?

- ☐ \$10,300
- ☐ \$13,700
- ☐ \$15,600
- ☒ \$17,500
- ☐ \$20,300

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

60.

Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 3.

- ☐ \$15,800
- ☒ \$16,660
- ☐ \$17,400
- ☐ \$18,300
- ☐ \$19,200

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

61.

Award: 2.00 points

An Ontario resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$15,470
- ☐ \$16,470
- ☐ \$17,470
- ☐ \$18,470
- ☒ \$19,470

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

62.

Award: 2.00 points

Blaze Corporation had OCF of \$400, change in net working capital of 300 and cash flow from assets of \$320. Given this information, calculate its net capital spending.

- ☐ \$(170)
- ☒ \$(220)
- ☐ \$170
- ☐ \$220
- ☐ \$150

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

63.

Award: 2.00 points

Master Machines, Inc.

	2014	2015
Sales	\$1,240	\$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is the cash flow to stockholders for 2015?

- ☐ \$124.40
- ☐ \$168.80
- ☐ \$171.10
- ☐ \$173.60
- ☒ \$175.90

References**Multiple Choice**

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

OPQ, Inc.
2015 statement of comprehensive income

Net sales	\$8,953
Cost of goods sold	\$5,865
Depreciation	\$?
EBIT	\$?
Interest paid	\$675
Earnings before taxes	\$?
Taxes	\$400
Net income	\$705
Dividends paid	\$?
Addition to retained earnings	\$450

OPQ, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 725	\$ 1,135	Accounts payable	\$ 859	\$1,031
Accounts rec.	\$ 2,330	\$?	Notes payable	\$?	\$4,020
Inventory	\$ 3,240	\$ 5,202	Current liabilities	\$?	\$?
Current assets	\$?	\$?	Long-term debt	\$9,250	\$9,750
Net fixed assets	\$?	\$ 9,211	Common stock	\$ 250	\$?
			Retained earnings	\$?	\$2,797
Total assets	\$16,083	\$17,848	Total liab. & equity	\$?	\$?

The cash flow to creditors for 2015 is _____ while the cash flow to stockholders for 2015 is _____.

- ☐ -\$640; \$705
☐ -\$175; \$255
☒ \$175; \$255
☐ \$175; \$450
☐ \$640; \$450

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

65.

Award: 2.00 points

A Saskatchewan resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ \$17,073
- ☐ \$17,973
- ☐ \$18,073
- ☐ \$18,973
- ☐ \$19,073

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

66. Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$95,000 then determine the total tax paid.

- ☐ \$16,228
- ☒ \$17,988
- ☐ \$18,288
- ☐ \$19,398
- ☐ \$20,328

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

67. Award: 2.00 points

Amy's Dress Shoppe has sales of \$421,000 with costs of \$342,000. Interest expense is \$18,000 and depreciation is \$33,000. The tax rate is 34 percent. What is the net income?

- ☐ \$9,520
- ☐ \$12,420
- ☒ \$18,480
- ☐ \$30,360
- ☐ \$52,140

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

68. Award: 2.00 points

A British Columbia resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$17,624
- ☒ \$18,264
- ☐ \$18,808
- ☐ \$19,206
- ☐ \$19,759

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

69.

Award: 2.00 points

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's cash flow to stockholders for 2015 (\$ in millions)?

- ☐ \$89
- ☒ \$129
- ☐ \$188
- ☐ \$363
- ☐ \$383

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

70.

Award: 2.00 points

A Manitoba resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$17,191
- ☐ \$18,191
- ☒ \$19,191
- ☐ \$20,191
- ☐ \$21,191

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

71.

Award: 2.00 points

If total assets = \$550, fixed assets = \$375, current liabilities = \$140, equity = \$265, long-term debt = \$145, and current assets is the only remaining item on the statement of financial position, what is the value of net working capital?

- ☐ -\$265
- ☒ \$35
- ☐ \$190
- ☐ \$230
- ☐ \$265

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

72.

Award: 2.00 points

Toby's Pizza has total sales of \$987,611 and costs of \$724,268. Depreciation is \$39,740 and the tax rate is 34 percent. The firm does not have any interest expense. What is the operating cash flow?

- ☐ \$147,577.98
- ☒ \$187,317.98
- ☐ \$191,417.06
- ☐ \$213,008.14
- ☐ \$223,603.00

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

73.

Award: 2.00 points

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's cash flow from assets for 2015 (\$ in millions)?

- ☐ \$21
- ☒ \$159
- ☐ \$197
- ☐ \$431
- ☐ \$1,087

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

74.

Award: 2.00 points

RST, Inc.
2015 Statement of comprehensive income

Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the net working capital for 2015?

- ☐ \$643
- ☒ \$1,408
- ☐ \$2,055
- ☐ \$3,115
- ☐ \$5,509

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

75.

Award: 2.00 points

At the beginning of the year, a firm has current assets of \$91,807 and current liabilities of \$102,343. At the end of the year, the current assets are \$89,476 and the current liabilities are \$92,638. What is the change in net working capital?

- ☐ -\$13,698
- ☐ -\$8,407
- ☐ \$2,109
- ☒ \$7,374
- ☐ \$11,991

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

76.

Award: 2.00 points

Given the following statement of comprehensive income data, calculate operating cash flow: net sales = \$16,500, cost of goods sold = \$10,350, operating expenses = \$3,118, depreciation = \$1,120, interest expense = \$900, tax rate = 34%.

- ☐ \$667.92
- ☐ \$1,912.00
- ☐ \$2,201.12
- ☐ \$2,381.92
- ☒ \$2,687.92

References

Multiple Choice Learning Objective:
02-02 The
difference between
accounting income
and cash flow.

Difficulty:
Moderate Learning Objective:
02-03 How to
determine a firms
cash flow from its
financial statements.

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the operating cash flow for 2015 (\$ in millions)?

- ☐ \$845
- ☐ \$1,930
- ☐ \$2,215
- ☒ \$2,845
- ☐ \$3,060

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

78.

Award: 2.00 points

OPQ, Inc.
2015 statement of comprehensive income

Net sales	\$8,953
Cost of goods sold	\$5,865
Depreciation	\$?
EBIT	\$?
Interest paid	\$675
Earnings before taxes	\$?
Taxes	\$400
Net income	\$705
Dividends paid	\$?
Addition to retained earnings	\$450

OPQ, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 725	\$ 1,135	Accounts payable	\$ 859	\$1,031
Accounts rec.	\$ 2,330	\$?	Notes payable	\$?	\$4,020
Inventory	\$ 3,240	\$ 5,202	Current liabilities	\$?	\$?
Current assets	\$?	\$?	Long-term debt	\$9,250	\$9,750
Net fixed assets	\$?	\$ 9,211	Common stock	\$ 250	\$?
			Retained earnings	\$?	\$2,797
Total assets	\$16,083	\$17,848	Total liab. & equity	\$?	\$?

What is the operating cash flow for 2015?

- ☐ \$872
☐ \$2,013
☐ \$2,413
☒ \$2,688
☐ \$2,813

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the net new equity for 2015?

- ☐ -\$40
- ☐ -\$20
- ☒ \$20
- ☐ \$40
- ☐ \$60

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

80.

Award: 2.00 points

Master Machines, Inc.

	2014	2015
Sales	\$1,240	\$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is net new borrowing for 2015?

- ☐ -\$40
- ☐ -\$20
- ☒ \$20
- ☐ \$40
- ☐ \$60

References**Multiple Choice** Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

81.

Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$102,000, then determine the total tax paid.

- ☐ \$19,220
- ☒ \$19,668
- ☐ \$20,280
- ☐ \$20,930
- ☐ \$21,320

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

82.

Award: 2.00 points

A Quebec resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$18,434
- ☒ \$19,434
- ☐ \$20,434
- ☐ \$21,434
- ☐ \$22,434

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

83.

Award: 2.00 points

Jack's Shoes has net income of \$19,600 in 2015 and owes \$8,650 in taxes for the year. The company repaid \$4,200 in loan principal and \$650 in loan interest during the year. No new funds were borrowed. The depreciation expense is \$420. What is the operating cash flow for the year?

- ☐ \$10,720
- ☐ \$19,370
- ☒ \$20,670
- ☐ \$28,670
- ☐ \$29,320

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

84.

Award: 2.00 points

Given the following statement of comprehensive income data, calculate net income: sales = \$135, cost of goods sold = \$40, miscellaneous expenses = \$35, depreciation = \$20, interest expense = \$20, tax rate = 34%.

- ☒ \$13.20
- ☐ \$19.80
- ☐ \$20.00
- ☐ \$23.10
- ☐ \$42.90

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

85.

Award: 2.00 points

The total assets are \$900, the fixed assets are \$600, long-term debt is \$500, and short-term debt is \$200. What is the amount of net working capital?

- ☐ \$0
- ☒ \$100
- ☐ \$200
- ☐ \$300
- ☐ \$400

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

86.

Award: 2.00 points

A firm has current assets of \$400, shareholders' equity of \$700, current liabilities of \$300, and net fixed assets of \$600. What is the amount of long-term debt?

- ☒ \$0
- ☐ \$100
- ☐ \$200
- ☐ \$300
- ☐ \$400

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

87.

Award: 2.00 points

Suppose that a firm paid dividends of \$300 and interest of \$611. In addition, the firm raised cash by selling new debt of \$400 and new equity of \$911. What is the firm's cash flow to creditors?

- ☐ -\$1,040
- ☐ -\$240
- ☒ \$211
- ☐ \$890
- ☐ \$1,040

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

88.

Award: 2.00 points

Six years ago, Thompson Distributors purchased a mailing machine at a cost of \$368,000. This equipment is currently valued at \$172,200 on today's statement of financial position but could actually be sold for \$211,400. This is the only fixed asset the firm owns. Net working capital is \$121,000 and long-term debt is \$82,500. What is the book value of shareholders' equity?

- ☐ \$89,700
- ☒ \$210,700
- ☐ \$211,400
- ☐ \$249,900
- ☐ \$406,500

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

89.

Award: 2.00 points

Based on the following information, calculate stockholders' equity: cash = \$30; total current liabilities = \$80; accounts receivable = \$30; inventory = \$90; net fixed assets = \$220; accounts payable = \$20; long term debt = \$50.

- ☐ \$170
- ☐ \$190
- ☐ \$220
- ☒ \$240
- ☐ \$290

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the cash flow to creditors for 2015 (\$ in millions)?

- ☐ -\$405
- ☐ -\$225
- ☐ \$225
- ☒ \$405
- ☐ \$630

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

91.

Award: 2.00 points

Brandy's Candies paid \$23 million in dividends during 2014, while also making net common stock repurchases of \$27 million. What was the cash flow to stockholders for 2014?

- ☐ -\$4 million
- ☐ \$4 million
- ☐ \$23 million
- ☐ \$27 million
- ☒ \$50 million

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

92.

Award: 2.00 points

Master Machines, Inc.

	2014	2015
Sales	\$1,240	\$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is the change in net working capital from 2014 to 2015?

- ☐ -\$69
- ☒ -\$54
- ☐ \$231
- ☐ \$255
- ☐ \$287

References**Multiple Choice** Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

93.

Award: 2.00 points

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the cash flow to stockholders for 2015 (\$ in millions)?

- ☐ -\$250
- ☐ -\$25
- ☒ \$25
- ☐ \$250
- ☐ \$275

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

94.

Award: 2.00 points

During the year, a firm paid \$25,000 in interest expense and its long-term debt decreased from \$350,000 to \$250,000. What is the firm's cash flow to creditors?

- ☐ -\$75,000
- ☐ -\$25,000
- ☐ \$25,000
- ☐ \$75,000
- ☒ \$125,000

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

95.

Award: 2.00 points

Ice Corporation has purchased a Class 10 piece of equipment for a cost of \$50,000 with a CCA rate of 30%. Under the half year rule, the UCC amount used to calculate the first year CCA is:

- ☐ \$50,000
- ☐ \$15,000
- ☒ \$25,000
- ☐ \$35,000
- ☐ \$42,500

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

RST, Inc.
2015 Statement of comprehensive income

Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the cash flow to creditors for 2015?

- ☐ -\$1,075
- ☐ -\$660
- ☐ -\$264
- ☐ \$1,126
- ☒ \$2,120

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

97.

Award: 2.00 points

An Alberta resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$29,125
- ☐ \$28,975
- ☒ \$27,174
- ☐ \$26,895
- ☐ \$26,204

References**Multiple Choice**

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

98.

Award: 2.00 points

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the amount of net new borrowing for 2015 (\$ in millions)?

- ☐ -\$1,045
- ☐ -\$270
- ☐ \$270
- ☐ \$1,045
- ☒ \$1,315

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

99. Award: 2.00 points

Thompson's Jet Skis has operating cash flow of \$218. Depreciation is \$45 and interest paid is \$35. A net total of \$69 was paid on long-term debt. The firm spent \$180 on fixed assets and increased net working capital by \$38. What is the amount of the cash flow to stockholders?

- ☒ -\$104
- ☐ -\$28
- ☐ \$28
- ☐ \$114
- ☐ \$142

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

100. Award: 2.00 points

Chadwick Industries has equipment with a book value of \$18 million that could be sold today for \$21 million. The inventory is valued at \$5.6 million and could be sold to a competitor today for \$5.1 million. The firm has \$740 thousand in cash and customers owe them \$2.6 million. What is the total market value of the firm's assets?

- ☐ \$26.04 million
- ☐ \$26.44 million
- ☐ \$28.70 million
- ☐ \$29.04 million
- ☒ \$29.44 million

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

101. Award: 2.00 points

BandalCorporation had operating cash flows of \$400, ending fixed asset value of \$300, change in net working capital of \$80, depreciation of \$80, cash flow from assets of \$190. Given this information, determine the beginning value of fixed assets.

- ☐ \$220
- ☒ \$250
- ☐ \$280
- ☐ \$300
- ☐ \$320

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

Master Machines, Inc.

	2014	2015
Sales	\$1,240	\$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is net capital spending for 2015?

- ☐ \$40
- ☐ \$70
- ☒ \$280
- ☐ \$310
- ☐ \$350

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

103. Award: 2.00 points

Given the following information from More Money, Inc.'s 2015 financial statements, calculate cash flow from assets: operating cash flow = \$284,500, net fixed assets declined by \$8,000, depreciation expense = \$13,000, and net working capital increased by \$1,500.

- ☐ \$262,000
- ☒ \$278,000
- ☐ \$281,000
- ☐ \$288,000
- ☐ \$301,000

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the cash flow from assets for 2015?

- ☐ \$50
- ☐ \$247
- ☐ \$297
- ☒ \$447
- ☐ \$517

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

105. Award: 2.00 points

Calculate ending fixed assets given the following information: cash flow from assets (\$7,240); EBIT = \$1,000; depreciation = \$100; taxes = \$240; change in net working capital = (\$2,000); beginning fixed assets = \$30,000

- ☒ \$40,000
- ☐ \$35,000
- ☐ \$30,000
- ☐ \$25,000
- ☐ \$20,000

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

106. Award: 2.00 points

A Saskatchewan resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$28,486
- ☐ \$29,486
- ☐ \$30,486
- ☐ \$31,486
- ☒ \$32,486

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net capital spending for 2015?

- ☐ -\$10
- ☒ \$30
- ☐ \$300
- ☐ \$530
- ☐ \$630

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

108. Award: 2.00 points

ABC Corporation reported retained earnings of \$400 on its year-end 2014 statement of financial position. During 2015, the company reported a loss of \$40 in the income statement, and it paid out a dividend of \$11. What will retained earnings be for ABC's 2015 year-end statement of financial position?

- ☐ \$220
- ☒ \$349
- ☐ \$320
- ☐ \$380
- ☐ \$420

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the operating cash flow for 2015?

- ☐ \$143
- ☒ \$297
- ☐ \$325
- ☐ \$353
- ☐ \$367

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

110. Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 1.

- ☐ \$7,800
- ☐ \$10,200
- ☒ \$34,000
- ☐ \$6,000
- ☐ \$12,000

References

Multiple Choice	Difficulty: Difficult	Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).
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111. Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 1.

- ☐ \$7,800
- ☐ \$10,200
- ☐ \$34,000
- ☒ \$6,000
- ☐ \$12,000

References

Multiple Choice	Difficulty: Difficult	Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).
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112. Award: 2.00 points

Knight Insurance has shareholders' equity of \$136,900. The firm owes a total of \$71,400 of which 30 percent is payable within the next year. The firm has net fixed assets of \$152,800. What is the amount of the net working capital?

- ☐ \$21,420
- ☐ \$25,300
- ☒ \$34,080
- ☐ \$46,720
- ☐ \$55,500

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

RST, Inc. 2015 Statement of comprehensive income	
Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc. Statement of financial positions as of December 31, 2014 and 2015					
	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the change in net working capital for 2015?

- ☒ -\$647
- ☐ -\$347
- ☐ \$347
- ☐ \$647
- ☐ \$994

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is net new borrowing for 2015?

- ☐ -\$70
- ☐ -\$35
- ☐ \$35
- ☒ \$70
- ☐ \$105

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

115. Award: 2.00 points

The Corner Store paid \$46 in dividends and \$120 in interest expense during the year. The addition to retained earnings is \$142 and net new equity is \$50. The tax rate is 20 percent. Sales are \$2,400 and depreciation is \$140. What are the earnings before interest and taxes?

- ☐ \$286
- ☐ \$325
- ☒ \$355
- ☐ \$2,072
- ☐ \$2,260

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

116. Award: 2.00 points

During 2015, Spend-it Corporation reported net income of \$200 and paid a \$40 stock dividend. Spend-it's December 31, 2014 statement of financial position reported the following items: common stock = \$220, capital surplus = \$180, retained earnings = \$300. What is the value of the retained earnings account for the December 31, 2015 statement of financial position?

- ☐ \$160
- ☐ \$340
- ☐ \$360
- ☒ \$460
- ☐ \$540

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

117.

Award: 2.00 points

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is the change in net working capital during 2015?

- ☒ -\$245
- ☐ -\$125
- ☐ \$362
- ☐ \$607
- ☐ \$904

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

118. Award: 2.00 points

A British Columbia resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ \$35,528
- ☐ \$36,531
- ☐ \$37,543
- ☐ \$38,559
- ☐ \$39,620

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the operating cash flow for 2015?

- ☐ \$169
☐ \$272
☒ \$377
☐ \$425
☐ \$480

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

120. Award: 2.00 points

A Manitoba resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$36,922
- ☒ \$37,922
- ☐ \$38,922
- ☐ \$39,922
- ☐ \$40,922

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the cash flow from assets for 2015 (\$ in millions)?

- ☒ -\$635
- ☐ -\$385
- ☐ \$385
- ☐ \$510
- ☐ \$635

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

122. Award: 2.00 points

The tax rates are as shown below. Your firm currently has taxable income of \$98,650. How much additional tax will you owe if you increase your taxable income by \$13,000?

Taxable Income	Tax Rate
\$0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

- ☐ \$1,950.00
- ☐ \$4,420.00
- ☐ \$4,560.50
- ☐ \$4,800.00
- ☒ \$5,002.50

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

123. Award: 2.00 points

	2015
Cost of goods sold	\$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What are the sales for 2015?

- ☐ \$4,225
- ☐ \$4,385
- ☒ \$4,600
- ☐ \$4,815
- ☐ \$5,000

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

124. Award: 2.00 points

Swell, Inc. had net fixed assets of \$6.5 million on December 31, 2014 and \$11 million on December 31, 2015. If Swell's depreciation expense for 2015 was \$750,000, what was the firm's 2015 capital spending?

- ☐ \$3.75 million
- ☐ \$4.25 million
- ☐ \$4.50 million
- ☒ \$5.25 million
- ☐ \$6.75 million

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Master Machines, Inc.

	2014	2015
Sales	\$1,240	\$1,385
COGS	820	910
Interest	25	20
Dividends	25.50	25.90
Depreciation	270	240
Cash	110	95
Accounts receivable	145	165
Current liabilities	380	469
Inventory	410	440
Long term debt	300	320
Net fixed assets	620	660
Common stock	500	350
Tax rate		34%

What is the operating cash flow for 2015?

- ☐ \$381.90
- ☐ \$396.10
- ☒ \$401.90
- ☐ \$440.10
- ☐ \$451.90

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

126. Award: 2.00 points

An Ontario resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ \$43,104
- ☐ \$42,104
- ☐ \$41,104
- ☒ \$40,104
- ☐ \$39,104

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

127. Award: 2.00 points

Kathy's Krafts has sales of \$820,000 and costs of \$530,000. Interest expense is \$35,000. The tax rate is 34% and the tax amount is \$71,400. What is the amount of the depreciation expense if that is the only remaining expense on the statement of comprehensive income?

- ☐ \$37,500
- ☐ \$38,000
- ☐ \$41,600
- ☒ \$45,000
- ☐ \$52,400

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the amount of dividends paid in 2015 (\$ in millions)?

- ☐ \$40
- ☐ \$370
- ☐ \$410
- ☒ \$660
- ☐ \$700

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

129. Award: 2.00 points

A firm has recently purchased Class 10 equipment for \$100,000 with a CCA rate of 30%. Under the half-year rule, what is the amount of depreciation that the firm can claim as a tax-deductible expense in the second year?

- ☐ \$30,000
- ☐ \$15,000
- ☐ \$42,000
- ☒ \$25,500
- ☐ \$45,000

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

130. Award: 2.00 points

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is cash flow to creditors for 2015?

- ☐ \$100
- ☐ \$320
- ☐ \$420
- ☒ \$520
- ☐ \$720

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

131. Award: 2.00 points

A Quebec resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the total tax paid.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ \$41,120
- ☐ \$42,120
- ☐ \$43,120
- ☐ \$44,120
- ☐ \$45,120

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is cash flow to stockholders for 2015?

- ☐ \$79
- ☐ \$189
- ☐ \$445
- ☐ \$524
- ☒ \$603

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the cash flow to stockholders for 2015?

- ☐ \$408
- ☐ \$417
- ☐ \$452
- ☒ \$482
- ☐ \$503

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

134. Award: 2.00 points

Hi-Performance Motors has net income of \$62,408. The firm pays out 55 percent of the net income to its shareholders as dividends. During the year, the company sold \$125,000 worth of common stock. What is the cash flow to stockholders?

- ☐ -\$125,000.00
- ☒ -\$90,675.60
- ☐ -\$48,246.19
- ☐ \$22,309.11
- ☐ \$51,368.29

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

135. Award: 2.00 points

The owner of Fred's Electronics is trying to sell the business. The company built a building four years ago at a cost of \$2.2 million. The building is currently appraised at \$2.46 million. The firm's equipment originally cost \$1.2 million and is currently valued at \$700,000. The inventory is listed on the statement of financial position at \$150,000 but is only worth \$125,000. The owner expects to collect 90 percent of the \$300,000 in accounts receivable. The firm has \$14,000 in cash and has total debt of \$3.1 million. What is the market value of this firm?

- ☐ \$455,000
- ☒ \$469,000
- ☐ \$499,000
- ☐ \$504,000
- ☐ \$524,000

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

136. Award: 2.00 points

At the beginning of the year, Bob's Cabinet Works had long-term debt of \$280 and total debt of \$430. At the end of the year, long-term debt was \$255 and total debt was \$390. The firm paid \$20 of interest during the year. What is the amount of the cash flow to creditors?

- ☐ -\$20
- ☐ -\$5
- ☐ \$5
- ☒ \$45
- ☐ \$60

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

137. Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 5.

- ☒ \$3,499
- ☐ \$4,500
- ☐ \$5,050
- ☐ \$5,500
- ☐ \$6,000

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

138. Award: 2.00 points

The R.J. Ramboldt Co. paid dividends of \$1,400, interest of \$800, and taxes of \$2,100 for the year. The tax rate is 35 percent and the depreciation expense is \$500. What is the operating cash flow for the year?

- ☐ \$4,800
- ☐ \$4,950
- ☒ \$5,200
- ☐ \$5,350
- ☐ \$5,500

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

OPQ, Inc.
2015 statement of comprehensive income

Net sales	\$8,953
Cost of goods sold	\$5,865
Depreciation	\$?
EBIT	\$?
Interest paid	\$675
Earnings before taxes	\$?
Taxes	\$400
Net income	\$705
Dividends paid	\$?
Addition to retained earnings	\$450

OPQ, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 725	\$ 1,135	Accounts payable	\$ 859	\$1,031
Accounts rec.	\$ 2,330	\$?	Notes payable	\$?	\$4,020
Inventory	\$ 3,240	\$ 5,202	Current liabilities	\$?	\$?
Current assets	\$?	\$?	Long-term debt	\$9,250	\$9,750
Net fixed assets	\$?	\$ 9,211	Common stock	\$ 250	\$?
			Retained earnings	\$?	\$2,797
Total assets	\$16,083	\$17,848	Total liab. & equity	\$?	\$?

The net working capital at the end of 2014 is _____ and _____ at the end of 2015.

- ☐ -\$2,955; -\$1,113
- ☒ \$2,059; \$3,586
- ☐ \$5,436; \$1,286
- ☐ \$5,436; \$7,606
- ☐ \$2,059; \$8,637

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

140. Award: 2.00 points

Given the following statement of comprehensive income data, calculate revenue: Net Income = \$2,500, EBIT = \$4,000, Depreciation = \$500, Operating expenses = \$1,500.

- ☐ \$3,000
- ☐ \$4,000
- ☐ \$5,500
- ☒ \$6,000
- ☐ \$2,500

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-02 The difference between accounting income and cash flow.
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141. Award: 2.00 points

Suppose a firm's net income is \$950, dividends paid total \$300, and new equity sales over the same period amount to \$311. If the initial value of equity was \$7,100, what is the cash flow to shareholders?

- ☐ -\$650
- ☒ -\$11
- ☐ \$50
- ☐ \$650
- ☐ \$8,100

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
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142. Award: 2.00 points

Art's Boutique has sales of \$640,000 and costs of \$480,000. Interest expense is \$40,000 and depreciation is \$60,000. The tax rate is 34%. What is the net income?

- ☐ \$20,400
- ☒ \$39,600
- ☐ \$50,400
- ☐ \$79,600
- ☐ \$99,600

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-02 The difference between accounting income and cash flow.
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143. Award: 2.00 points

A firm has \$1,800 in fixed assets, \$400 in net working capital, \$200 in accounts payable, and \$100 in cash. What is the amount of the current assets?

- ☐ \$200
- ☐ \$400
- ☐ \$500
- ☒ \$600
- ☐ \$700

References

Multiple Choice	Difficulty: Easy	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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144. Award: 2.00 points

The total assets are \$1,650, the fixed assets are \$800, long-term debt is \$700, and short-term debt is \$450. What is the amount of net working capital?

- ☐ \$350
- ☒ \$400
- ☐ \$500
- ☐ \$950
- ☐ \$1,200

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.
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145. Award: 2.00 points

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net working capital for 2015?

- ☒ \$362
- ☐ \$473
- ☐ \$519
- ☐ \$607
- ☐ \$1,060

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's operating cash flow for 2015 (\$ in millions)?

- ☐ \$359
- ☐ \$441
- ☐ \$543
- ☐ \$589
- ☒ \$623

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the amount of dividends paid in 2015 (\$ in millions)?

- ☐ \$25
- ☒ \$275
- ☐ \$570
- ☐ \$625
- ☐ \$845

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

148. Award: 2.00 points

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is earnings before interest and taxes for 2015?

- ☐ \$112
- ☐ \$158
- ☐ \$580
- ☒ \$660
- ☐ \$780

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is net income for 2015?

- ☐ \$112
- ☒ \$158
- ☐ \$580
- ☐ \$660
- ☐ \$780

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

Aussel Motors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
(\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the cash flow to stockholders for 2015 (\$ in millions)?

- ☐ \$360
- ☒ \$410
- ☐ \$580
- ☐ \$660
- ☐ \$910

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

151. Award: 2.00 points

The tax rates are as shown. California Surfin' currently has taxable income of \$86,750. How much additional tax will the firm owe if taxable income increases by \$16,500?

<u>Taxable Income</u>	<u>Tax Rate</u>
\$ 0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

- ☒ \$5,773
- ☐ \$5,811
- ☐ \$6,120
- ☐ \$6,212
- ☐ \$6,435

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

152. Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate UCC for the end of year 5.

- ☐ \$4,929
- ☐ \$5,030
- ☐ \$6,141
- ☐ \$7,252
- ☒ \$8,163

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188

KLM, Inc.

Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the ending net working capital for 2015?

- ☐ -\$60
☐ \$40
☐ \$60
☒ \$643
☐ \$765

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

154. Award: 2.00 points

At year-end 2015, Jordan Company's statement of financial position showed current assets = \$800, fixed assets = \$1,500, intangible assets = \$300, current liabilities = \$600, and long-term liabilities = \$1,400. What is the value of the shareholders' equity account?

- ☐ \$300
- ☐ \$500
- ☒ \$600
- ☐ \$900
- ☐ \$1,100

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

155. Award: 2.00 points

A firm has \$300 in inventory, \$600 in fixed assets, \$200 in accounts receivables, \$100 in accounts payable, and \$50 in cash. What is the amount of the current assets?

- ☐ \$500
- ☒ \$550
- ☐ \$600
- ☐ \$1,150
- ☐ \$1,200

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

156. Award: 2.00 points

A firm has net working capital of \$350. Long-term debt is \$600, total assets are \$950 and fixed assets are \$400. What is the amount of the total liabilities?

- ☐ \$200
- ☐ \$400
- ☐ \$600
- ☒ \$800
- ☐ \$1,200

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

157. Award: 2.00 points

Julie's Boutique paid \$400 in dividends and \$500 in interest this past year. Common stock increased by \$500 and retained earnings decreased by \$200. What is the net income for the year?

- ☐ -\$300
- ☒ \$200
- ☐ \$600
- ☐ \$700
- ☐ \$1,100

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

158. Award: 2.00 points

Zonex Corporation had an operating cash flow of \$600, change in net working capital of \$120 and cash flow from assets of \$360. In addition, it had depreciation of \$120, and a beginning fixed asset value of \$500. Given this information, calculate the company's ending fixed asset value.

- ☐ \$400
- ☒ \$500
- ☐ \$600
- ☐ \$700
- ☐ \$800

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

159. Award: 2.00 points

The Phillip Edwards Co. has net income of \$2,460 for the current year. During the year, the common stock account increased in value by \$1,500 and retained earnings increased by \$350. What is the amount the firm paid in dividends to its shareholders during the year?

- ☐ \$350
- ☐ \$380
- ☐ \$610
- ☒ \$2,110
- ☐ \$2,810

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

160. Award: 2.00 points

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is cash flow from assets for 2015?

- ☐ \$428
- ☐ \$540
- ☐ \$633
- ☐ \$923
- ☒ \$1,123

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the net capital spending for 2015?

- ☐ -\$144
☐ -\$64
☐ \$64
☒ \$144
☐ \$208

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

	2015
Cost of goods sold	\$3,210
Interest	215
Dividends	160
Depreciation	375
Change in retained earnings	360
Tax rate	35%

What is the taxable income for 2015?

- ☐ \$360
- ☐ \$520
- ☐ \$640
- ☐ \$780
- ☒ \$800

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

163. Award: 2.00 points

Suppose that a firm paid dividends of \$300 and interest of \$611. In addition, the firm raised cash by selling new debt of \$400 and new equity of \$911. What is the firm's cash flow to stockholders?

- ☐ -\$1,250
- ☒ -\$611
- ☐ \$650
- ☐ \$890
- ☐ \$1,250

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

164. Award: 2.00 points

<u>Taxable income</u>	<u>Tax rate</u>
0 - 50,000	15%
50,001 - 75,000	25%
75,001 - 100,000	34%
100,001 - 335,000	39%

Celeste Video, Inc. reports 2015 taxable income of \$200,011. How large is this firm's tax bill?

- ☐ \$48,750
- ☒ \$61,254
- ☐ \$67,000
- ☐ \$78,000
- ☐ \$91,125

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the change in net working capital from 2014 to 2015?

- ☒ -\$93
- ☐ -\$7
- ☐ \$7
- ☐ \$85
- ☐ \$97

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

166. Award: 2.00 points

Brad's Co. has equipment with a book value of \$500 that could be sold today at a 50 percent discount. Their inventory is valued at \$400 and could be sold to a competitor for that amount. The firm has \$50 in cash and customers owe them \$300. What is the accounting value of their liquid assets?

- ☐ \$50
- ☐ \$350
- ☐ \$700
- ☒ \$750
- ☐ \$1,000

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

167. Award: 2.00 points

A new firm issued \$500 in common stock. At the end of the first year, the firm had total assets of \$1100 and total debt of \$400. What was the amount of net income for the first year, assuming the firm paid no dividends?

- ☐ -\$200 (a loss)
- ☒ \$200
- ☐ \$700
- ☐ \$1200
- ☐ Cannot be determined from the information provided

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

168. Award: 2.00 points

Bill's Mowers has beginning net fixed assets of \$1,620 and ending net fixed assets of \$1,780. Assets valued at \$410 were sold during the year. Depreciation was \$45. What is the value of the fixed asset purchases for the year?

- ☐ \$295
- ☒ \$615
- ☐ \$705
- ☐ \$795
- ☐ \$855

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

169. Award: 2.00 points

Calculate earnings before interest and taxes given the following information: net income = \$415; interest paid = \$85; taxes = \$300; sales = \$2,000

- ☒ \$800
- ☐ \$750
- ☐ \$725
- ☐ \$700
- ☐ \$675

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

RST, Inc.
2015 Statement of comprehensive income

Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the amount of non-cash items for 2015?

- ☐ \$186
- ☐ \$201
- ☐ \$730
- ☒ \$1,364
- ☐ \$2,094

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

171.

Award: 2.00 points

If net income = \$46,750, depreciation expense = \$20,000, interest expense = \$10,000, and the tax rate = 15%, what is operating cash flow?

- ☐ \$21,250
- ☐ \$72,250
- ☒ \$76,750
- ☐ \$85,250
- ☐ \$93,350

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the amount of the non-cash expenses for 2015 (\$ in millions)?

- ☐ \$270
- ☐ \$630
- ☐ \$780
- ☒ \$860
- ☐ \$1,130

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

173. Award: 2.00 points

Calculate beginning net working capital given the following information: cash flow from assets = \$24,500; operating cash flow = \$8,500; capital spending = (\$14,000); ending net working capital = \$8,000.

- ☐ \$6,000
- ☐ \$7,000
- ☐ \$8,000
- ☐ \$9,000
- ☒ \$10,000

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

KLM, Inc.
2015 Statement of comprehensive income

Net sales	\$3,685
Cost of goods sold	\$3,180
Depreciation	\$104
Earnings before interest and taxes	\$401
Interest paid	\$25
Taxable income	\$376
Taxes	\$128
Net income	\$248
Dividends paid	\$60
Addition to retained earnings	\$188



KLM, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$ 520	\$ 601	Accounts payable	\$ 621	\$ 704
Accounts rec.	\$ 235	\$ 219	Notes payable	\$ 333	\$ 272
Inventory	\$ 964	\$ 799	Current liabilities	\$ 954	\$ 976
Current assets	\$1,719	\$1,619	Long-term debt	\$ 350	\$ 60
Net fixed assets	\$ 890	\$ 930	Common stock	\$ 800	\$ 820
			Retained earnings	\$ 505	\$ 693
Total assets	\$2,609	\$2,549	Total liabilities and Owner's equity	\$2,609	\$2,549

What is the cash flow to stockholders for 2015?

- ☒ \$40
- ☐ \$60
- ☐ \$80
- ☐ \$148
- ☐ \$268

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

Knickerdoodles, Inc.

	2014	2015
Sales	\$ 740	\$ 785
COGS	430	460
Interest	33	35
Dividends	16	17
Depreciation	250	210
Cash	70	75
Accounts receivables	563	502
Current liabilities	390	405
Inventory	662	640
Long-term debt	340	410
Net fixed assets	1,680	1,413
Common stock	700	235
Tax rate	35%	35%

What is the net working capital for 2015?

- ☐ \$345
- ☐ \$405
- ☐ \$805
- ☒ \$812
- ☐ \$1,005

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

176. Award: 2.00 points

Canadian Enterprises had earnings before interest and taxes (EBIT) of \$865, depreciation of \$120 and taxes of \$180. Given this information, calculate OCF.

- ☐ \$825
- ☐ \$815
- ☒ \$805
- ☐ \$795
- ☐ \$765

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

Nabors, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$9,610
Less: Cost of goods sold	6,310
Less: Depreciation	<u>1,370</u>
Earnings before interest and taxes	1,930
Less: Interest paid	<u>630</u>
Taxable Income	\$1,300
Less: Taxes	<u>455</u>
Net income	<u>\$ 845</u>

Nabors, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$310	\$405	Accounts payable	\$ 2,720	\$ 2,570
Accounts rec.	2,640	3,055	Notes payable	100	0
Inventory	3,275	3,850	Total	\$ 2,820	\$ 2,570
Total	\$ 6,225	\$ 7,310	Long-term debt	7,875	8,100
Net fixed assets	10,960	10,670	Common stock	5,000	5,250
			Retained earnings	1,490	2,060
Total assets	<u>\$17,185</u>	<u>\$17,980</u>	Total liab.& equity	<u>\$17,185</u>	<u>\$17,980</u>

What is the amount of the non-cash expenses for 2015 (\$ in millions)?

- ☐ \$570
- ☐ \$630
- ☐ \$845
- ☒ \$1,370
- ☐ \$2,000

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

178. Award: 2.00 points

Tim's Playhouse paid \$155 in dividends and \$220 in interest expense. The addition to retained earnings is \$325 and net new equity is \$50. The tax rate is 25 percent. Sales are \$1,600 and depreciation is \$160. What are the earnings before interest and taxes?

- ☐ \$480
- ☐ \$640
- ☒ \$860
- ☐ \$1,020
- ☐ \$1,440

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

Aussel Motors, Inc.
2015 statement of comprehensive income
 (\$ in millions)

Net sales	\$ 6,080
Less: Cost of goods sold	3,890
Less: Depreciation	860
Earnings before interest and taxes	1,330
Less: Interest paid	270
Earnings before taxes	1,060
Less: Taxes	360
Net Income	700

Aussel Motors, Inc.
2014 and 2015 statement of financial position
 (\$ in millions)

	2014	2015		2014	2015
Cash	415	560	Accounts payable	540	610
Accounts receivable	860	840	Current portion of LTD	0	50
Inventory	1,270	1,390	Total	540	660
Total	2,545	2,790	Long-term debt	2165	3480
Net fixed assets	3,180	4,660	Common stock	2000	2250
			Retained earnings	1020	1060
Total assets	5,725	7,450	Total liab & equity	5725	7450

What is the cash flow to creditors for 2015 (\$ in millions)?

- ☒ -\$1,045
- ☐ -\$365
- ☐ \$885
- ☐ \$945
- ☐ \$1,585

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

180. Award: 2.00 points

A \$40,000 asset was purchased and classified as a Class 10 asset for CCA purposes. If the CCA rate is 30%, calculate CCA for year 3.

- ☒ \$7,140
- ☐ \$8,250
- ☐ \$9,360
- ☐ \$10,470
- ☐ \$11,580

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

	2014	2015
Sales	\$2,900	\$3,300
COGS	2,030	2,310
Interest	410	420
Dividends	56	79
Depreciation	290	330
Cash	250	150
Receivables	242	412
Current liabilities	900	1,100
Inventory	1,015	900
Long-term debt	3,200	3,100
Net fixed assets	6,000	5,700
Tax rate	34%	34%

What is operating cash flow for 2015?

- ☐ \$248
- ☐ \$662
- ☒ \$908
- ☐ \$1,072
- ☐ \$1,375

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

182. Award: 2.00 points

All-Rite sold \$133,500 in used equipment in 2015 and replaced it with \$212,000 of new equipment. Depreciation for 2015 and \$12,500. What is the net capital spending for 2015?

- ☐ \$66,000
- ☐ \$78,500
- ☒ \$91,000
- ☐ \$199,500
- ☐ \$212,000

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

183. Award: 2.00 points

Peter owns The Train Store which he is trying to sell so that he can retire and travel. The Train Store owns the building in which it is located. This building was built at a cost of \$427,000 and is currently appraised at \$575,000. The display counters and fixtures originally cost \$87,000 and are currently valued at \$49,000. The inventory is valued on the statement of financial position at \$289,000 and has a retail market value equal to 1.4 times its cost. Peter expects the store to collect 97 percent of the \$48,041 in accounts receivable. The firm has \$11,200 in cash and has total debt of \$167,400. What is the market value of this firm?

- ☐ \$771,000
- ☐ \$907,800
- ☒ \$919,000
- ☐ \$945,800
- ☐ \$957,000

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

Kuipers, Inc.
2015 statement of comprehensive income
(\$ in millions)

Net sales	\$1,384
Less: Cost of goods sold	605
Less: Depreciation	<u>180</u>
Earnings before interest and taxes	599
Less: Interest paid	<u>80</u>
Taxable income	519
Less: Taxes	<u>156</u>
Net income	<u>\$363</u>
Addition to retained earnings	\$254
Dividends paid	109

Kuipers, Inc.
2014 and 2015 Statement of financial positions
(\$ in millions)

	2014	2015		2014	2015
Cash	\$ 100	\$ 121	Accounts payable	\$ 400	\$ 350
Accounts rec.	350	425	Notes payable	390	370
Inventory	440	410	Total	\$ 790	\$ 720
Total	\$ 890	\$ 956	Long-term debt	500	550
Net fixed assets	1,556	1,704	Owner's equity		
			Common stock	600	580
			Retained earnings	556	810
			Total	1,156	1,390
Total assets	\$2,446	\$2,660	Total liabilities	\$2,446	\$2,660

What is the firm's change in net working capital for 2015 (\$ in millions)?

- ☐ -\$40 million
- ☐ \$4 million
- ☐ \$94 million
- ☒ \$136 million
- ☐ \$205 million

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

185. Award: 2.00 points

If cash flow from operations is \$938, net capital spending is -\$211, and net working capital declines by \$73, what is cash flow from assets?

- ☐ \$654
- ☐ \$800
- ☐ \$954
- ☐ \$1,076
- ☒ \$1,222

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

186. Award: 2.00 points

Calculate cash flow from assets given the following information: EBIT = \$1,000; depreciation = \$100; taxes = \$240; beginning fixed assets = \$30,000; ending fixed assets = \$40,000; beginning net working capital = \$10,000; ending net working capital = \$8,000.

- ☐ -\$6,350
- ☒ -\$7,240
- ☐ -\$8,130
- ☐ -\$9,020
- ☐ -\$10,900

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

187. Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$95,000, then determine the average provincial tax rate.

- ☐ 18.50%
- ☒ 18.93%
- ☐ 20.50%
- ☐ 20.93%
- ☐ 21.50%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

188. Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$102,000, then determine the average provincial tax rate.

- ☒ 19.28%
- ☐ 20.25%
- ☐ 21.28%
- ☐ 25.38%
- ☐ 25.58%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

189. Award: 2.00 points

An Albertaresident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 23.43%
- ☐ 23.92%
- ☐ 24.03%
- ☒ 24.43%
- ☐ 24.92%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

190. Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$102,000, then determine the marginal provincial tax rate.

- ☒ 24%
- ☐ 25%
- ☐ 26%
- ☐ 27%
- ☐ 28%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

An Alberta resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 29.13%
- ☐ 28.98%
- ☒ 27.17%
- ☐ 26.90%
- ☐ 26.20%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

192. Award: 2.00 points

If provincial tax rates are 16% on the first \$40,100; 20% on the next \$40,100; and 24% on any income after that. If a resident had income of \$95,000, then determine the marginal provincial tax rate.

- ☐ 22%
- ☒ 24%
- ☐ 28%
- ☐ 30%
- ☐ 32%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

193. Award: 2.00 points

Which of the following are included in current liabilities?

- ☐ Note payable to a supplier in eighteen months.
- ☒ Debt payable to a mortgage company in nine months.
- ☐ 30 year bonds.
- ☐ Retained earnings.
- ☐ Shareholders' equity.

References

Multiple Choice Difficulty: Easy Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

194. Award: 2.00 points

A Saskatchewan resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ 28.46%
- ☐ 28.97%
- ☐ 30.36%
- ☐ 30.97%
- ☐ 31.46%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

195. Award: 2.00 points

An Ontario resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 28.45%
- ☐ 29.45%
- ☐ 30.45%
- ☐ 31.45%
- ☒ 32.45%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

A Saskatchewan resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 28.49%
- ☐ 29.49%
- ☐ 30.49%
- ☐ 31.49%
- ☒ 32.49%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Given the tax rates as shown, what is the average tax rate for a firm with taxable income of \$218,740?

<u>Taxable Income</u>	<u>Tax Rate</u>
\$ 0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

- ☐ 25.38 percent
- ☐ 28.43 percent
- ☐ 30.67 percent
- ☒ 31.34 percent
- ☐ 39.00 percent

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

198. Award: 2.00 points

A British Columbia resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 29.83%
- ☒ 30.44%
- ☐ 31.26%
- ☐ 31.86%
- ☐ 32.23%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

199. Award: 2.00 points

A Manitoba resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 29.99%
- ☐ 30.99%
- ☒ 31.99%
- ☐ 32.99%
- ☐ 33.99%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

A Quebec resident earned \$30,000 in capital gains and \$30,000 in non-eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 31.39%
- ☒ 32.39%
- ☐ 33.39%
- ☐ 34.39%
- ☐ 35.39%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

RST, Inc.
2015 Statement of comprehensive income

Net sales	\$8,769
Cost of goods sold	\$6,128
Depreciation	\$1,364
Earnings before interest and taxes	\$1,277
Interest paid	\$730
Taxable income	\$547
Taxes	\$186
Net income	\$361
Dividends paid	\$?
Addition to retained earnings	\$?

RST, Inc.
Statement of financial positions as of December 31, 2014 and 2015

	2014	2015		2014	2015
Cash	\$1,423	\$965	Accounts payable	\$1,007	\$2,251
Accounts rec.	\$2,196	\$2,894	Notes payable	\$2,100	\$1,850
Inventory	\$1,543	\$1,650	Total	\$3,107	\$4,101
Total	\$5,162	\$5,509	Long-term debt	\$8,670	\$7,280
Net fixed assets	\$21,300	\$22,758	Common stock	\$7,200	\$9,200
			Retained earnings	\$7,485	\$7,686
Total assets	\$26,462	\$28,267	Total liabilities and Owner's equity	\$26,462	\$28,267

What is the average tax rate for 2015?

- ☐ 19%
- ☐ 25%
- ☒ 34%
- ☐ 39%
- ☐ cannot be determined from the information provided

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

Taxable income		Tax Rate
\$ 0	\$ 50,000	15%
\$ 50,001	\$ 75,000	25%
\$ 75,001	\$ 100,000	34%
\$100,001	\$ 335,000	39%
\$335,001	\$10,000,000	34%

The marginal tax rate on an income of \$239,650 is:

- ☐ 15%
- ☐ 25%
- ☐ 34%
- ☒ 39%
- ☐ 43%

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

203. Award: 2.00 points

Alpha, Inc. earned \$95,000 in net income in 2014 and paid \$20,548.50 in taxes. Alpha, Inc. earned \$95,001 in net income in 2015 and paid \$20,548.84 in taxes. What is the marginal tax rate for Alpha, Inc.?

- ☐ 15%
- ☐ 25%
- ☒ 34%
- ☐ 35%
- ☐ 38%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Taxable income	<i>Tax rate</i>
\$0 –\$ 50,000	15%
\$50,001 – \$ 75,000	25%
\$75,001 – \$100,000	34%
\$100,001 – \$335,000	39%
\$335,001 – \$10,000,000	34%
\$10,000,001 – \$15,000,000	35%
\$15,000,001 – \$18,333,333	38%
\$18,333,334 and above	35%

If a firm has taxable income of \$17.5 million and a total tax bill of \$6.1 million, its marginal tax rate is _____.

- ☐ 15%
- ☐ 25%
- ☐ 34%
- ☒ 38%
- ☐ 39%

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

205. Award: 2.00 points

Given the tax rates below, what is the average tax rate for a firm with taxable income of \$178,500?

Taxable Income	Tax Rate
\$0 – 50,000	15%
50,001 – 75,000	25%
75,001 – 100,000	34%
100,001 – 335,000	39%

- ☒ 29.62 percent
- ☐ 30.13 percent
- ☐ 34.00 percent
- ☐ 35.67 percent
- ☐ 39.00 percent

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Taxable income	<i>Tax rate</i>
\$0 –\$ 50,000	15%
\$50,001 – \$ 75,000	25%
\$75,001 – \$100,000	34%
\$100,001 – \$335,000	39%
\$335,001 – \$10,000,000	34%
\$10,000,001 – \$15,000,000	35%
\$15,000,001 – \$18,333,333	38%
\$18,333,334 and above	35%

If a firm has taxable income of \$17.5 million and a total tax bill of \$6.1 million, its average tax rate is _____.

- ☐ 15.0%
- ☐ 25.9%
- ☒ 34.9%
- ☐ 38.2%
- ☐ 42.2%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Taxable income	<i>Tax rate</i>
\$0 –\$ 50,000	15%
\$50,001 – \$ 75,000	25%
\$75,001 – \$100,000	34%
\$100,001 – \$335,000	39%
\$335,001 – \$10,000,000	34%
\$10,000,001 – \$15,000,000	35%
\$15,000,001 – \$18,333,333	38%
\$18,333,334 and above	35%

If a company has taxable income = \$250,000, what is the average tax rate?

- ☒ 32.3%
- ☐ 34.0%
- ☐ 36.8%
- ☐ 39.6%
- ☐ 42.0%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

A British Columbia resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ 35.53%
- ☐ 36.53%
- ☐ 37.54%
- ☐ 38.56
- ☐ 39.62%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

A New Brunswick resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 40.03%
- ☒ 39.03%
- ☐ 38.03%
- ☐ 37.03%
- ☐ 36.03%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

210. Award: 2.00 points

	Tax Rates	Tax Brackets
Federal	15.00%	Up to \$43,953
	22.00	43,954–87,907
	26.00	87,908–136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to \$37,606
	7.70	37,607–75,213
	10.50	75,214–86,354
	12.29	86,355–104,858
	14.70	104,859–150,000
	16.80	150,001 and over

Determined the federal marginal tax rate of a British Columbia resident that earned \$89,000.

- ☒ 26.00%
- ☐ 12.29%
- ☐ 38.29%
- ☐ 29.00%
- ☐ 45.80%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

211. Award: 2.00 points

	Tax Rates	Tax Brackets
Federal	15.00%	Up to \$43,953
	22.00	43,954–87,907
	26.00	87,908–136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to \$37,606
	7.70	37,607–75,213
	10.50	75,214–86,354
	12.29	86,355–104,858
	14.70	104,859–150,000
	16.80	150,001 and over

Determined the provincial marginal tax rate of a British Columbia resident that earned \$89,000.

- ☐ 26.00%
- ☒ 12.29%
- ☐ 38.29%
- ☐ 29.00%
- ☐ 45.80%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

212. Award: 2.00 points

	Tax Rates	Tax Brackets
Federal	15.00%	Up to \$43,953
	22.00	43,954–87,907
	26.00	87,908–136,270
	29.00	136,271 and over
British Columbia	5.06%	Up to \$37,606
	7.70	37,607–75,213
	10.50	75,214–86,354
	12.29	86,355–104,858
	14.70	104,859–150,000
	16.80	150,001 and over

Determined the total marginal tax rate of a British Columbia resident that earned \$89,000.

- ☐ 26.00%
- ☐ 12.29%
- ☒ 38.29%
- ☐ 29.00%
- ☐ 45.80%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

213. Award: 2.00 points

A Manitoba resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 36.92%
- ☒ 37.92%
- ☐ 38.92%
- ☐ 39.92%
- ☐ 40.92%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

214. Award: 2.00 points

A Prince Edward Island resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 37.48%
- ☐ 38.48%
- ☒ 39.48%
- ☐ 40.48%
- ☐ 41.48%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

215. Award: 2.00 points

A Quebec resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 37.64%
- ☐ 38.64%
- ☐ 39.64%
- ☐ 40.64%
- ☒ 41.64%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

216. Award: 2.00 points

A Nova Scotia resident earned \$20,000 in interest income and \$10,000 in capital gains. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ 41.67%
- ☐ 40.67%
- ☐ 39.67%
- ☐ 38.67%
- ☐ 36.67%

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

An Ontario resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ 43.10%
- ☐ 42.10%
- ☐ 41.10%
- ☒ 40.10%
- ☐ 39.10%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

218. Award: 2.00 points

A Quebec resident earned \$40,000 in interest income and \$60,000 in eligible dividends. Calculate the average tax rate.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ 41.12%
- ☐ 42.12%
- ☐ 43.12%
- ☐ 44.12%
- ☐ 45.12%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

219. Award: 2.00 points

The repurchase of outstanding stock by a corporation causes _____ for the firm, all else constant.

- ☐ An immediate cash inflow
- ☐ A decrease in the cash flow to stockholders
- ☐ A decrease in both earnings per share and dividends per share
- ☐ A decrease in dividends per share
- ☐ Both a cash outflow and an increase in earnings per share

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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220. Award: 2.00 points

A firm has a calendar tax year. On January 10, the firm purchased depreciable equipment for cash. This purchase will create:

- ☐ A current cash outflow and an equal decrease in current net income.
- ☐ A current cash outflow and a lesser decrease in current net income.
- ☐ A decrease in net income by an amount equal to the decrease in net assets.
- ☐ No change in net income for the current year.
- ☐ An increase in the total taxes of the firm over a period of years.

References

Multiple Choice	Difficulty: Difficult	Learning Objective: 02-02 The difference between accounting income and cash flow.
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221. Award: 2.00 points

Which one of the following will increase the operating cash flow of a firm, all else constant?

- ☒ An increase in depreciation expense
- ☐ An increase in the taxes paid
- ☐ A decrease in sales
- ☐ A decrease in the interest expense
- ☐ A decrease in variable costs

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

222. Award: 2.00 points

Which one of the following will increase earnings per share, all else held constant?

- ☒ A decrease in the number of shares outstanding.
- ☐ An increase in wages paid to employees.
- ☐ A decrease in sales of the firm.
- ☐ An increase in marginal tax rates.
- ☐ An increase in depreciation expense.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

223. Award: 2.00 points

A liquid asset is defined as an asset which:

- ☐ Has a physical presence and can be touched.
- ☒ Can be quickly converted into cash without significant loss in value.
- ☐ A firm expects to own for a period of ten years or more.
- ☐ Has no physical presence, such as a patent.
- ☐ A firm purchased with cash within the last year.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

224. Award: 2.00 points

Which of the following statements concerning a statement of financial position is (are) correct?

- ☐ Assets equal liabilities minus shareholders' equity.
- ☐ Current liabilities can be converted into cash within twelve months.
- ☒ A patent is an example of an intangible asset.
- ☐ Retained earnings is classified as long-term debt.
- ☐ The statement is also known as a profit and loss statement.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

225. Award: 2.00 points

Which of the following assets is the most liquid?

- ☐ An office building
- ☐ An electric saw for sale by a hardware store
- ☐ A patent on a new kitchen appliance
- ☐ A manufacturing plant
- ☒ An amount receivable from a customer for a service provided

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

226. Award: 2.00 points

Which of the following will cause net income to decrease for the following year?

- ☒ The accumulation of more long-term debt by a firm.
- ☐ An increase in the amount of dividends paid per share.
- ☐ A reduction in tax rates.
- ☐ An increase in profit margins.
- ☐ A reduction in depreciation expense.

References

Multiple Choice Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

227. Award: 2.00 points

Which one of the following will decrease net working capital?

- ☐ An increase in accounts receivable.
- ☐ An increase in accounts payable.
- ☐ A sale of a fixed asset for cash.
- ☐ A sale of inventory at a profit.
- ☐ A decrease in accounts payable.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

228. Award: 2.00 points

Which one of the following will increase shareholders' equity, all else held constant?

- ☐ A purchase of equipment on account.
- ☐ The collection of an account's receivable.
- ☐ A sale of inventory at a profit.
- ☐ A payment on a loan.
- ☐ The declaration of a stock dividend.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

229. Award: 2.00 points

Which of the following assets would most likely be considered the least liquid?

- ☐ A share of common stock in Nortel.
- ☐ A bond issued by Corel.
- ☐ A share of preferred stock in GM of Canada.
- ☐ A Lethbridge, Alberta municipal bond.
- ☐ A Canadian Treasury bill.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

230. Award: 2.00 points

Which one of the following is an example of an intangible asset?

- ☐ Accounts receivable.
- ☐ Inventory.
- ☐ Accounts payable.
- ☐ Furniture.
- ☐ Patent.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

231. Award: 2.00 points

For which of the following statement of financial position items will the book value and market value most likely be closest at the time the statement of financial position is prepared?

- ☐ Net fixed assets.
- ☐ Common stock.
- ☒ Accounts receivable.
- ☐ Long-term debt.
- ☐ Retained earnings.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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232. Award: 2.00 points

Which of the following is NOT a component of cash flow from assets?

- ☒ Net new borrowings.
- ☐ Operating cash flow.
- ☐ Additions to net working capital.
- ☐ Retained Earnings.
- ☐ Net payables.

References

Multiple Choice	Difficulty: Easy	Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.
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233. Award: 2.00 points

Which of the following will increase the amount of the cash flow to creditors?

- ☐ A new long-term loan
- ☐ The early payment of an account payable
- ☒ An early payoff of a long-term loan
- ☐ A decrease in the rate of interest charged on a loan
- ☐ The payment of a cash dividend

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

234. Award: 2.00 points

Dividend tax credit is best described as:

- ☒ An incentive for investors to invest in Canadian corporations by reducing federal and provincial tax on dividends income.
- ☐ An incentive for investors to invest in US corporations by reducing federal and provincial tax on dividends income.
- ☐ An incentive for investors to invest in European corporations by reducing federal and provincial tax on dividends income.
- ☐ A method to pre-pay taxes to Canada Revenue Agency based on dividend income earned.
- ☐ A tax incentive received by corporations if they provide dividends to investors.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

235. Award: 2.00 points

Which one of the following will cause cash flow to stockholders to increase, all else constant?

- ☐ A secondary common stock offering
- ☐ A decrease in dividends per share
- ☐ An increase in cash flow to creditors given no change in cash flow from assets
- ☐ A decrease in cash flow from assets given no change in cash flow to creditors
- ☐ A decrease in cash flow to creditors given an increase in cash flow from assets

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

236. Award: 2.00 points

Which one of the following will increase net working capital?

- ☐ A decrease in cash.
- ☐ An increase in accounts payable.
- ☐ An increase in depreciation.
- ☐ A profitable sale of inventory.
- ☐ The write-off of a bad debt.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

237. Award: 2.00 points

A current asset is:

- ☐ An item currently owned by the firm.
- ☐ An item that the firm expects to own within the next year.
- ☐ An item currently owned by the firm that will convert to cash within the next 12 months.
- ☐ The amount of cash on hand the firm currently shows on its statement of financial position.
- ☐ The market value of all the items currently owned by the firm.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

238. Award: 2.00 points

Dividends per share:

- ☐ Increases as the net income increases as long as the number of shares outstanding remains constant.
- ☐ Decreases as the number of shares outstanding decrease, all else constant.
- ☐ Are inversely related to the earnings per share.
- ☐ Are based upon the dividend requirements established by Generally Accepted Accounting Procedures.
- ☐ Are equal to the amount of net income distributed to shareholders divided by the number of shares outstanding.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

239. Award: 2.00 points

The asset category within the statement of financial position:

- ☐ Are always equal to total liabilities minus shareholders' equity.
- ☒ Represent items acquired with the use of the firm's assumed liabilities and equity.
- ☐ Are listed in order of increasing liquidity.
- ☐ Do not include intangible assets.
- ☐ Provide an indication of revenues less expenses.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

240. Award: 2.00 points

Suppose you have the 2015 statement of comprehensive income for a firm, along with the 12/31/2014 and 12/31/2015 statement of financial positions. How would you calculate net capital spending?

- ☒ Ending net fixed assets (2015) minus beginning net fixed assets (2014) plus 2015 depreciation
- ☐ Beginning net fixed assets (2014) minus ending net fixed assets (2015) plus 2015 depreciation
- ☐ Beginning net fixed assets (2014) plus ending net fixed assets (2015) minus 2015 depreciation
- ☐ Ending net fixed assets (2015) minus beginning net fixed assets (2014) plus 2015 taxes paid
- ☐ Ending net fixed assets (2015) plus beginning net fixed assets (2014) minus 2015 taxes paid

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

241. Award: 2.00 points

_____ normally must be paid by a firm within 12 months.

- ☐ Long-term bank loans
- ☒ Current liabilities
- ☐ Bonds
- ☐ Marketable securities
- ☐ Accounts receivable

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

242. Award: 2.00 points

Which of the following accurately describes the relation between book and market value?

- ☐ Financial managers should rely on book values, and not market values, when making decisions for the firm, because the firm's tax liability is based on book values.
- ☐ Financial managers should rely on market values, and not book values, when making decisions for the firm, because the firm's tax liability is based on market values.
- ☒ Book value is an accounting summary of value and is inferior to market value as a source of current information regarding the true value of the firm.
- ☐ The market value of current assets is often difficult to determine, and thus of little value to the decision making process of financial managers.
- ☐ Market value always exceeds book value.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

243. Award: 2.00 points

Calculate the tax difference between a British Columbia resident and an Ontario resident both having \$20,000 in interest income and \$25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ British Columbia resident would pay \$1,213.50 more than the Ontario resident.
- ☒ British Columbia resident would pay \$1,213.50 less than the Ontario resident.
- ☐ British Columbia resident would pay \$1,456.50 more than the Ontario resident.
- ☐ British Columbia resident would pay \$1,456.50 less than the Ontario resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

Calculate the tax difference between a British Columbia resident and an Alberta resident both having \$20,000 in capital gains and \$10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ British Columbia resident would pay \$1,919.00 more than the Alberta resident.
- ☐ British Columbia resident would pay \$1,919.00 less than the Alberta resident.
- ☒ British Columbia resident would pay \$1,619.00 more than the Alberta resident.
- ☐ British Columbia resident would pay \$1,619.00 less than the Alberta resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

245. Award: 2.00 points

Calculate the tax difference between a British Columbia resident and a Quebec resident both having \$20,000 in interest income and \$25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
Alberta	39.00	19.50	19.29	29.36
Saskatchewan	44.00	22.00	24.81	34.91
Manitoba	46.40	23.20	32.27	40.77
Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☒ British Columbia resident would pay \$1,356.50 less than the Quebec resident.
- ☐ British Columbia resident would pay \$1,356.50 more than the Quebec resident.
- ☐ British Columbia resident would pay \$2,456.50 less than the Quebec resident.
- ☐ British Columbia resident would pay \$2,456.50 more than the Quebec resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

Calculate the tax difference between a British Columbia resident and a Quebec resident both having \$20,000 in capital gains and \$10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
British Columbia	45.80	22.90	28.68	37.98
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Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ British Columbia resident would pay \$1,072.00 more than the Quebec resident.
- ☒ British Columbia resident would pay \$1,072.00 less than the Quebec resident.
- ☐ British Columbia resident would pay \$2,502.00 more than the Quebec resident.
- ☐ British Columbia resident would pay \$2,502.00 less than the Quebec resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

Calculate the tax difference between a British Columbia resident and an Alberta resident both having \$20,000 in interest income and \$25,000 in capital gains.

Combined marginal tax rates for individuals in top provincial tax bracket

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Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ British Columbia resident would pay \$2,210.00 more than the Alberta resident.
- ☐ British Columbia resident would pay \$2,210.00 less than the Alberta resident.
- ☐ British Columbia resident would pay \$3,500.00 more than the Alberta resident.
- ☐ British Columbia resident would pay \$3,500.00 less than the Alberta resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Calculate the tax difference between a British Columbia resident and an Ontario resident both having \$20,000 in capital gains and \$10,000 in eligible dividends.

Combined marginal tax rates for individuals in top provincial tax bracket

Provinces/Territories	Interest and Regular Income (%)	Capital Gains (%)	Eligible Dividends (%)	Non-eligible Dividends (%)
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Ontario	49.53	24.77	33.82	40.13
Quebec	49.97	24.99	35.22	39.79
New Brunswick	46.84	23.42	27.35	36.02
Nova Scotia	50.00	25.00	36.06	39.07
Prince Edward Island	47.37	23.69	28.71	38.74
Newfoundland and Labrador	42.30	21.15	30.20	32.08

- ☐ British Columbia resident would pay \$999.00 more than the Ontario resident.
- ☐ British Columbia resident would pay \$999.00 less than the Ontario resident.
- ☐ British Columbia resident would pay \$888.00 more than the Ontario resident.
- ☒ British Columbia resident would pay \$888.00 less than the Ontario resident.
- ☐ There are no tax differences between the two tax payers.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

249. Award: 2.00 points

A fundamental difference between Canadian GAAP and IFRS is that:

- ☐ There are no fundamental differences between Canadian GAAP and IFRS.
- ☐ IFRS does not require a statement of comprehensive income.
- ☐ Canadian GAAP records transactions in Canadian Dollars, whereas IFRS records transactions in Euros.
- ☒ Fair value accounting plays a more important role under IFRS than Canadian GAAP.
- ☐ Fair value accounting plays a more important role under Canadian GAAP than IFRS.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

250. Award: 2.00 points

Under GAAP, statement of financial position, assets are _____.

- ☒ Carried on the books at historical cost.
- ☐ Only carried on the books if they are relatively liquid.
- ☐ Carried on the books at market value.
- ☐ Listed in order of increasing relative liquidity.
- ☐ Carried at the larger of historic cost and market value.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

251. Award: 2.00 points

If operating cash flow is negative, then _____.

- ☐ The firm is bankrupt.
- ☐ The firm can pay no dividends.
- ☐ Cash flow to bondholders must be negative.
- ☐ Cash flow to stockholders must be positive.
- ☐ Cash flow from assets may be positive.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

252. Award: 2.00 points

Cash flow from assets is equal to which of the following?

- ☐ Cash flow to creditors - cash flow to shareholders
- ☐ Cash flow to shareholders + cash flow to creditors
- ☐ Cash flow to creditors + cash flow to the government
- ☐ Cash flow to shareholders - net new borrowing
- ☐ Cash flow to shareholders + operating cash flow

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

253. Award: 2.00 points

Cash flow to creditors is best described as:

- ☒ A firm's interest payments to creditors less net new borrowings.
- ☐ Dividends paid out by a firm less net new equity raised.
- ☐ Cash flow to creditors is also referred to as free cash flow.
- ☐ The net difference between total assets and total liabilities.
- ☐ The sum of cash flow to bondholders and shareholders

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

254. Award: 2.00 points

Free cash flow is commonly referred to as a firm's:

- ☐ Cash flow to stockholders.
- ☒ Cash flow from assets.
- ☐ Cash flow to creditors.
- ☐ Net working capital.
- ☐ Liquid capital.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

255. Award: 2.00 points

Cash flow to shareholders is best described as:

- ☐ A firm's interest payments to creditors less net new borrowings.
- ☒ Dividends paid out by a firm less net new equity raised.
- ☐ Cash flow to shareholders is also referred to as free cash flow.
- ☐ The net difference between total assets and total liabilities.
- ☐ The sum of cash flow to bondholders and shareholders

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

256. Award: 2.00 points

If the market value of an asset exceeds the book value of that asset, then the sale of the asset will:

- ☒ Generate taxable income.
- ☐ Result in a capital loss.
- ☐ Cause a cash outflow for the firm.
- ☐ Cause net profits to decline.
- ☐ Cause operating cash flows to decrease.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

257. Award: 2.00 points

Which of the following does NOT directly appear in either of the two definitions of cash flow from assets?

- ☒ Addition to retained earnings.
- ☐ Net capital spending.
- ☐ Changes in net working capital.
- ☐ Operating cash flow.
- ☐ Cash flow to stockholders.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

258. Award: 2.00 points

The rationale for examining financial statements is to:

- ☒ Extract key information for future decision making.
- ☐ Attain precise and accurate data of the company.
- ☐ Consider what went wrong.
- ☐ Maintain consistency.
- ☐ Determined if they adhere to GAAP.

References

Multiple Choice Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

Difficulty: Moderate Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

259. Award: 2.00 points

The ease and speed with which an asset can be converted into cash is called:

- ☒ Liquidity.
- ☐ Marketability.
- ☐ Convertibility.
- ☐ Transferability.
- ☐ Liability.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

260. Award: 2.00 points

Which one of the following is a tangible asset of a restaurant?

- ☒ Baking oven.
- ☐ Goodwill.
- ☐ Copyrighted cook book.
- ☐ Patent on a mixing machine.
- ☐ Old family recipe.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

261. Award: 2.00 points

Which of the following statement of comprehensive income accounts is a non-cash item?

- ☐ Wages and salaries.
- ☐ Interest expense.
- ☐ Cost of goods sold.
- ☐ Depreciation.
- ☐ Income taxes.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

262. Award: 2.00 points

CCA Half-year rule is best described as:

- ☐ CRA's requirement to figure CCA on only one-half of an asset's installed cost for its last year of use.
- ☐ CRS's option to value the assets at one-half of its value for the duration of use.
- ☐ CRA's option to depreciate the asset over half of its useful life.
- ☐ CRA's requirement to figure CCA on only one-half of an asset's installed cost for its first year of use.
- ☐ An accounting rule that is not allowed under CRA requirements.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

263. Award: 2.00 points

Which of the following equation is correct?

- ☒ $\text{EBIT} + \text{depreciation} - \text{taxes} = \text{OCF}$
- ☐ $\text{Ending net fixed assets} + \text{depreciation} = \text{Net capital spending}$
- ☐ $\text{Current assets} - \text{current liabilities} = \text{Change in net working capital}$
- ☐ $\text{Operating cash flow} + \text{net capital spending} = \text{Cash flow from assets}$
- ☐ $\text{EBIT} - \text{Depreciation} + \text{Taxes} = \text{OCF}$

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

264. Award: 2.00 points

The statement of financial position identity states that:

- ☐ $\text{Current assets} + \text{Fixed assets} = \text{Total assets}$
- ☒ $\text{Assets} = \text{Liabilities} + \text{Shareholders' equity}$
- ☐ $\text{Current liabilities} + \text{Long-term debt} = \text{Total liabilities}$
- ☐ $\text{Common stock} + \text{Retained earnings} = \text{Shareholders' equity}$
- ☐ $\text{Cash flow} = \text{Market value} - \text{Book value}$

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

265. Award: 2.00 points

Cash flow from assets represents the cash:

- ☐ Generated solely from a firm's daily sales.
- ☐ Generated solely from the sale of company assets.
- ☐ Currently held in the bank.
- ☐ Available to pay for current asset purchases.
- ☐ Available to distribute to creditors and stockholders.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

266. Award: 2.00 points

The earnings per share will:

- ☐ Decrease if the tax rate decreases.
- ☐ Remain constant if the number of shares outstanding is increased.
- ☐ Decrease anytime the revenue of a firm decreases.
- ☐ Decrease only if the net income of a firm decreases.
- ☐ Decrease if the number of shares outstanding is increased.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

267. Award: 2.00 points

The earnings per share will:

- ☒ Increase as net income increases.
- ☐ Increase as the number of shares outstanding increase.
- ☐ Decrease as the total revenue of the firm increases.
- ☐ Increase as the tax rate increases.
- ☐ Decrease as the costs decrease.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

268. Award: 2.00 points

All else constant, the cash flow to stockholders:

- ☒ Decreases when the dividends per share are decreased.
- ☐ Remains unchanged when the firm repurchases shares of outstanding stock.
- ☐ Decreases when a firm decreases its degree of financial leverage.
- ☐ Decreases when the cash flow from assets increases.
- ☐ Decreases as the common stock account balance decreases.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

269. Award: 2.00 points

Which of the following are included in current assets?

- ☒ Inventory
- ☐ Equipment
- ☐ Depreciation
- ☐ Accounts payable
- ☐ Shareholders' equity

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

270. Award: 2.00 points

Net income differs from operating cash flow due to the handling of:

- ☐ Dividends and interest expense.
- ☒ Interest expense and depreciation.
- ☐ Depreciation and dividends.
- ☐ Dividends, interest expense, and depreciation.
- ☐ Dividends.

References

Multiple Choice Learning Objective: 02-02 The difference between accounting income and cash flow.

Difficulty: Moderate Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

271. Award: 2.00 points

Which one of the following statements is correct concerning a statement of comprehensive income?

- ☐ Interest expense decreases the taxes owed by a firm.
- ☒ Net income is either paid out as dividends or added to the retained earnings of the firm.
- ☐ Depreciation increases the net income of a firm.
- ☐ Net income is equivalent to the operating cash flow of a firm.
- ☐ Taxes will increase the amount of a loss incurred by a firm with negative taxable income.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

272. Award: 2.00 points

As seen on a statement of comprehensive income:

- ☐ Interest is deducted from income and increases the total taxes incurred.
- ☐ The tax rate is applied to the earnings before interest and taxes when the firm has both depreciation and interest expenses.
- ☐ Depreciation is shown as an expense but does not affect the taxes payable.
- ☒ Depreciation reduces both the taxable income and the net income.
- ☐ Interest expense is added to earnings before interest and taxes to get taxable income.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

273. Award: 2.00 points

Which one of the following statements concerning net working capital is correct?

- ☒ The greater the net working capital, the greater the ability of a firm to meet its short-term obligations.
- ☐ The change in net working capital is equal to current assets minus current liabilities.
- ☐ Depreciation must be added back to current assets when computing the change in net working capital.
- ☐ Net working capital is equal to long-term assets minus long-term liabilities.
- ☐ Net working capital is a part of the operating cash flow.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

274. Award: 2.00 points

Which one of the following is a non-cash item?

- ☐ Down payment on a building.
- ☐ Rent expense.
- ☒ Depreciation of equipment.
- ☐ Payroll tax expense.
- ☐ Company provided health insurance.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

275. Award: 2.00 points

How will differentiating sources and uses of cash from past projects assist the manager in future projects?

- ☒ Better predicting cash flows.
- ☐ Perfectly timing cash flows.
- ☐ Determining cash flows with perfect precision.
- ☐ Identifying cash flows immediately.
- ☐ Estimating stock price.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.
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276. Award: 2.00 points

Dividends per share are equal to:

- ☐ Dividends paid divided by the par value of common stock.
- ☒ Dividends paid divided by the total number of shares outstanding.
- ☐ Dividends paid divided by total stockholders' equity.
- ☐ Dividends paid multiplied by the par value of common stock.
- ☐ Dividends paid multiplied by the total number of shares outstanding.

References

Multiple Choice	Difficulty: Easy	Learning Objective: 02-02 The difference between accounting income and cash flow.
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277. Award: 2.00 points

The cash flow from assets is equal to:

- ☐ Operating cash flow minus the change in net working capital plus net capital spending.
- ☐ Cash flow to creditors minus the cash flow to shareholders.
- ☐ Earnings before interest and taxes plus depreciation plus taxes.
- ☐ Earnings before interest and taxes plus depreciation plus taxes minus net capital spending minus the change in net working capital.
- ☒ Earnings before interest and taxes plus depreciation minus taxes minus net capital spending minus the change in net working capital.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

278. Award: 2.00 points

Suppose you have the beginning and ending year statement of financial positions of Samco, a steel company based in Hamilton, along with the year's statement of comprehensive income. Changes in net working capital (NWC) would be calculated as:

- ☐ Ending NWC plus depreciation minus beginning NWC.
- ☐ Ending NWC minus depreciation minus beginning NWC.
- ☐ Ending NWC plus taxes paid plus beginning NWC.
- ☒ Ending NWC minus beginning NWC.
- ☐ Ending NWC plus beginning NWC.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

279. Award: 2.00 points

Cash flow to stockholders is:

- ☐ Equal to total cash flow from assets minus cash flow to creditors.
- ☐ Equal to sales of equity plus cash dividends paid.
- ☐ Equal to operating cash flow minus additions to net working capital minus net capital spending.
- ☐ Equal to cash dividends minus repurchases of equity plus new equity sold.
- ☐ Usually greater than cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

280. Award: 2.00 points

Liquidity is:

- ☐ A measure of the use of debt in a firm's capital structure.
- ☐ Equal to current assets minus current liabilities.
- ☐ Equal to the market value of a firm's total assets minus its current liabilities.
- ☐ Valuable to a firm even though liquid assets tend to be less profitable to own.
- ☐ Generally associated with intangible assets.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

281. Award: 2.00 points

A statement of comprehensive income _____.

- ☐ Measures performance as a snapshot on a specific date.
- ☒ Prepared according to GAAP, will show revenue when it accrues.
- ☐ Excludes accrued taxes payable.
- ☐ Includes expenses only when they are ultimately paid off in cash.
- ☐ Is an accurate representation of a firm's net cash flows.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

282. Award: 2.00 points

Non-cash items are:

- ☐ The credit sales of a firm.
- ☐ The accounts payable of a firm.
- ☐ Expenses incurred for the purchase of intangible fixed assets.
- ☒ Expenses charged against revenues that do not directly affect cash flow.
- ☐ All accounts on the statement of financial position other than cash on hand.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

283. Award: 2.00 points

Net working capital is defined as:

- ☐ Total liabilities minus shareholders' equity.
- ☐ Current liabilities minus shareholders' equity.
- ☐ Fixed assets minus shareholders' equity.
- ☐ Total assets minus total liabilities.
- ☐ Current assets minus current liabilities.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

284. Award: 2.00 points

The _____ tax rate is the rate that applies if one more dollar of income is earned and the _____ tax rate is the total tax bill divided by taxable income.

- ☐ marginal; flat
- ☐ marginal; average
- ☐ flat; marginal
- ☐ flat; average
- ☐ average; marginal

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

285. Award: 2.00 points

Free cash flow is best described as:

- ☐ A firm's interest payments to creditors less net new borrowings.
- ☐ Dividends paid out by a firm less net new equity raised.
- ☒ Free cash flow is also referred to as cash flow from assets.
- ☐ The net difference between total assets and total liabilities.
- ☐ The difference of cash flow to bondholders and shareholders

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

286. Award: 2.00 points

The use of debt in a firm's capital structure is called:

- ☐ Liquidity.
- ☐ Equity financing.
- ☐ Free cash flow.
- ☐ Net working capital.
- ☒ Financial leverage.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

287. Award: 2.00 points

Operating cash flow is defined as the cash flow:

- ☐ Which a firm distributes to its shareholders in the form of dividends.
- ☐ Which a firm uses to increase its current accounts.
- ☐ From debt issued by a firm to finance its ongoing operations.
- ☐ Used by a firm to acquire new fixed assets.
- ☒ That results from a firm's ongoing, daily business activities.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

288. Award: 2.00 points

The common set of standards and procedures by which audited financial statements are prepared is known as:

- ☐ The matching principle.
- ☐ The cash flow identity.
- ☒ Generally Accepted Accounting Principles (GAAP).
- ☐ The Freedom of Information Act (FOIA).
- ☐ The 1993 Omnibus Budget Reconciliation Act.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

289. Award: 2.00 points

Book value:

- ☐ Is equivalent to market value for firms with fixed assets.
- ☒ Is based on historical cost.
- ☐ Generally tends to exceed market value when fixed assets are included.
- ☐ Is more of a financial than an accounting valuation.
- ☐ Is adjusted to market value whenever the market value exceeds the stated book value.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

290. Award: 2.00 points

Which of the following assets is generally considered to be the least liquid?

- ☐ Plant and equipment.
- ☐ Inventory.
- ☒ Goodwill.
- ☐ Cash.
- ☐ Accounts receivable.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

291. Award: 2.00 points

Earnings per share is equal to:

- ☒ Net income divided by the total number of shares outstanding.
- ☐ Net income divided by the par value of common stock.
- ☐ Gross income multiplied by the par value of common stock.
- ☐ Operating income divided by the par value of common stock.
- ☐ Net income divided by total stockholders' equity.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

292. Award: 2.00 points

The cash generated from a firm's normal business activities is called:

- ☐ Financing cash flow.
- ☐ Net income.
- ☐ Gross profit.
- ☒ Operating cash flow.
- ☐ Free cash flow.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

293. Award: 2.00 points

Cash flow from assets is also known as the firm's _____.

- ☐ Capital structure.
- ☐ Equity structure.
- ☐ Hidden cash flow.
- ☒ Free cash flow.
- ☐ Historical cash flow.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

294. Award: 2.00 points

Which of the following is a component of cash flow to creditors?

- I. Interest paid.
- II. Net new borrowing.
- III. Dividends paid.

- ☐ I only
- ☐ II only
- ☒ I and II only
- ☐ I and III only
- ☐ II and III only

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

295. Award: 2.00 points

An increase in which of the following will cause operating cash flow to decrease, all else the same?

- I. Interest expense.
- II. Depreciation.
- III. Taxes paid.

- ☐ I and II only
- ☐ II and III only
- ☐ I only
- ☐ II only
- ☒ III only

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

296. Award: 2.00 points

Intangible assets _____.

- ☐ Are generally considered very liquid.
- ☐ Are classified on the statement of financial position just before accounts receivable.
- ☒ Include such things as patents.
- ☐ Include any item that exists physically.
- ☐ Are not generally very valuable.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

297. Award: 2.00 points

Shareholders' equity:

- ☐ Includes common stock, paid in surplus, retained earnings, and long-term debt.
- ☐ On a statement of financial position is equivalent to the market value of the outstanding shares of stock.
- ☐ Includes all of a firm's earnings retained by the firm to date.
- ☐ Increases, all else equal, when the dividends paid are greater than the net income for a year.
- ☐ Includes the book value of any bonds issued by the firm.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

298. Award: 2.00 points

The earnings per share will:

- ☐ Increase if the tax rate increases.
- ☐ Remain constant if the number of shares outstanding is increased.
- ☐ Increase anytime the revenue of a firm increases.
- ☐ Increase only if the net income of a firm increases.
- ☐ Increase if the number of shares outstanding is decreased.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

299. Award: 2.00 points

All else constant, the cash flow to stockholders:

- ☒ Increases when the dividends per share are increased.
- ☐ Remains unchanged when the firm repurchases shares of outstanding stock.
- ☐ Increases when a firm increases its degree of financial leverage.
- ☐ Increases when the cash flow from assets decreases.
- ☐ Increases as the common stock account balance increases.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

300. Award: 2.00 points

An increase in the financial leverage of a firm as a result of an increase in outstanding debt _____ the potential reward to stockholders while _____ the risk of financial distress or bankruptcy.

- ☐ Decreases; decreasing
- ☐ Increases; decreasing
- ☒ Increases; increasing
- ☐ Decreases; increasing
- ☐ Does not affect; increasing

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

301. Award: 2.00 points

When a firm initially acquires debt to help finance its operations, it is said that the firm is:

- ☐ Increasing its liquidity.
- ☐ Increasing its marketability.
- ☐ Increasing its operating cash flows.
- ☐ Spending its cash flow from assets.
- ☐ Employing financial leverage.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

302. Award: 2.00 points

A(n) _____ asset is one which can be quickly converted into cash without significant loss in value.

- ☐ Current
- ☐ Fixed
- ☐ Intangible
- ☐ Liquid
- ☐ Long-term

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

303. Award: 2.00 points

What is the proper measure of cash flow to creditors in a given year?

- ☐ Interest paid.
- ☐ Operating cash flow minus net new borrowing.
- ☐ Interest paid plus changes in long-term debt.
- ☐ Interest paid plus net new borrowing minus additions to net fixed assets.
- ☐ Interest paid minus net new borrowing.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

304. Award: 2.00 points

Which one of the following statements concerning net working capital is correct?

- ☐ Net working capital is negative when current assets exceed current liabilities.
- ☐ Net working capital includes cash, accounts receivables, fixed assets, and accounts payable.
- ☐ Inventory is a part of net working capital.
- ☐ The change in net working capital is equal to the beginning net working capital minus the ending net working capital.
- ☐ Net working capital includes accounts from the statement of comprehensive income.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

305. Award: 2.00 points

A current asset:

- ☒ Has a life of less than one year.
- ☐ Includes accounts payable.
- ☐ Is an illiquid asset.
- ☐ Is included in the statement of comprehensive income.
- ☐ Is part of shareholders' equity.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

306. Award: 2.00 points

The long-term debts of a firm are:

- ☐ Liabilities that come due within the next 12 months.
- ☒ Liabilities that do not come due for at least 12 months.
- ☐ Liabilities owed to the firm's suppliers.
- ☐ Liabilities owed to the firm's shareholders.
- ☐ Liabilities the firm expects to incur within the next 12 months.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

307. Award: 2.00 points

Which of the following is generally true regarding liquidity as it relates to the firm?

- ☐ Liquidity is detrimental to a firm because it allows the firm to pay its bills more easily, thereby avoiding financial distress.
- ☒ Liquidity is valuable to a firm because liquid assets can be sold quickly without much loss in value.
- ☐ Liquidity is valuable to a firm because a firm can borrow money using its liquid assets, such as a warehouse, as collateral.
- ☐ Assets are generally listed on a firm's statement of financial position in the order of increasing liquidity.
- ☐ Liquid assets generally earn a large return, especially in comparison to illiquid assets.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

308. Award: 2.00 points

Which of the following financial statement items is generally considered the most liquid?

- ☐ Intangible assets.
- ☐ Net fixed assets.
- ☐ Long-term debt.
- ☐ Patents and trademarks.
- ☒ Accounts receivable.

References

Multiple Choice Difficulty: Easy Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

309. Award: 2.00 points

Accounts payable are a component of:

- ☒ Net working capital.
- ☐ Current assets.
- ☐ Long-term debt.
- ☐ Fixed assets.
- ☐ Shareholders' equity.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

310. Award: 2.00 points

When you are making a financial decision, the most relevant tax rate is the _____ rate.

- ☐ average
- ☐ fixed
- ☒ marginal
- ☐ total
- ☐ variable

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

<u>Taxable income</u>	<u>Tax rate</u>
0 - 50,000	15%
50,001 - 75,000	25%
75,001 - 100,000	34%
100,001 - 335,000	39%

If Systemic Corporation reports taxable income of \$77,000, then the _____.

- ☒ average tax rate is 18.7%
- ☐ average tax rate is 34.0%
- ☐ marginal tax rate is 15.0%
- ☐ marginal tax rate is 25.0%
- ☐ marginal tax rate is 39.0%

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

312. Award: 2.00 points

The cost of an asset less the depreciation to date is referred to as the net _____ value.

- ☐ Liquid
- ☒ Book
- ☐ Market
- ☐ Cash
- ☐ Financial

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

313. Award: 2.00 points

According to Generally Accepted Accounting Principles, costs are:

- ☐ Matched with the Inventory level.
- ☐ Recorded when paid.
- ☒ Matched with revenues.
- ☐ Matched with production levels.
- ☐ Expensed as management desires.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

314. Award: 2.00 points

An increase in total assets:

- ☐ Means that net working capital is also increasing.
- ☐ Requires an investment in fixed assets.
- ☐ Means that shareholders' equity must also increase.
- ☒ Must be offset by an equal increase in liabilities and shareholders' equity.
- ☐ Can only occur when a firm has positive net income.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

315. Award: 2.00 points

Operating cash flow is equal to earnings before interest and taxes:

- ☐ Minus depreciation minus taxes.
- ☐ Minus depreciation plus taxes.
- ☐ Minus interest plus taxes.
- ☒ Plus depreciation minus taxes.
- ☐ Plus interest minus taxes.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

316. Award: 2.00 points

Assume a firm has depreciation, taxes, and interest expense. In this case, operating cash flow:

- ☐ Is the same as net income.
- ☐ Is the same as net income plus depreciation.
- ☐ Must be positive because depreciation is added to the taxable income.
- ☒ Can be positive, negative, or equal to zero.
- ☐ Is equal to the cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

317. Award: 2.00 points

A firm with negative net working capital _____.

- ☐ Is technically bankrupt.
- ☐ Has no cash on hand.
- ☐ Needs to sell some of its inventory to correct the problem.
- ☒ Has more current liabilities than current assets.
- ☐ Most likely will not run short of cash over the next six months.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

318. Award: 2.00 points

Which of the following statements is false?

- ☐ While marginal and average tax rates often differ, it is the average tax rate that is relevant for most financial decisions.
- ☐ The book value of an asset on the statement of financial position can be very different from its market value.
- ☐ Net income as calculated from the statement of comprehensive income is not the net cash flow of the firm.
- ☐ Non-cash items are expenses charged against revenues that do not directly affect cash flow.
- ☐ The cash flow identity states that all net cash flows earned by the firm are distributed in whole to its creditors and shareholders.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

319. Award: 2.00 points

Operating cash flow can be computed as:

- ☐ Net income minus depreciation plus taxes.
- ☐ Cash flow from assets plus net capital spending plus the change in net working capital.
- ☐ Net income plus depreciation.
- ☐ Earnings before interest and taxes plus depreciation minus taxes.
- ☐ Earnings before interest and taxes plus depreciation and interest, minus taxes.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

320. Award: 2.00 points

Net capital spending is equal to _____.

- ☐ The change in net working capital.
- ☐ The change in net fixed assets minus depreciation.
- ☐ Net income plus depreciation.
- ☐ Total cash flow to stockholders' less interest and dividends paid.
- ☒ Operating cash flow minus cash flow from assets minus additions to net working capital.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

321. Award: 2.00 points

Current assets minus current liabilities are referred to as:

- ☐ Tangible assets.
- ☒ Net working capital.
- ☐ Net income.
- ☐ Net assets.
- ☐ Net book value.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

322. Award: 2.00 points

Which of the following would decrease the financial leverage of a firm?

- ☐ Total assets increase and the debt-to-equity ratio remains constant.
- ☐ Total debt increases and total assets remain constant.
- ☒ Net new equity is sold and existing bonds are paid off.
- ☐ Net new bonds are sold and outstanding common stock is repurchased.
- ☐ Net new bonds are sold and short-term notes payable are paid off.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

323. Award: 2.00 points

Cash flow to stockholders is equal to _____.

- ☐ Net income.
- ☐ Dividends paid.
- ☐ Net new equity.
- ☒ Dividends paid minus net new equity.
- ☐ Dividends paid minus interest paid.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

324. Award: 2.00 points

_____ refers to the difference between a firm's current assets and its current liabilities.

- ☐ Operating cash flow
- ☐ Capital spending
- ☒ Net working capital
- ☐ Cash flow from assets
- ☐ Cash flow to creditors

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

325. Award: 2.00 points

An increase in which one of the following will cause the cash flow from assets to increase?

- ☒ Depreciation
- ☐ Change in net working capital
- ☐ Net working capital
- ☐ Taxes
- ☐ Costs

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

326. Award: 2.00 points

A computer used in a business office by the office manager is classified as:

- ☐ A current asset.
- ☐ An intangible asset.
- ☐ Net working capital.
- ☒ A tangible asset.
- ☐ An inventory item.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

327. Award: 2.00 points

Value derived by subtracting current liabilities from current assets is called:

- ☐ Operating cash flow.
- ☐ Net capital spending.
- ☒ Net working capital.
- ☐ The liquid asset value.
- ☐ Cash flow from assets.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

328. Award: 2.00 points

_____ refers to the net total cash flow of the firm accruing to its creditors and stockholders.

- ☐ Operating cash flow.
- ☐ Capital spending.
- ☐ Net working capital.
- ☐ Cash flow from assets.
- ☐ Cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

329. Award: 2.00 points

_____ refers to the firm's interest payments less any net new borrowing.

- ☐ Operating cash flow.
- ☐ Capital spending.
- ☐ Net working capital.
- ☐ Cash flow from assets.
- ☐ Cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

330. Award: 2.00 points

_____ refers to the firm's dividend payments less any net new equity raised.

- ☐ Operating cash flow.
- ☐ Capital spending.
- ☐ Net working capital.
- ☐ Cash flow from assets.
- ☐ Cash flow to stockholders.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

331. Award: 2.00 points

_____ refers to the net spending of the firm on fixed asset purchases.

- ☐ Operating cash flow.
- ☐ Capital spending.
- ☐ Net working capital.
- ☐ Cash flow from assets.
- ☐ Cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

332. Award: 2.00 points

_____ refers to the cash flow from the firm's ongoing, normal business activities.

- ☒ Operating cash flow.
- ☐ Capital spending.
- ☐ Net working capital.
- ☐ Cash flow from assets.
- ☐ Cash flow to creditors.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

333. Award: 2.00 points

The net new equity raised by a firm during a given year can be calculated as:

- ☐ New equity sales minus equity repurchases plus retained earnings.
- ☐ New equity sales minus equity repurchases plus retained earnings minus dividends paid.
- ☒ New equity sales minus equity repurchases.
- ☐ New equity sales plus retained earnings.
- ☐ New equity sales minus dividends paid.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

334. Award: 2.00 points

Cash flow to stockholders must be positive when:

- ☒ The dividends paid exceed the net new equity raised.
- ☐ The net sale of common stock exceeds the amount of dividends paid.
- ☐ No income is distributed but new shares of stock are sold.
- ☐ Both the cash flow to assets and the cash flow to creditors are negative.
- ☐ Both the cash flow to assets and the cash flow to creditors are positive.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

335. Award: 2.00 points

On January 1, Slowpay Company makes a verbal commitment to buy a \$150,000 piece of equipment. (On January 5 the contract is signed.) A \$1,000 down payment is paid on January 5 and the machine is delivered on January 11. The balance owed is due on February 15, but Slowpay waits until March 10 to pay. When will the firm that sold the equipment to Slowpay recognize the sale as income under GAAP rules?

- ☐ On January 1, when the commitment is made.
- ☒ On January 5, when the contract is signed.
- ☐ On January 10, when Slowpay takes possession.
- ☐ On February 15, when the payment is due.
- ☐ On March 10, when payment is received.

References

Multiple Choice

Difficulty: Difficult

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

336. Award: 2.00 points

Operating cash flow is best described as:

- ☐ A firm's interest payments to creditors less net new borrowings.
- ☐ Dividends paid out by a firm less net new equity raised.
- ☐ Operating cash flow is also referred to as free cash flow.
- ☐ The net difference between total assets and total liabilities.
- ☐ The amount of cash used in operating the company.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

337. Award: 2.00 points

Cash flow from assets is equal to:

- ☐ Operating cash flow minus net new equity plus net new borrowing.
- ☐ Cash flow to creditors minus cash flow to stockholders.
- ☐ Operating cash flow minus the change in net working capital minus net capital spending.
- ☐ Operating cash flow plus net capital spending minus the change in net working capital.
- ☐ Operating cash flow minus depreciation plus taxes.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

338. Award: 2.00 points

Cash flow from assets is best described as:

- ☐ A firm's interest payments to creditors less net new borrowings.
- ☐ Dividends paid out by a firm less net new equity raised.
- ☐ Operating cash flows.
- ☐ The net difference between total assets and total liabilities.
- ☐ The sum of cash flow to bondholders and shareholders

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

339. Award: 2.00 points

Assets are listed on the statement of financial position in:

- ☐ Order of importance to the firm.
- ☐ Order of increasing size.
- ☐ Order of decreasing liquidity.
- ☐ No particular order.
- ☐ Order of preference in bankruptcy.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

340. Award: 2.00 points

The cash flow to creditors includes the cash:

- ☐ Received by the firm when payments are paid to suppliers.
- ☐ Outflow of the firm when new debt is acquired.
- ☒ Outflow when interest is paid on outstanding debt.
- ☐ Inflow when accounts payable decreases.
- ☐ Received when long-term debt is paid off.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

341. Award: 2.00 points

Which of the following is NOT typically characterized as a current asset?

- ☐ Inventory.
- ☐ Cash on hand.
- ☒ Patents.
- ☐ Accounts receivable.
- ☐ Marketable securities.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

342. Award: 2.00 points

Which one of the following will increase the net working capital of a retail bakery shop?

- ☐ Purchase of inventory on credit
- ☐ Purchase of new office equipment
- ☐ Payment received from a customer
- ☐ Sale of excess equipment
- ☐ Sale of inventory on credit

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

343. Award: 2.00 points

The marginal tax rate can be explained as the amount of tax due:

- ☐ Per dollar of taxable income earned.
- ☐ On an additional dollar of taxable income.
- ☐ Per share of stock outstanding.
- ☐ In excess of the tax liability for the prior tax year.
- ☐ As a percentage of the firm's sales for any given tax year.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

344. Award: 2.00 points

Fixed costs in the short-run generally include which of the following?

- ☐ Manufacturing wages.
- ☐ Material used in manufacturing.
- ☐ Property insurance.
- ☐ Utilities in manufacturing plant.
- ☐ Contractual commitments to purchase supplies.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

345. Award: 2.00 points

AnaxCorporation purchased a long-term asset for \$100,000. The asset has a 30% CCA rate. At the end of year 5, Anax sold the asset for 25% of its original value. Given this information, determine the value of the terminal loss or recapture at the end of year 5.

- ☐ Recapture; \$4,591
- ☐ Recapture \$4,391
- ☐ Recapture \$1,501
- ☐ Terminal Loss \$1,501
- ☐ Terminal Loss \$4,391

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

346. Award: 2.00 points

Dividends paid:

- ☐ Must be equal to or less than the net income earned each year.
- ☐ Equal the cash flow to stockholders in any given year.
- ☐ Reduce the taxable income of a firm.
- ☐ Are considered a noncash expense.
- ☐ Are equal to net income less the change in retained earnings.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

347. Award: 2.00 points

Depreciation:

- ☐ Is a noncash expense that is recorded on the statement of comprehensive income.
- ☐ Increases the net fixed assets as shown on the statement of financial position.
- ☐ Reduces both the net fixed assets and the costs of a firm.
- ☐ Is a non-cash expense which increases the net operating income.
- ☐ Decreases net fixed assets, net income, and operating cash flows.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

348. Award: 2.00 points

Capital cost allowance (CCA) is best described as:

- ☒ The method by which Canadian businesses may claim depreciation expense for calculating taxable income under the Canadian Income Tax Act.
- ☐ The method by which Canadian businesses may record capital assets under the Canadian Income Tax Act.
- ☐ Refers to the beginning balance of an asset class before depreciation has been deducted.
- ☐ Refers to the ending balance of an asset class after depreciation has been deducted.
- ☐ Refers to a government tax credit provided to Canadian businesses for upgrading their capital assets.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

349. Award: 2.00 points

Cash flow from assets:

- ☒ Is defined as the cash available for distribution to creditors and stockholders.
- ☐ Is defined as the change in net fixed assets plus depreciation.
- ☐ Refers to the change in a firm's cash account over a stated period of time.
- ☐ Is defined as the net change in the total assets of a firm over a stated period of time.
- ☐ Is another term for the net cash flow from a firm's ongoing, normal business activities.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

350. Award: 2.00 points

The statement of financial position:

- ☐ Reflects the income and expenses incurred year-to-date.
- ☐ Reflects the income and expenses for the current month only.
- ☐ Reflects the financial status of the firm as of a particular date.
- ☐ Reflects the cash flows of a firm over a period of time.
- ☐ Reflects the current market value of the firm.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

351. Award: 2.00 points

Net capital spending:

- ☐ Is negative if the sale of fixed assets is greater than the acquisition of current assets.
- ☐ Is equal to zero if the decrease in the fixed assets account is equal to the depreciation expense for the period.
- ☐ Reflects the net changes in total assets over a stated period of time.
- ☐ Is equivalent to the cash flow from assets.
- ☐ Is equal to the ending net fixed assets minus the beginning net fixed assets.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

352. Award: 2.00 points

When making financial decisions related to assets, you should:

- ☒ Always consider market values.
- ☐ Place more emphasis on book values than on market values.
- ☐ Rely primarily on the value of assets as shown on the statement of financial position.
- ☐ Place primary emphasis on historical costs.
- ☐ Only consider market values if they are less than book values.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

353. Award: 2.00 points

In 2015, Sensicon Company, based in Toronto, experienced negative cash flow from assets. It must be the case that:

- ☐ The company is in financial distress.
- ☐ Cash flow to creditors and cash flow to shareholders are both negative.
- ☐ Sensicon's interest payments were greater than its dividend payments.
- ☐ Sensicon's dividend payments were greater than its interest payments.
- ☒ Operating cash flow was less than the combination of additions to net working capital and net new capital expenditures.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

354. Award: 2.00 points

Which of the following statements is true?

- ☐ Liabilities equal assets plus shareholders' equity.
- ☐ Shareholders' equity equals assets plus liabilities.
- ☐ Shareholders' equity equals liabilities minus assets.
- ☒ Assets equal liabilities plus shareholders' equity.
- ☐ Assets equal liabilities minus shareholders' equity.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

355. Award: 2.00 points

Suppose a firm has a negative UCC balance. They:

- ☐ Can claim the amount as a tax deductible expense.
- ☒ Must add the amount (as a positive number) to their taxable income.
- ☐ Should sell off all items in the asset pool.
- ☐ Can calculate CCA for the year using the negative balance.
- ☐ Should use the negative amount as a future tax loss.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

356. Award: 2.00 points

When net capital spending is a negative value, the firm has:

- ☐ Depreciation expense which exceeds the cost of new assets acquired.
- ☐ Acquired more fixed assets than it has current assets.
- ☒ Sold more fixed assets than it acquired during a stated period of time.
- ☐ Reduced its total assets during the course of the year.
- ☐ Reduced its investment in inventory.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

357. Award: 2.00 points

Which one of the following is a current asset?

- ☐ Office desk.
- ☐ Account payable.
- ☒ Staples held for resale.
- ☐ Company-owned truck.
- ☐ Welding machine.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

358. Award: 2.00 points

The financial statement showing a firm's accounting value on a particular date is the:

- ☐ Statement of comprehensive income.
- ☒ Statement of financial position.
- ☐ Statement of cash flows.
- ☐ Tax reconciliation statement.
- ☐ Shareholders' equity sheet.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

359. Award: 2.00 points

The financial statement summarizing a firm's performance over a period of time is the:

- ☒ Statement of comprehensive income.
- ☐ Statement of financial position.
- ☐ Statement of cash flows.
- ☐ Tax reconciliation statement.
- ☐ Shareholders' equity sheet.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

360. Award: 2.00 points

The term used for revenues less cost of goods sold and operating expenses is:

- ☐ Earnings before taxes.
- ☐ Net income.
- ☐ Taxable income.
- ☐ Earnings before interest and taxes.
- ☐ Gross profit.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

361. Award: 2.00 points

Net income is allocated to which two items?

- ☐ Shareholders' equity and cash.
- ☐ Paid-in surplus and dividends.
- ☐ Taxes and dividends.
- ☐ Paid-in surplus and cash.
- ☐ Retained earnings and dividends.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

362. Award: 2.00 points

A decrease in which of the following will result in an increase in operating cash flow, all else equal?

- ☐ Interest expense.
- ☐ Depreciation.
- ☐ Taxes.
- ☐ Dividends.
- ☐ Impairment.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

363. Award: 2.00 points

Liquid assets:

- ☐ Are defined as current assets minus current liabilities.
- ☐ Are defined as inventory and equipment.
- ☐ Tend to earn a low rate of return.
- ☐ Include any asset which can be sold within two years.
- ☐ Is another term for current assets.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

364. Award: 2.00 points

A firm starts its year with a positive net working capital. During the year, the firm acquires more short-term debt than it does short-term assets. This means that:

- ☐ The ending net working capital will be negative.
- ☐ Both accounts receivable and inventory decreased during the year.
- ☐ The beginning current assets were less than the beginning current liabilities.
- ☐ Accounts payable increased and inventory decreased during the year.
- ☐ The ending net working capital can be positive, negative, or equal to zero.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

365. Award: 2.00 points

Cash flow from assets must be negative when:

- ☐ The firm has a taxable loss for the year.
- ☐ The cash flow from creditors and the cash flow from stockholders are both negative.
- ☐ The cash flow from creditors is negative and the cash flow from stockholders is positive.
- ☐ The change in net working capital exceeds the net capital spending.
- ☐ Operating cash flow is less than the change in net working capital.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

366. Award: 2.00 points

Which of the following is probably considered a fixed cost, at least in the short run?

- ☐ The cost of raw materials.
- ☐ The cost of direct labour expenses.
- ☐ The company president's salary.
- ☐ The cost of utilities.
- ☐ The commissions paid to the sales force.

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

367. Award: 2.00 points

As an investor, how would you determine the total market value of a publicly traded corporation such as Research In Motion?

- ☐ The values of debt and equity as they appear on the most recent financial statements.
- ☐ The value of debt as it appears on the most recent financial statements plus the current market value of RIM's common stock.
- ☐ The current market value of RIM's stock plus the market value of RIM's debt.
- ☐ Through its stock price.
- ☐ Through buy and sell recommendations.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

368. Award: 2.00 points

Net new equity is equal to _____.

- ☐ The dollar value of equity sales minus any equity repurchases.
- ☐ The dollar value of equity sales plus retained earnings.
- ☐ The dollar value of equity sales plus retained earnings minus dividends paid.
- ☐ The dollar value of equity sales plus retained earnings plus dividends paid.
- ☐ The dollar value of equity sales plus dividends paid.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

369. Award: 2.00 points

A negative cash flow to stockholders means:

- ☐ Cash flow from assets must also be negative.
- ☐ Cash flow to creditors must also be negative.
- ☐ The firm repurchased a significant number of outstanding shares.
- ☐ Stockholders were a source of cash for the period.
- ☐ The firm is bankrupt.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

370. Award: 2.00 points

Capital gains is best described as:

- ☐ The increase in the market value of current assets.
- ☐ The increase in the market value of long-term capital assets.
- ☐ The increase in value of shareholders' equity.
- ☐ The increase in value of a firm's intangible assets.
- ☐ The growth in value of investments that were purchased at a lower price than the amount sold.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

371. Award: 2.00 points

When evaluating project cash flows in a financial decision, _____.

- ☐ Taxes can generally be ignored since they are a non-cash expense.
- ☐ The financial manager should compute and use the marginal tax rate.
- ☐ The marginal tax rate and average tax rate are of equal importance.
- ☐ The financial manager should use the tax rate that is equal to the total tax liability divided by total taxable income.
- ☐ Taxes are irrelevant unless income for the firm is greater than zero.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

372. Award: 2.00 points

Cash flow to creditors must increase when:

- ☐ A firm increases its long-term debt by more than its interest expense in any given year.
- ☒ The cash flow to stockholders is constant and the cash flow from assets increases.
- ☐ The operating cash flow increases and the cash flow to stockholders decreases.
- ☐ The interest rate on the firm's debt decreases.
- ☐ A firm borrows more than it repays in any one given year.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.
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373. Award: 2.00 points

Which of the following represents a use of the matching principle in accounting?

- ☐ The cost of purchasing an item on account is recorded when the payable is paid.
- ☐ Revenues from a credit sale are recorded when the receivable is received.
- ☒ The production costs of inventory are recorded along with the revenue from the sale on the date the sale is made.
- ☐ Costs are recorded as fixed or variable on the date of the transaction.
- ☐ Revenues are recorded when cash is received, and costs recorded when payments are made.

References

Multiple Choice	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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Difficulty: Moderate	Learning Objective: 02-02 The difference between accounting income and cash flow.
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374. Award: 2.00 points

Which one of the following will decrease a firm's net working capital?

- ☐ an increase in the cash account balance
- ☐ the payment of a receivable by a customer
- ☒ the purchase of a fixed asset using short-term debt
- ☐ the acquisition of a building using long-term debt
- ☐ the sale of inventory for cash

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

375. Award: 2.00 points

Which of the following will increase cash flow from assets?

- ☐ The sale of machinery and equipment at book value
- ☐ The sale of inventory at cost
- ☒ The purchase of inventory on credit
- ☐ An increase in accounts receivable due to a profitable sale
- ☐ An increase in bonds payable

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

376. Award: 2.00 points

Which one of the following will decrease the value of the owners' equity on a statement of financial position?

- ☒ Dividends paid during the year in an amount which exceeds the net income for the year.
- ☐ The sale of new shares of stock.
- ☐ The purchase of new equipment using the proceeds of a bank loan.
- ☐ The sale of inventory at a profit.
- ☐ A decrease in the amount of long-term debt owed by a firm.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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377. Award: 2.00 points

Financial leverage refers to:

- ☒ The proportion of debt used in a firm's capital structure.
- ☐ The ratio of retained earnings to shareholders' equity.
- ☐ The ratio of paid-in surplus to shareholders' equity.
- ☐ The ratio of cost-of-goods-sold to total sales.
- ☐ The amount of receivables present in the firm's asset structure.

References

Multiple Choice	Difficulty: Easy	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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378. Award: 2.00 points

Which one of the following will increase the value of shareholders' equity?

- ☐ The repurchase of outstanding shares of stock by the issuer
- ☒ Positive net income and a dividend payout ratio of 60 percent
- ☐ The repayment of short-term debt
- ☐ The conversion of short-term debt to long-term debt
- ☐ The sale of fixed assets at their book value

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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379. Award: 2.00 points

Which of the following is a true statement?

- ☐ Accounting income is generally equal to firm cash flow.
- ☒ Accounting statements are usually prepared to match the timing of income and expenses.
- ☐ The statement of financial position equity account represents the market value of the firm to shareholders.
- ☐ The statement of financial position tells investors exactly what the firm is worth.
- ☐ Assets are usually listed on the statement of financial position at market value.

References

Multiple Choice	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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Difficulty: Moderate	Learning Objective: 02-02 The difference between accounting income and cash flow.
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380. Award: 2.00 points

Loss carry-back is best described as:

- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ Restatement of all prior years' financial statements if material errors are found
- ☐ Restatement of retained earnings if past losses are discovered.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

381. Award: 2.00 points

Loss carry-forward is best described as:

- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ The difference between UCC and adjusted cost of disposal when the UCC is greater.
- ☐ When CCA and UCC are equal at the end of an asset's useful life.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

382. Award: 2.00 points

Terminal loss is best described as:

- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ The difference between UCC and adjusted cost of disposal when the UCC is greater.
- ☐ When CCA and UCC are equal at the end of an asset's useful life.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

383. Award: 2.00 points

Average tax rate is best described as:

- ☐ The percentage of your income that goes to pay taxes.
- ☐ The extra tax you would pay if you earned one more dollar.
- ☐ The total dollar value of tax that is paid.
- ☐ The rate set for differing tax brackets.
- ☐ Pre-payments to Canada Revenue Agency to lower tax commitments.

References

Multiple Choice Difficulty: Moderate Learning Objective: 02-04 The difference between average and marginal tax rates.

Marginal tax rate is best described as:

- ☐ The percentage of your income that goes to pay taxes.
- ☒ The extra tax you would pay if you earned one more dollar.
- ☐ The total dollar value of tax that is paid.
- ☐ The rate set for differing tax brackets.
- ☐ Pre-payments to Canada Revenue Agency to lower tax commitments.

References

Multiple Choice

Difficulty: Moderate

Learning Objective: 02-04 The difference between average and marginal tax rates.

Which of the following is/are true regarding the statement of financial position and statement of comprehensive income?

- ☒ The statement of comprehensive income reflects a summary of activity that occurs over some period of time while the statement of financial position is a snapshot taken at a single point in time.
- ☐ Both represent a summary of activity that occurs over some time period.
- ☐ The two statements, taken together, give an accurate estimate of the firm's cash flows and market value.
- ☐ Both are independent of the statement of cash flows.
- ☐ Only the statement of financial position is required in developing the statement of cash flows.

References

Multiple Choice Learning Objective:
02-01 The difference between accounting value (or book value) and market value.

Difficulty: Easy Learning Objective:
02-02 The difference between accounting income and cash flow.

386. Award: 2.00 points

Which of the following are characteristics of a liquid asset?

- ☐ Provide high yields.
- ☐ Are highly specialized equipment.
- ☐ There is a significant loss in value if sold.
- ☐ Include the firm's shares and bonds.
- ☐ Can be converted into cash quickly, with little or no loss in value, and generally earn low returns.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

387. Award: 2.00 points

Your _____ tax rate is the amount of tax payable on the next dollar you earn.

- ☐ deductible
- ☐ residual
- ☐ total
- ☐ average
- ☐ marginal

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

388. Award: 2.00 points

Your _____ tax rate measures the total taxes you pay divided by your taxable income.

- ☐ deductible
- ☐ residual
- ☐ total
- ☒ average
- ☐ marginal

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-04 The difference between average and marginal tax rates.

389. Award: 2.00 points

XYZ Company had a net income of \$40 million in 2015. The firm paid no dividends. If there were no further changes to the stockholders' equity accounts, then _____ by \$40 million.

- ☐ Total debt must have increased.
- ☒ Retained earnings must have increased
- ☐ Total shareholders' equity must have decreased
- ☐ Common stock must have decreased
- ☐ The market value of the firm's stock must have decreased

References

Multiple Choice

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

390. Award: 2.00 points

Which one of the following statements concerning liquidity is correct?

- ☐ If you can sell an asset in 18 months, it is a liquid asset.
- ☐ If you can sell an asset next year at a price equal to its actual value, the asset is highly liquid.
- ☐ Trademarks and patents are highly liquid.
- ☐ The less liquidity a firm has, the lower the probability the firm will encounter financial difficulties.
- ☐ Statement of financial position accounts are listed in order of decreasing liquidity.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

391. Award: 2.00 points

Net acquisitions is best described as:

- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ The increase in value of an investment, when converted to cash.
- ☐ Total installed cost of capital acquisitions minus adjusted cost of any disposals within an asset pool.

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

392. Award: 2.00 points

Recaptured depreciation is best described as:

- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ The difference between UCC and adjusted cost of disposal when the UCC is greater.
- ☐ When CCA and UCC are equal at the end of an asset's useful life.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).
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393. Award: 2.00 points

Realized capital gains is best described as:

- ☐ The taxable difference between adjusted cost of disposal and UCC, when UCC is smaller.
- ☐ Using a year's capital losses to offset capital gains in past years.
- ☐ Using a year's capital losses to offset capital gains in future years.
- ☐ Total installed cost of capital acquisitions minus adjusted cost of any disposals within an asset pool.
- ☐ The increase in value of an investment, when converted to cash.

References

Multiple Choice	Learning Objective: 02-04 The difference between average and marginal tax rates.
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Difficulty: Moderate	Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).
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394. Award: 2.00 points

To estimate the amount of cash which could be received if an asset were sold today, you should use the asset's:

- ☐ Historical cost.
- ☒ Market value.
- ☐ Value as shown on the latest statement of financial position.
- ☐ Book value.
- ☐ Depreciated historical cost.

References

Multiple Choice Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

395. Award: 2.00 points

Which one of the following situations will cause cash flow to creditors to be negative?

- ☐ When there are no new loans and the interest paid exceeds the principal repaid on a loan
- ☒ When the amount of a new loan exceeds both the interest and principal payments made
- ☐ When the amount of the loan paid off exceeds both the amount of a new loan plus the interest paid
- ☐ When the rate of interest on all outstanding loans is decreased
- ☐ When there are no new loans and the current loan is paid off in full

References

Multiple Choice Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

396. Award: 2.00 points

Which of the following statements about liquidity is true?

- ☐ If a firm has a high degree of liquidity, it also faces a high degree of financial distress.
- ☐ At times, too little liquidity can result in lower profits for a firm since there is often a trade-off between liquidity and profitability.
- ☐ You can get an accurate picture of the liquidity of a firm by looking at its current assets.
- ☒ Accounts receivable are generally considered to be more liquid than cash.
- ☐ An asset is liquid if it can be sold quickly regardless of price.

References

Multiple Choice	Difficulty: Moderate	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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397. Award: 2.00 points

An impairment loss is defined as the amount by which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. What is the implication of an impairment loss on a firm's financial statements?

The difference between a company's carrying amount and its recoverable amount is considered an impairment loss. This means that the firm will have to write-down and reduce the value of the asset, while also recording an impairment loss expense. The effect will lower Total assets and equity categories in the statement of financial position. Additionally, the impairment loss will lower the statement of comprehensive income that will flow into the shareholders' equity category previously mentioned.

References

Short Answer	Difficulty: Difficult	Learning Objective: 02-01 The difference between accounting value (or book value) and market value.
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398. Award: 2.00 points

Discuss how financial statement accounts are inter-connected along with the order that financial statements should be prepared.

There are extensive connections between accounts in the statement of financial position and the statement of comprehensive income. For instance, accounts receivable relates to revenue account; while inventory relates to cost of goods sold. Additionally, accounts payable relates to a variety of expense accounts.

The order in which statements are completed are as follows: statement of comprehensive income, retained earned earnings and statement of financial position. The cash flow statement uses information from these three statements to determine change in cash from one period to the next.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

399. Award: 2.00 points

What is a liquid asset and why is it necessary for a firm to maintain a reasonable level of liquid assets?

Liquid assets are those that can be sold quickly with little or no loss in value. A firm that has sufficient liquidity will be less likely to experience financial distress.

References

Short Answer

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

400. Award: 2.00 points

Discuss the difference between book values and market values on the statement of financial position and explain which is more important to the financial manager and why.

The accounts on the statement of financial position are generally carried at historical cost, not market values. Although the book value of current assets and current liabilities may closely approximate market values, the same cannot be said for the rest of the statement of financial position accounts. Ultimately, the financial manager should focus on the firm's stock price, which is a market value measure. Hence, market values are more meaningful than book values.

References

Short Answer

Difficulty: Easy

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

401. Award: 2.00 points

Explain why the statement of comprehensive income is not a good representation of cash flow.

Most statement of comprehensive incomes contain some noncash items, so these must be accounted for when calculating cash flows. More importantly, however, since GAAP is used to create statement of comprehensive incomes, revenues and expenses are booked when they accrue, not when their corresponding cash flows occur.

References

Short Answer

Difficulty: Easy

Learning Objective: 02-02 The difference between accounting income and cash flow.

402. Award: 2.00 points

Why is interest expense excluded from the operating cash flow calculation?

Operating cash flow is designed to represent the cash flow a firm generates from its day-to-day operating activities. Interest expense arises out of a financing choice and thus should rightfully be considered as a cash flow to creditors.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

403. Award: 2.00 points

Note that in all of our cash flow computations to determine cash flow from assets, we never include the addition to retained earnings. Why not? Is this an oversight?

The addition to retained earnings is not a cash flow. It is simply an accounting entry that reconciles the statement of financial position. Any additions to retained earnings will show up as cash flow changes in other statement of financial position accounts.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

404. Award: 2.00 points

Explain the effects depreciation has on both the cash flows and the statement of comprehensive incomes of a firm.

Depreciation reduces both the taxable and net income of a firm as reflected on the statement of comprehensive incomes. While depreciation itself is a noncash expense it does affect the cash flows indirectly by reducing the cash outflow for taxes.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

405. Award: 2.00 points

Discuss the difference between book values and market values on the statement of financial position and explain which is more important to the financial manager and why.

The accounts on the statement of financial position are generally carried at historical cost, not market values. Although the book value of the current assets and the liabilities may closely approximate market values, the same cannot be said for the rest of the statement of financial position accounts. Market values are more relevant as they reflect today's value of an item whereas the statement of financial position reflects historical costs as adjusted by accounting methods. In addition, the financial manager should focus on the firm's stock price, which is a market value measure. Hence, market values are more meaningful than book values for a variety of reasons.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-01 The difference between accounting value (or book value) and market value.

406. Award: 2.00 points

If depreciation is added back to operating cash flow and to additions to fixed assets, does this process add depreciation back twice? Is it not double-counting?

In both cases, depreciation is added back because it was previously subtracted when obtaining ending balances of net income and fixed assets. And, since depreciation is a noncash expense, we need to add it back in both instances, so there is no double counting.

References

Short Answer

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

407. Award: 2.00 points

Sometimes when businesses are critically delinquent on their tax liabilities, the tax authority comes in and literally seizes the business by chasing all of the employees out of the building and changing the locks. What does this tell you about the importance of taxes relative to our discussion of cash flow? Why might a business owner want to avoid such an occurrence?

Taxes must be paid in cash, and in this case, they are one of the most important components of cash flow. The reputation of a business can undergo irreparable harm if word gets out that the tax authorities have confiscated the business, even if only for a couple of hours until the business owner can come up with the money to clear up the tax problem. But, the bottom line is, if the owner can't come up with the cash, the tax authority has effectively put them out of business.

References

Short Answer

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firms cash flow from its financial statements.

408. Award: 2.00 points

What does cash flow from assets represent? Elaborate by discussing operating cash flow, changes in net working capital, and additions to fixed assets.

Operating cash flow is the cash flow a firm generates from its day-to-day operations. In other words, it is the cash inflow generated as a result of putting the firm's assets to work. Changes in net working capital and fixed assets represent investments a firm makes in these assets. That is, a firm typically takes some of the cash flow it generates from using assets and reinvests it in new assets. Cash flow from assets, then, is the cash flow a firm generates by employing its assets, net of any acquisitions.

References

Short Answer

Difficulty: Difficult

Learning Objective: 02-02 The difference between accounting income and cash flow.

409. Award: 2.00 points

When the half-year rule was introduced, do you think firms looked favourably or unfavourably upon the change?

Firms who purchased assets in January could now use only one-half of its original cost to calculate depreciation for the year, compared to the full cost that could have been used under the old system. Also, firms who could previously claim the original cost for a whole year, even though they had only purchased and put in use the asset in December, had a reduction in the amount they could claim. (Therefore, all firms claim a smaller amount of depreciation in the first year so that their taxes increase and usable cash flows decrease.) Therefore, firms would not be in favour of the change.

References

Short Answer

Difficulty: Difficult

Learning Objective: 02-05 The basics of Capital Cost Allowance (CCA) and Undepreciated Capital Cost (UCC).

410. Award: 2.00 points

Discuss the differences between net income and cash flow from operations. Which measure is more relevant to a corporate treasurer and why?

Noncash items, such as depreciation, reduce net income but do not affect cash flows. Interest expense is a cost of financing and not an operating expense; therefore it reduces net income but does not affect cash flow from operations. Cash flows are more relevant to the corporate treasurer since his/her focus is on the cash management of a firm and not the accounting management.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

411. Award: 2.00 points

Explain why cash flow from assets must be positive over the long-term if a firm is to remain financially solvent.

Cash flow from assets must be positive over the long-term as a firm must be able to financially support its own operations. In the short-term, firms can borrow money and issue new securities in order to finance a negative cash flow from assets. However, if a firm does not show that it is financially viable after a period of time, the firm will no longer be able to raise funds in the capital markets.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-02 The difference between accounting income and cash flow.

412. Award: 2.00 points

How can you determine if a firm is self-sustaining by reviewing the firm's cash flow from assets?

If a firm's cash flow from assets is positive, you know that the firm is producing sufficient cash flow to meet the firm's normal operating costs. If the cash flow from assets is greater than the cash flow to creditors, then you also know that the firm is meeting its debt obligations and has some cash flow remaining which can be distributed to the firm's shareholders.

References

Short Answer

Difficulty: Difficult

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.

413. Award: 2.00 points

What does cash flow from assets represent? Elaborate by discussing operating cash flow, changes in net working capital, and additions to fixed assets.

Operating cash flow is the cash flow a firm generates from its day-to-day operations. In other words, it is the cash inflow generated as a result of putting the firm's assets to work. Changes in net working capital and fixed assets represent investments a firm makes in these assets. That is, a firm typically takes some of the cash flow it generates from using assets and reinvests it in new assets. Cash flow from assets, then, is the cash flow a firm generates by employing its assets, net of any fixed asset or net working capital acquisitions.

References

Short Answer

Difficulty: Moderate

Learning Objective: 02-03 How to determine a firm's cash flow from its financial statements.