

Module 1 – Financial Accounting for MBAs, 4th edition by Easton, Halsey, Wild & McAnally

Practice Quiz

1. Which of the following organizations does NOT contribute to the formation of GAAP?
 - a. FASB (Financial Accounting Standards Board)
 - b. IRS (Internal Revenue Service)
 - c. AICPA (American Institute of Certified Public Accountants)
 - d. SEC (Securities and Exchange Commission)

2. **Colgate-Palmolive** reports the following dollar balances in its retained earnings account.

(\$ millions)	2005	2004
Retained earnings	8,968.1	8,223.9

During 2005, Colgate-Palmolive reported net income of \$1,351.4 million. What amount of dividends, if any, did Colgate-Palmolive pay to its shareholders in 2005?

- a. \$607.2 million
 - b. No dividends paid
 - c. \$301.2 million
 - d. \$744.2 million

3. At the beginning of a recent year, **The Walt Disney Company's** liabilities equaled \$26,197 million. During the year, assets increased by \$400 million and year-end assets equaled \$50,388 million. Liabilities decreased \$100 million during the year. What were beginning and ending amounts for Walt Disney's equity?
 - a. \$26,197 million beginning equity and \$24,291 million ending equity
 - b. \$23,791 million beginning equity and \$27,042 million ending equity
 - c. \$23,791 million beginning equity and \$24,291 million ending equity
 - d. \$27,042 million beginning equity and \$25,183 million ending equity

4. **Starbucks** reports net income for 2006 of \$564 million. Its stockholders' equity is \$2,229 million and \$2,090 million for 2006 and 2005, respectively. Compute its return on equity for 2006.
 - a. 13.0%
 - b. 22.8%
 - c. 26.1%
 - d. 32.7%

5. **Nokia** manufactures, markets, and sells phones and other electronics. Total stockholders' equity for Nokia is €14,576 in 2005 and €14,871 in 2004. In 2005, Nokia reported net income of €3,582 on sales of €34,191. What is Nokia's return on equity for 2005?
- 24.3%
 - 42.3%
 - 17.7%
 - 10.5%
6. The total assets of **Dell, Inc.** equal \$15,470 million and its equity is \$4,873 million. What is the amount of its liabilities, and what percentage of financing is provided by Dell's owners?
- \$20,343 million, 24.0%
 - \$10,597 million, 31.50%
 - \$10,597 million, 68.5%
 - \$20,343 million, 76.0%
7. The total assets of **Ford Motor Company** equal \$315,920 million and its liabilities equal \$304,269 million. What is the amount of Ford's equity and what percentage of financing is provided by its owners?
- \$11,651 million, 3.9%
 - \$620,189 million, 49.1%
 - \$620,189 million, 50.9%
 - \$11,651 million, 3.7%
8. Following are selected ratios of Crocker Corp. for 2007 and 2006.

Return on Assets (ROA) Component	2007	2006
Profitability (Net income/Sales)	26%	22%
Productivity (Sales/Average net assets)	1.2	1.1

Compute the company's return on assets (ROA) for 2007.

- 30.0%
 - 19.2%
 - 12.1%
 - 31.2%
9. Nickle Company reports net income of \$800 million for its fiscal year ended January 2008. At the beginning of that fiscal year, Nickle Company had \$5,000 million in total assets. By fiscal year-end 2008, total assets had grown to \$6,500 million. What is Nickle's return on assets (ROA)?
- 13.9%
 - 16.0%
 - 12.3%
 - 10.7%

10. The following table contains financial statement information for Izzy Corporation.

(\$ millions)	Total Assets	Net Income	Sales	Equity
2006	\$105,000	\$10,000	\$95,000	\$30,000
2007	\$125,000	\$11,000	\$100,000	\$31,000

Compute the return on equity (ROE) and return on assets (ROA) for 2007.

- a. 25.5% ROE, 10.0% ROA
- b. 31.9% ROE, 11.2% ROA
- c. 36.1% ROE, 9.6% ROA
- d. 37.2% ROE, 13.1% ROA