

**Module 2 – Financial & Managerial Accounting for MBAs, 2<sup>nd</sup> Edition by Easton, Halsey, McAnally, Hartgraves & Morse**

**Practice Quiz**

1. Following are selected income statement and balance sheet data for companies in different industries.

\$ millions	Sales	Cost of Goods Sold	Gross Profit	Net income	Assets	Liabilities	Stockholders' Equity
Harley-Davidson . . . .	\$ 5,342	\$ 3,302	\$ 2,040	\$ 960	\$ 5,255	\$ 2,171	\$ 3,084
Nike, Inc. . . . .	13,740	7,624	6,116	1,212	8,794	3,149	5,645
Starbucks Corp. . . . .	6,369	2,605	3,764	494	3,514	1,423	2,091
Target Corp. . . . .	51,271	34,927	16,344	2,408	34,995	20,790	14,205

Which company reports the highest ratio of net income to equity?

- Harley-Davidson
  - Nike, Inc.
  - Starbucks Corp.
  - Target Corp.
2. Following are selected income statement and balance sheet data for companies in different industries.

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Which company has financed itself with the highest percentage of liabilities to equity?

- Harley-Davidson
- Nike, Inc.
- Starbucks Corp.
- Target Corp.

3. Following are selected accounts for **Target Corporation**. Compute its net profit margin.

(\$ millions)	Amount	Classification
Sales . . . . .	\$48,163	
Accumulated depreciation . . . . .	6,178	
Depreciation expense . . . . .	1,320	
Retained earnings . . . . .	9,648	
Net income . . . . .	1,841	
Property, plant & equipment, net . . . . .	16,969	
Selling, general & administrative expense . . . . .	11,534	
Accounts receivable . . . . .	5,776	
Total liabilities . . . . .	20,327	
Stockholders' equity . . . . .	11,065	

- a. 4.10%
- b. 3.82%
- c. 7.83%
- d. 11.22%

4. Indicate which of the following items would be reported in the balance sheet.

- |                         |                             |                     |
|-------------------------|-----------------------------|---------------------|
| A. Net income           | D. Accumulated depreciation | G. Interest expense |
| B. Retained earnings    | E. Wages expense            | H. Interest payable |
| C. Depreciation expense | F. Wages payable            | I. Sales            |

- a. C, E, G, I
- b. A, D, F, G
- c. B, C, E, H
- d. B, D, F, H

5. Healy Corporation recorded service revenues of \$200,000 in 2007, of which \$80,000 were on credit and \$120,000 were for cash. Moreover, of the \$80,000 credit sales for 2007, Healy collected \$20,000 cash on those receivables before year-end 2007. The company also paid \$40,000 cash for 2007 wages. Its employees also earned another \$20,000 in wages for 2007, which were not yet paid at year-end 2007. Compute the company's net income for 2007.

- a. \$140,000
- b. \$80,000
- c. \$60,000
- d. \$160,000

6. Plexi Corporation recorded service revenues of \$150,000 in 2009, of which \$80,000 were on credit and \$70,000 were for cash. Moreover, of the \$80,000 credit sales for 2009, Plexi collected \$30,000 cash on those receivables before year-end 2009. The company also paid \$30,000 cash for 2009 wages. Its employees also earned another \$20,000 in wages for 2009, which were not yet paid at year-end 2009. How much net cash inflow did the company generate in 2009?
- \$40,000
  - \$120,000
  - \$100,000
  - \$70,000
7. Following is financial information from **Johnson & Johnson** for the 2005 fiscal year ended January 1, 2006 (\$millions).

Retained earnings, Jan. 2, 2005.....	\$35,223	Dividends.....	\$3,793
Net earnings.....	10,411	Retained earnings, Jan. 1, 2006.....	?
Other retained earnings changes.....	(370)		

What is the retained earnings balance at January 1, 2006?

- \$24,442 million
  - \$31,430 million
  - \$41,471 million
  - \$49,057 million
8. Guay Corp., a start-up company, provided services that were acceptable to its customers and billed those customers for \$400,000 in 2007. However, Guay collected only \$350,000 cash in 2007, and the remaining \$50,000 of 2007 revenues were collected in 2008. Guay employees earned \$100,000 in 2007 wages that were not paid until the first week of 2008. How much net income does Guay report for 2007?
- \$350,000
  - \$400,000
  - \$300,000
  - \$250,000

9. Bozo Company reports the following year-end account balances at December 31, 2009. What is Bozo's net income for 2009?

Accounts payable .....	\$20,000	Inventory .....	\$40,000
Accounts receivable .....	\$40,000	Land .....	\$100,000
Bonds payable, long-term .....	\$250,000	Goodwill .....	\$10,000
Buildings .....	\$160,000	Retained earnings .....	\$115,000
Cash .....	\$50,000	Sales revenue .....	\$500,000
Common stock .....	\$100,000	Supplies inventory .....	\$5,000
Cost of goods sold .....	\$200,000	Supplies expense .....	\$20,000
Equipment .....	\$80,000	Wages expense .....	\$100,000

- a. \$380,000  
 b. \$375,000  
 c. \$180,000  
 d. \$300,000
10. L. Demers launched a professional services firm on March 1. The firm will prepare financial statements at each month-end. In March (its first month), Demers executed the following transactions. What is the net income for the month of March?
- Demers (owner) invested in the company, \$150,000 cash and \$30,000 in property and equipment. The company issued common stock to Demers.
  - The company paid \$5,000 cash for rent of office furnishings and facilities for March.
  - The company performed services for clients and immediately received \$8,000 cash earned.
  - The company performed services for clients and sent a bill for \$20,000 with payment due within 60 days.
  - The company compensated an office employee with \$6,000 cash as salary for March.
  - The company received \$12,000 cash as partial payment on the amount owed from clients in the 4<sup>th</sup> transaction above.
  - The company paid \$2,000 cash in dividends to Demers (owner).
- a. \$17,000  
 b. \$15,000  
 c. \$3,000  
 d. \$197,000