Module 1 – Financial Statement Analysis & Valuation, 2nd edition by Easton, McAnally, Fairfield, Zhang, and Halsey

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.

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings</td>
<td>8,968.1</td>
<td>8,223.9</td>
</tr>
</tbody>
</table>

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

   a. 13.0%
   b. 22.8%
   c. 26.1%
   d. 32.7%

   a. 24.3%
   b. 42.3%
   c. 17.7%
   d. 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?

   a. $20,343 million, 24.0%
   b. $10,597 million, 31.50%
   c. $10,597 million, 68.5%
   d. $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?

   a. $11,651 million, 3.9%
   b. $620,189 million, 49.1%
   c. $620,189 million, 50.9%
   d. $11,651 million, 3.7%

8. Following are selected ratios of Crocker Corp. for 2007 and 2006.

<table>
<thead>
<tr>
<th>Return on Assets (ROA) Component</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability (Net income/Sales)</td>
<td>26%</td>
<td>22%</td>
</tr>
<tr>
<td>Productivity (Sales/Average net assets)</td>
<td>1.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

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

   a. 30.0%
   b. 19.2%
   c. 12.1%
   d. 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)?

a. 13.9%
b. 16.0%
c. 12.3%
d. 10.7%

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

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Total Assets</th>
<th>Net Income</th>
<th>Sales</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$105,000</td>
<td>$10,000</td>
<td>$95,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>2007</td>
<td>$125,000</td>
<td>$11,000</td>
<td>$100,000</td>
<td>$31,000</td>
</tr>
</tbody>
</table>

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