

Financial Statement Analysis & Valuation, 5th Edition
by Easton, McAnally, Sommers, & Zhang

Practice Quiz

Module 1 – Framework for Analysis and Valuation

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. Rocky Beach reports the following dollar balances in its retained earnings account.

(\$ millions)	2017	2016
Retained earnings.....	8,968.1	8,223.9

During 2017, Rocky Beach reported net income of \$1,351.4 million. What amount of dividends, if any, did Rocky Beach pay to its shareholders in 2017?

- 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. Assume that **Starbucks** reported net income for a recent year of \$564 million. Its stockholders' equity is \$2,229 million and \$2,090 million, respectively.

Compute its return on equity.

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

5. **Nokia** manufactures, markets, and sells phones and other electronics. Assume that Nokia reported net income of €3,582 on sales of €34,191 and total stockholders' equity of €14,576 and €14,871, respectively.

What is Nokia's return on equity?

- 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 Canary Corp. for 2017 and 2016.

Return on Assets (ROA) Component	2017	2016
Profitability (Net income/Sales)	26%	22%
Productivity (Sales/Average net assets)	1.2	1.1

Compute the company's return on assets (ROA) for 2017.

- 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 2017. At the beginning of that fiscal year, Nickle Company had \$5,000 million in total assets. By fiscal year-end 2017, 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.

(\$ millions)	Total Assets	Net Income	Sales	Equity
2016	\$105,000	\$10,000	\$95,000	\$30,000
2017	\$125,000	\$11,000	\$100,000	\$31,000

Compute the return on equity (ROE) and return on assets (ROA) for 2017.

- 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