

Module 3 – Financial Statement Analysis & Valuation, 4th Edition by Easton, McAnally, Sommers & Zhang

Practice Quiz

1. Following is the balance sheet for **Target Corporation**.

(\$ millions)	January 28, 2006	January 29, 2005
Assets		
Cash and cash equivalents	\$ 1,648	\$ 2,245
Accounts receivable, net	5,666	5,069
Inventory	5,838	5,384
Other current assets	1,253	1,224
Total current assets	14,405	13,922
Property and equipment		
Land	4,449	3,804
Buildings and improvements	14,174	12,518
Fixtures and equipment	3,219	2,990
Computer hardware and software	2,214	1,998
Construction-in-progress	1,158	962
Accumulated depreciation	(6,176)	(5,412)
Property and equipment, net	19,038	16,860
Other noncurrent assets	1,552	1,511
Total assets	\$34,995	\$32,293
Liabilities and shareholders' investment		
Accounts payable	\$ 6,268	\$ 5,779
Accrued liabilities	2,193	1,633
Income taxes payable	374	304
Current portion of long-term debt and notes payable	753	504
Total current liabilities	9,588	8,220
Long-term debt	9,119	9,034
Deferred income taxes and other	851	973
Other noncurrent liabilities	1,232	1,037
Shareholders' investment		
Common stock	73	74
Additional paid-in-capital	2,121	1,810
Retained earnings	12,013	11,148
Accumulated other comprehensive income	(2)	(3)
Total shareholders' investment	14,205	13,029
Total liabilities and shareholders' investment	\$34,995	\$32,293

Identify and compute its fiscal year-end 2006 net operating assets.

- \$24,077 million
- \$22,429 million
- \$ 4,334 million
- \$14,205 million

2. Following is the income statement for **Target Corporation**. Assume that the combined federal and state statutory tax rate is 38.3%.

(\$ millions)	2006
Sales.....	\$51,271
Net credit card revenues	1,349
Total revenues.....	52,620
Cost of sales.....	34,927
Selling, general and administrative expenses	11,185
Credit card expenses	776
Depreciation and amortization	1,409
Earnings from continuing operations before interest expense and income taxes.....	4,323
Net interest expense	463
Earnings from continuing operations before income taxes	3,860
Provision for income taxes.....	1,452
Net earnings.....	<u>\$ 2,408</u>

Compute NOPAT for Target for 2006. (*Hint: Treat Target's credit card revenues and related expenses as operating.*)

- \$2,408 million
 - \$3,860 million
 - \$2,871 million
 - \$2,694 million
3. Selected balance sheet and income statement information for Value-Mart Corporation, a discount store retailer, follows.

Company (\$ millions)	2013 Revenues	2013 NOPAT	2013 Net Operating Assets	2012 Net Operating Assets
Value-Mart	\$42,315	\$2,988	\$22,320	\$19,010

Compute its 2013 return on net operating assets (RNOA).

- 48.84%
- 7.06%
- 13.39%
- 14.46%

4. Selected fiscal year balance sheet and income statement information for a fast-food chain, Cluck-in-a-Bucket, Corp. follows (\$ millions).

Company	2013 Sales	2013 Net Income	2013 Net Operating Profit After Tax	2013 Net Operating Assets	2012 Net Operating Assets	2013 Stockholders' Equity	2012 Stockholders' Equity
Cluck-in-a-Bucket	\$38,826	\$8,664	\$8,487	\$21,157	\$19,092	\$36,182	\$38,579

Compute the 2013 return on equity (ROE).

- 23.95%
 - 22.70%
 - 23.18%
 - 23.46%
5. Selected balance sheet and income statement information from Easton's, Inc. follows (\$ millions).

Company	2014 Sales	2014 Net Income	2014 Net Operating Profit After Tax	2014 Net Operating Assets	2013 Net Operating Assets	2014 Stockholders' Equity	2013 Stockholders' Equity
Easton's...	\$16,079	\$834	\$832	\$3,389	\$3,205	\$4,425	\$4,115

Compute the 2014 return on equity (ROE).

- 5.21%
 - 19.10%
 - 19.53%
 - 18.85%
6. Selected balance sheet and income statement information from **Abercrombie & Fitch** and **TJX Companies**, clothing retailers in the high-end and value-priced segments, respectively, follows.

Company (\$ millions)	Ticker	2006 Sales	2006 NOPAT	2006 Net Operating Assets	2005 Net Operating Assets
Abercrombie & Fitch	ANF	\$2,784.7	\$324.7	\$565.0	\$ 361.7
TJX Companies	TJX	16,057.9	708.5	2,235.9	2,139.5

Compute the 2006 return on net operating assets (RNOA) for both companies.

- ANF 52.75%, TJX 26.23%
- ANF 70.08%, TJX 32.39%
- ANF 22.11%, TJX 16.82%
- ANF 36.33%, TJX 21.76%

7. Selected balance sheet and income statement information for Hill Corp. and May Inc., follows.

Company (\$ millions)	2013 Sales	2013 NOPAT	2013 Net Operating Assets	2012 Net Operating Assets
Hill Corp	\$3,785	\$526.4	\$785.0	\$ 461.5
May Inc.	16,023	1,047.7	2,951.0	3,760.0

Compute the 2013 net operating profit margin (NOPM) for each company.

- Hill 52.74%, May 21.01%
- Hill 27.33%, May 19.17%
- Hill 18.14%, May 8.23%
- Hill 13.91%, May 6.54%

8. Selected balance sheet and income statement information for EKG Corporation and AMP Company follows.

Company (\$ millions)	2013 Sales	2013 NOPAT	2013 Net Operating Assets	2012 Net Operating Assets
EKG Corp.	\$37,006	\$1,292	\$10,007	\$9,437
AMP Company	47,409	1,716	8,781	7,818

Compute the 2013 net operating asset turnover (NOAT) for each company.

- EKG 3.81, AMP 5.71
- EKG 3.52, AMP 5.03
- EKG 12.70, AMP 20.14
- EKG 3.49, AMP 3.65