

**Module 1 – Financial Statement Analysis & Valuation, 4<sup>th</sup> Edition by Easton, McAnally, Sommers & Zhang**

**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** 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. 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 Cabot Corp. for 2013 and 2012.

Return on Assets (ROA) Component	2013	2012
Profitability (Net income/Sales) .....	26%	22%
Productivity (Sales/Average net assets) .....	1.2	1.1

Compute the company's return on assets (ROA) for 2013.

- 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 2014. At the beginning of that fiscal year, Nickle Company had \$5,000 million in total assets. By fiscal year-end 2014, 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
2012 .....	\$105,000	\$10,000	\$95,000	\$30,000
2013 .....	\$125,000	\$11,000	\$100,000	\$31,000

Compute the return on equity (ROE) and return on assets (ROA) for 2013.

- 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