

**Financial & Managerial Accounting for MBAs, 5th Edition  
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**Practice Quiz**

**Module 2 – Introducing Financial Accounting**

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	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?

- a. Harley-Davidson
  - b. Nike, Inc.
  - c. Starbucks Corp.
  - d. 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?

- a. Harley-Davidson
- b. Nike, Inc.
- c. Starbucks Corp.
- d. Target Corp.

3. Following are selected income statement accounts for Apple Inc.

(\$ millions)	
Sales	\$233,715
Cost of goods sold	<u>140,089</u>
Gross profit	93,626
Total expenses	<u>40,232</u>
Net income	<u>\$ 53,394</u>

Compute Apple's gross profit margin.

- a. 22.7%
- b. 40.0%
- c. 17.2%
- d. 11.2%

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. Indicate which of the following items would be reported in the income statement.

- |                         |                        |                     |
|-------------------------|------------------------|---------------------|
| A. Sales                | D. Accounts receivable | G. Inventories      |
| B. Retained earnings    | E. Dividends           | H. Accounts payable |
| C. Depreciation expense | F. Cost of goods sold  | I. Net income       |

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

6. Following is financial information from Johnson & Johnson for a recent fiscal year.

(\$ millions)			
Retained earnings, January 1	\$35,223	Dividends	\$3,793
Net Earnings	10,411	Retained earnings, December 31	?
Other retained earnings changes	(370)		

What is the retained earnings balance at December 31?

- a. \$24,442 million
- b. \$31,430 million
- c. \$41,471 million
- d. \$49,057 million

7. Daniels Company reports the following year-end account balances at December 31, 2017.

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

What is Daniels Company's net income for 2017?

- a. \$380,000
- b. \$375,000
- c. \$180,000
- d. \$300,000

8. Identify which of the following accounts would appear as assets in the balance sheet?

- |                      |                     |                          |
|----------------------|---------------------|--------------------------|
| A. Dividends         | D. Goodwill         | G. Cash                  |
| B. Retained earnings | E. Deferred revenue | H. Interest payable      |
| C. Prepaid insurance | F. Wages payable    | I. Marketable securities |

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

9. Following is selected financial information for Aiello, Inc. for the years 2017 and 2016.

(\$ millions)	2017	2016
Beginning retained earnings	\$ ?	\$245,870
Net income (loss)	88,030	79,980
Dividends	25,120	?
Ending retained earnings	?	290,570

What is Aiello, Inc.'s ending retained earnings balance for 2017?

- a. \$403,720
- b. \$227,660
- c. \$353,480
- d. \$290,570

10. Selected balance sheet amounts for Reed Corporation for 2017 follow.

Current assets	Long-term assets	Total assets	Current liabilities	Long-term liabilities	Total liabilities	Equity
\$9,540	?	?	\$14,520	\$12,340	?	\$15,990

What is the balance sheet amount for Long-term assets?

- a. \$42,850
- b. \$33,310
- c. \$26,860
- d. \$29,500