Managerial Accounting for Undergraduates

2nd Edition

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PRACTICE QUIZ

Chapter 13: Statement of Cash Flows

1. Smith & Sons had net income of $50 and an increase in accounts receivable of $40. Considering only these two items, the effect on operating cash flow is:

a. $50 increase
b. $90 increase
c. $10 increase
d. $40 increase

2. The purchase of equipment is reported in the statement of cash flows as an:

a. Outflow under operating activities
b. Outflow under investing activities
c. Outflow under financing activities
d. Inflow under operating activities

3. Proceeds from issuance of long-term debt would appear on the statement of cash flows as:

a. Cash outflow from investing activities
b. Cash inflow from investing activities
c. Cash outflow from financing activities
d. Cash inflow from financing activities

4. The purchase of treasury stock will have what impact on the statement of cash flows?

a. Cash outflow from investing activities
b. Cash inflow from investing activities
c. Cash outflow from financing activities
d. Cash inflow from financing activities

5. Cash inflows or outflows from investing activities would involve all of the following except:

a. The purchase of marketable securities
b. The receipt of interest income on short-term investments
c. The proceeds from the sale of equipment
d. The purchase of buildings

6. Which of the following transactions has an effect on the statement of cash flows?

a. A two-for-one stock split
b. A 10 percent stock dividend
c. The declaration of a cash dividend
d. The issuance of preferred stock

7. Smith & Sons reports sales revenue of $2,000,000 on its income statement. Its balance sheet reveals beginning and ending accounts receivable of $120,000 and $184,000, respectively.

What is the amount collected from customers of the company?

a. $2,064,000
b. $1,936,000
c. $2,120,000
d. $2,184,000

8. Smith & Sons reported the following data:

Cash flow from operations	$80,000
Annual capital expenditures	25,000
Average current liabilities	60,000

Calculate the company's free cash flow.

a. $80,000
b. $55,000
c. $45,000
d. $20,000

9. Using the information from Question 8, calculate the company's operating-cash-flow-to-current-liabilities ratio.

a. 1.33
b. 0.42
c. 0.92
d. 0.80

10. The following information is available from the financial statements of Samuels Corporation for the year ended December 31:

Net income	$400,000
Increase in accounts payable	$10,000
Depreciation expense	$20,000
Payment of dividends	$5,000
Decrease in accounts receivable	$15,000
Increase in inventories	$10,000
Decrease in income taxes payable	$20,000

What is Samuels Corporation's net cash flow from operating activities?

a. $385,000
b. $395,000
c. $405,000
d. $415,000

SOLUTIONS

Chapter 13: Statement of Cash Flows

1. c
Rationale: ($50 - $40)

2. b

3. d

4. c

5. b

6. d

7. b
Rationale: [$2,000,000 – ($184,000 - $120,000)]

8. b
Rationale: ($80,000 - $25,000)

9. a
Rationale: ($80,000/$60,000)

10. d
Rationale: ($400,000 + $10,000 + $20,000 + $15,000 - $10,000 - $20,000)