

Module 4 – Financial Accounting for MBAs, 6th Edition by Easton, Wild, Halsey & McAnally

Solutions to Practice Quiz

LO: 2

1. Answer: b

(\$ millions)

$$\text{NOA 2006} = \$34,995 - \$1,648 - \$6,268 - \$2,193 - \$374 - \$851 - \$1,232 = \$22,429$$

Note: In the absence of information about other current and long-term assets and liabilities, we assume that these are operating in nature.

LO: 2

2. Answer: d

(\$ millions)

$$\text{NOPAT} = \$4,323 - (\$1,452 + [\$463 \times 0.383]) = \$2,694$$

LO: 2

3. Answer: d

(\$ millions)

$$\begin{aligned} \text{RNOA} &= \text{NOPAT} / \text{Average net operating assets (NOA)} \\ &= \$2,988 / [(\$21,320 + \$19,010) / 2] = 14.46\% \end{aligned}$$

LO: 4

4. Answer: b

$$\text{2005 current ratio} = \$16,448 / \$25,063 = 0.66$$

LO: 1

5. Answer: c

$$\text{2013 ROE} = \$8,664 / [(\$36,182 + \$38,579) / 2] = 23.18\%$$

LO: 1

6. Answer: c

$$\text{2014 ROE} = \$834 / [(\$4,425 + \$4,115) / 2] = 19.53\%$$

LO: 4

7. Answer: a

$$2005 \text{ times interest earned: } (\$13,652 + \$2,180) / \$2,180 = 7.26$$

LO: 2

8. Answer: b

$$\begin{aligned} \text{ANF RNOA} &= \$324.7 / [(\$565.0 + \$361.7) / 2] = 70.08\% \\ \text{TJX RNOA} &= \$708.5 / [(\$2,235.9 + \$2,139.5) / 2] = 32.39\% \end{aligned}$$

LO: 2

9. Answer: d

$$\begin{aligned} \text{Hill NOPM} &= \$526.4 / \$3,785 = 13.91\% \\ \text{May NOPM} &= \$1,047.7 / \$16,023 = 6.54\% \end{aligned}$$

LO: 2

10. Answer: a

$$\begin{aligned} \text{EKG NOAT} &= \$37,006 / [(\$10,007 + \$9,437) / 2] = 3.81 \\ \text{AMP NOAT} &= \$47,409 / [(\$8,781 + \$7,818) / 2] = 5.71 \end{aligned}$$