

S00-Group 4

The incomplete financial statements for Chihuahua Corporation appear below. Compute the missing amounts and answer questions 21 through 25 by writing the correct amount on your answer sheet. Assume that stockholders' equity had no overall change from the beginning of the year to the end of the year.

Additional information needed:

Current ratio 2.5 to 1

Quick ratio 2 to 1

Gross profit percentage 40%

Return on sales 5%

Return on common stockholders' equity 4%

**Chihuahua Corporation
Balance Sheet
December 31, 1999**

Cash in Bank.....	_____	Current Liabilities.....	_____
Accounts Receivable.....	56,000	Long-Term Liabilities.....	175,000
Merchandise Inventory.....	_____	Stockholders' Equity.....	_____
Prepaid Insurance	5,000		
Property, Plant & Equip.....	_____		
Total Assets	\$ <u>900,000</u>	Total Liabilities and Stockholders' Equity....	\$ <u>900,000</u>

**Chihuahua Corporation
Income Statement
For the Year Ended December 31, 1999**

Net Sales.....	_____
Cost of Merchandise Sold	_____
Gross Profit on Sales.....	_____
Total Operating Expenses.....	_____
Net Income.....	\$ <u>25,000</u>

21. What is the amount of Cash in Bank?
- *22. What is the amount of Property, Plant, & Equipment?
23. What is the amount of Current Liabilities?
24. What is the amount of Net Sales?
25. What is the amount of Gross Profit on Sales?

S01 - Group 12

Refer to the information in Table 1 below. For questions 67 through 71, consider each transaction INDEPENDENTLY and write the identifying letter of the best response on your answer sheet.

(Hint: How did the working capital, current ratio, and quick ratio change from before the transaction on December 31, 2000 to after each independent transaction?) For any computations, round decimals to two places (hundredths).

Table 1
(for questions 67 through 71)

The following balances appear on the financial statements of The Garden Center, Inc. for the year ended December 31, 2000.

Cash in Bank	180,000	Notes Payable (due in 3 months)	50,000
Accounts Receivable	195,000	Accounts Payable	215,000
Merchandise Inventory	193,000	Dividends Payable	0
Prepaid Insurance	40,000	Federal Income Tax Payable	10,000
Supplies on Hand	7,000	Sales Tax Payable	25,000
		Notes Payable (due in 14 months)	50,000

The following transactions occurred in the year 2001:

1. Paid \$100,000 on accounts payable.
2. Received \$150,000 through a loan, by signing a note that stated the entire balance is due in 18 months.
3. Received \$100,000 on account.
4. Declared a cash dividend of \$125,000.
5. Paid \$50,000 on the note that was due in 14 months.

*67. What effect did Transaction #1 have on the following?

**Working
Capital**

- A. decrease
- B. no change
- C. increase
- D. no change

**Current
Ratio**

- decrease
- increase
- increase
- no change

**Quick
Ratio**

- decrease
- increase
- increase
- no change

68. What effect did Transaction #2 have on the following?

**Working
Capital**

- A. decrease
- B. increase
- C. increase
- D. no change

**Current
Ratio**

- decrease
- no change
- increase
- no change

**Quick
Ratio**

- decrease
- no change
- increase
- no change

69. What effect did Transaction #3 have on the following?

**Working
Capital**

- A. decrease
- B. no change
- C. increase
- D. no change

**Current
Ratio**

- decrease
- decrease
- increase
- no change

**Quick
Ratio**

- decrease
- decrease
- increase
- no change

*70. What effect did Transaction #4 have on the following?

**Working
Capital**

- A. decrease
- B. no change
- C. increase
- D. decrease

**Current
Ratio**

- decrease
- decrease
- increase
- no change

**Quick
Ratio**

- decrease
- decrease
- increase
- no change

71. What effect did Transaction #5 have on the following?

**Working
Capital**

- A. decrease
- B. no change
- C. increase
- D. no change

**Current
Ratio**

- decrease
- increase
- increase
- no change

**Quick
Ratio**

- decrease
- increase
- increase
- no change

S02 - Group 8

The incomplete financial statements for Pine Corporation appear below. Compute the missing amounts and answer questions 30 through 34 by writing the correct amount on your answer sheet.

Additional information needed:

- Accounts Receivable on 1-1-01 was \$40,000 and on 12-31-01 had increased by 12%
- Stockholders' equity on 12-31-00 was \$200,000
- *Stockholders' equity on 12-31-01 was 20% of total assets on the same date*
- Current ratio 2.25 to 1
- Quick ratio 1.5 to 1
- Gross profit percentage 32%
- Return on sales 2%
- Return on common stockholders' equity 5%

Pine Corporation
Balance Sheet
December 31, 2001

Cash in Bank	_____	Current Liabilities.....	_____
Accounts Receivable	_____	Long-Term Liabilities	1,475,000
Merchandise Inventory	_____	Stockholders' Equity	_____
Prepaid Insurance	12,000		
Property, Plant & Equip.	_____		
Total Assets.....	\$ _____	Total Liabilities and Stockholders' Equity.....	\$ _____

Pine Corporation
Income Statement
For the Year Ended December 31, 2001

Net Sales	_____
Cost of Merchandise Sold	_____
Gross Profit on Sales	_____
Total Operating Expenses.....	_____
Net Income.....	\$ <u>15,000</u>

**30. What is the amount of Cash in Bank?

**31. What is the amount of Merchandise Inventory?

*32. What is the amount of Current Liabilities?

33. What is the amount of Net Sales?

34. What is the amount of Cost of Merchandise Sold?

S03 - Group 3

The following account balances were taken from the end of fiscal year financial statements of Salt Fork, Inc. for December 31, 2002:

Cash in Bank	28,000	Accounts Payable	11,250
Accounts Receivable	1,000	Federal Income Tax Payable	6,000
Merchandise Inventory	30,000	Dividends Payable (due 2-15-03)	2,100
Prepaid Expenses	1,000	Sales Taxes Payable	650
		Long Term Notes Payable (due 2-1-04)	15,000

For questions 10 through 12 write the correct amount or ratio on your answer sheet. Ratios should be rounded to the nearest tenth and expressed as in this example: 2 to 1.

10. What is the amount of working capital?

11. What is the quick ratio?

12. What is the current ratio?

S05 - Group 10

The incomplete financial statements for Mighty Mouse Co. appear below. Compute the missing amounts and answer questions 32 through 36 by writing the correct amount on your answer sheet.

Additional information needed:

- Accounts Receivable on 1-1-04 was \$25,000 and on 12-31-04 had increased by 60%
- Stockholders' equity on 12-31-03 was \$125,000
- Stockholders' equity on 12-31-04 was 25% of total assets on the same date
- Current ratio 1.7 to 1
- Quick ratio 1.15 to 1
- Gross profit percentage 32%
- Return on sales 8%
- Return on common stockholders' equity 22%

**Mighty Mouse Co.
Balance Sheet
December 31, 2004**

Cash in Bank.....	_____	Current Liabilities.....	_____
Accounts Receivable.....	_____	Long-Term Liabilities	460,000
Merchandise Inventory.....	_____	Stockholders' Equity.....	_____
Prepaid Insurance	17,000		
Property, Plant & Equip.....	_____		
Total Assets	\$ _____	Total Liabilities and Stockholders' Equity.....	\$ _____

**Mighty Mouse Co.
Income Statement
For the Year Ended December 31, 2004**

Net Sales.....	_____
Cost of Merchandise Sold.....	_____
Gross Profit on Sales.....	_____
Total Operating Expenses.....	_____
Net Income.....	<u>35,750</u>

- **32. What is the amount of Cash in Bank?
- **33. What is the amount of Merchandise Inventory?
- *34. What is the amount of Current Liabilities?
35. What is the amount of Cost of Merchandise Sold?
- *36. What is the amount of working capital?

S06 - Group 7

The following account balances were taken from the end of fiscal year financial statements of Birddog, Inc. for December 31, 2005:

Cash in Bank	10,000	Accounts Payable	18,000
Accounts Receivable	20,000	Federal Income Tax Payable	2,200
Merchandise Inventory	17,800	Dividends Payable (due 2-15-06)	4,400
Prepaid Insurance	2,200	Sales Taxes Payable	400
		Long-Term Notes Payable (due 2-1-10)	150,000

For questions 35 through 37, write the correct amount or ratio on your answer sheet. Ratios must be rounded to the nearest tenth and expressed as in this example: 2 to 1.

35. What is the amount of working capital?

*36. What is the quick ratio?

37. What is the current ratio?

S07 - Group 3

Consider the following selected items taken from the financial statements for the calendar year 2006. Other items for the calendar year 2005 are also provided. The only class of stock authorized by this corporation is common stock. It is company policy to use net income after taxes for all profitability ratios.

Cash in Bank	27,000	Note Payable (due 9 mo)	10,000
Petty Cash	200	Interest Payable (due 9 mo)	375
Accounts Receivable	34,000	Accounts Payable	15,525
Merchandise Inventory	23,800	Federal Income Tax Payable	3,300
Supplies on Hand	1,200	Dividends Payable	4,400
Prepaid Insurance	2,200	Sales Tax Payable	400
Total Assets 12-31-06	420,000	Note Payable (due 5 years)	125,000
Net Sales	275,000	Stockholders' Equity 12-31-06	250,000
Net Income After Taxes	22,000		
Total Assets 12-31-05	375,000		
Stockholders' Equity 12-31-05	150,000		

13. Working capital is equal to

- | | |
|-------------|--------------|
| A. \$11,475 | D. \$ 54,400 |
| B. \$27,200 | E. \$ 88,400 |
| C. \$34,000 | F. \$122,400 |

14. The current ratio is ? to 1.

- | | |
|---------|----------|
| A. 1.8 | D. 3.74 |
| B. 2.49 | E. 3.8 |
| C. 2.6 | F. 12.35 |

15. The quick ratio is ? to 1.

- A. 0.38 D. 1.8
B. 0.79 E. 2.59
C. 1.26 F. 2.6

16. Return on sales is equal to ? %.

- A. 5.2 B. 5.9 C. 8 D. 11 E. 14.67

* 17. Return on stockholders' equity is equal to ? %.

- A. 5.53 B. 8 C. 8.8 D. 11 E. 14.67

18. When total assets as of 12-31-06 are compared to the base year, the percent of increase is ? %.

- A. 10.71 B. 12 C. 16.36 D. 18 E. 30

S08 - Group 7

The following account balances were taken from the end of fiscal year financial statements of Marcus Corporation for December 31, 2007:

Cash in Bank	28,847	Accounts Payable	26,223
Net Receivables	34,249	Federal Income Tax Payable	3,600
Merchandise Inventory	28,080	Dividends Payable (due 2-15-08)	6,800
Supplies	1,268	Sales Taxes Payable	1,557
Prepaid Insurance	2,200	Note Payable (due 4-1-08)	14,000
		Interest Payable (due 4-1-08)	400
		Long Term Note Payable (due 2-1-10)	310,000

For questions 21 through 23 write the correct amount or ratio on your answer sheet. Ratios should be rounded to the nearest tenth and expressed as in this example: 2 to 1

21. What is the amount of working capital?

*22. What is the quick ratio?

23. What is the current ratio?

S10 - Group 11

Refer to Table 3 below. For questions 58 through 64, write the identifying letter of the best response on your answer sheet.

58. Working capital is equal to

- A. \$12,400 C. \$31,000 E. \$155,000
B. \$ 25,840 D. \$49,600 F. \$162,500

59. The current ratio is ? to 1.

- A. .67 D. 1.86
B. .8 E. 2.91
C. 1.5 F. 3.62

60. The quick ratio is ? to 1.
 A. .21 D. 1.36
 B. .8 E. 1.5
 C. 1.25 F. 1.55
61. Return on sales is equal to ? %.
 A. 4.5 B. 5.29 C. 11.66 D. 22.22 E. 45.0
- * 62. Return on stockholders' equity is equal to ? %.
 A. 5.38 B. 6.8 C. 11.66 D. 13.6 E. 16.32
63. When total assets as of 12-31-09 are compared to the base year, the percent of increase is ? %.
 A. 5.34 B. 15.9 C. 18.92 D. 19.5 E. 40.0
- ** 64. The original cost of all the buildings and equipment was
 A. cannot be determined because there is not enough information
 B. \$210,375 E. \$695,455
 C. \$382,500 F. \$850,000
 D. \$467,500 G. \$1,142,222

Table 3
 (for questions 58 through 64)

The following selected items are taken from the financial statements for the calendar year 2009. All accounts have normal balances. All balance sheet items are presented. Fifty-five percent of the original cost of the buildings & equipment has been depreciated since the business started.

The only class of stock authorized by this corporation is common stock. It is company policy to use net income after taxes for all profitability ratios. The company failed to make any federal estimated income tax payments for 2009.

Cash in Bank	12,615	Accounts Payable	12,175
Change Fund	500	Sales Tax Payable	3,690
Accounts Receivable	36,485	Interest Payable (due 11 mo.)	375
Merchandise Inventory	34,620	Federal Income Tax Payable	5,760
Supplies on Hand	3,620	Dividends Payable	10,000
Prepaid Insurance	5,160	Note Payable (due 11 months)	30,000
Bldgs & Equip	?	Note Payable (due in 2 years)	100,000
Accum. Depr.—Bldg & Eq	?	Note Payable (due in 5 years)	165,000
Land	131,500		
Total Assets 12-31-09	607,000		
		Total Stockholders' Equity 12-31-09	280,000

Net Sales	725,330
Net Income After Taxes	32,640

Additional Information from calendar year 2008:

Total Assets 12-31-08 510,427

Ratios

Total Liabilities 12-31-08	310,427
Stockholders' Equity 12-31-08	200,000