

Question 1 of 53

Bosley Corp. has the following selected results for the past two years:

	20X2	20X1
Sales	\$503,290	\$474,800
Cost of Goods Sold	\$278,050	\$257,450

During this period, inflation had an 8% growth rate. What is Bosley's gross profit margin percentage for Years 20X2 and 20X1, respectively, and what do these financial results indicate about Bosley's profitability?

- A. 44.8%, 45.8%, Bosley Corp.'s gross profit margin is decreasing due to costs rising faster than revenues.
 - B. 45.8%, 44.8%, Bosley Corp.'s gross profit margin is increasing due to costs rising more slowly than revenues.
 - C. 55.2%, 54.2%, Bosley Corp.'s gross profit margin is increasing due to costs rising more slowly than revenues.
 - D. 44.8%, 55.2%, Bosley Corp.'s gross profit margin is decreasing due to costs rising faster than revenues.
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Question 2 of 53

An analyst performs a horizontal analysis on Acme Manufacturing and Processing Company's past financial data. The results are presented as shown (all amounts in millions):

	Year 1	Year 2	Year 3	Year 4
Sales revenue	\$208	\$218	\$232	\$238
Net income	\$160	\$168	\$172	\$176

If Year 1 is the base year, what is the percentage increase in sales revenue from Year 1 to Year 3 (round your answer to the nearest whole percentage)?

- A. 10%
- B. 8%
- C. 7%
- D. 12%

Question 3 of 53

If the consumer price index is 135 and was 122 a year ago, the rate of inflation was:

- A. 9.6%.
 - B. -9.6%.
 - C. 10.7%.
 - D. -10.7%.
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Question 4 of 53

Which of the following financial ratios is most likely to be distorted by inflation?

- A. Gross profit ratio
 - B. Current ratio
 - C. Return on assets
 - D. Accounts receivable turnover
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Question 5 of 53

An analyst performs a horizontal analysis on Acme Manufacturing and Processing Company's past financial data. The results are presented as shown (all amounts in millions).

	Year 1	Year 2	Year 3	Year 4
Sales revenue	\$208	\$218	\$232	\$238
Net income	\$160	\$168	\$172	\$176

If Year 2 is the base year, what is the percentage increase in net income from Year 2 to Year 3 (round your answer to the nearest whole percentage)?

- A. 6%
 - B. 4%
 - C. 3%
 - D. 2%
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The balance sheets of Delaware Drillers include the following current assets:

(\$ '000)	Year 2	Year 3
Cash	\$12,225	\$12,820
Accounts receivable	6,985	6,225
Inventory	25,645	26,675
Prepaid expenses	7,010	6,925
Total current assets	\$51,865	\$52,645

Based on horizontal analysis, what is the percentage for accounts receivable for Year 3 and by what percentage did it decrease over Year 2?

- A. 89.12% and 10.88%
 - B. 98.79% and 1.21%
 - C. 110.88% and 10.88%
 - D. 112.21% and 12.21%
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Question 7 of 53

Horizontal analysis is *most likely* to show:

- A. changes in account balances over time.
 - B. changes in income per month.
 - C. daily changes in profit loss.
 - D. performance against competitors.
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Question 8 of 53

If Year 1 equals \$1,000, Year 2 equals \$1,920, and Year 3 equals \$1,893, the percentage to be assigned for Year 2 in a trend analysis, assuming that Year 1 is the base year, is _____ %.

- A. 101
 - B. 189
 - C. 192
 - D. It cannot be calculated from the information given.
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Question 9 of 53

Because horizontal analysis compares the same amounts over a specified period of time, it is also referred to as:

- A. trend analysis.
 - B. static analysis.
 - C. ratio analysis.
 - D. income analysis.
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Tracy is concerned that inflation will increase soon. Given an inflationary economic environment, which one of the following investment vehicles would be *most* appropriate for Tracy to purchase?

- A. Automotive stocks: inflation will cause cyclical stocks to increase in value.
 - B. Long-term bonds: inflation will cause interest rates to increase.
 - C. Precious metals: inflation will definitely cause these assets to increase in value.
 - D. Short-term bonds: inflation will cause interest rates to decrease.
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Question 11 of 53

Which type of analysis best facilitates observations of year-to-year trends within a company?

- A. Ratio
 - B. Vertical
 - C. Horizontal
 - D. Intercompany
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Question 12 of 53

Melton Co. had the following results for years 20X1 and 20X2.

	20X2	20X1
Sales	\$950,500	\$935,700
Net Income	\$146,340	\$135,500
Inflation Rate	12%	

In 20X1, Melton Co.'s return on assets (ROA) was 10.8%. Assuming that average assets has remained unchanged for 20X2, what was Melton Co.'s ROA as reported in its 20X2 financial statements, as adjusted for inflation, and what does this mean for Melton Co.?

- A. 10.8%, 11.7%, Melton Co. is increasing the productivity of its assets over time.
 - B. 11.7%, 10.4%, Melton Co. is less efficient in its use of assets in 20X2.
 - C. 10.8%, 10.4%, Melton Co. is less efficient in its use of assets in 20X2.
 - D. 11.7%, 12%, Melton Co. is increasing the productivity of its assets over time.
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