MCQ-15542

Shown below are components of a company's financial statements:

Sales revenue	$ 600,000
Cost of goods sold	300,000
Total assets	2,400,000
Total equity	1,500,000
Net income	120,000

What percentage value would net income be on a common-size financial statement?

A. 5%

B. 8%

C. 20%

D. 40%

MCQ-13722

When preparing common-size statements, items on the balance sheet are generally stated as a percentage of _____ and items on the income statement are generally stated as a percentage of _____.

A. total assets; net income

B. total shareholders' equity; net income

C. total shareholders' equity; net sales

D. total assets; net sales

MCQ-12701

A useful analysis to compare a large accounting firm's operating results with a small, local accounting firm is:

A. Horizontal analysis.

B. Vertical analysis.

C. Growth rate analysis.

D. Sensitivity analysis.

MCQ-12703

Sweetwater Corp.'s accountant has been asked to recreate financial statement information that was destroyed when a disgruntled manager deleted files and destroyed paper documents. A partial growth rate analysis of an income statement was recovered:

	Percentage of Base Year			*Growth Rate Analysis Increase (Decrease) From Previous Year*	
	Year 3	*Year 2*	*Year 1*	*Year 3*	*Year 2*
Net sales	?	105.42%		4.82%	?
Cost of goods sold	?	95.74%		3.45%	?
Gross profit	?	99.63%		5.14%	?
Operating expenses	?	110.28%		(12.95%)	?
Income taxes	?	102.12%		3.34%	?
Net income	?	114.18%		?	?

If Year 2 cost of goods sold is $344,644, what is the dollar amount for cost of goods sold in Year 1?

A. $361,255

B. $359,979

C. $356,534

D. $344,644

MCQ-15458

Assume the following sales data for a company:

Year 4	$1,200,000
Year 3	1,020,000
Year 2	840,000
Year 1	600,000

What is the percentage increase in sales from Year 1 to Year 2?

A. 100%

B. 170%

C. 140%

D. 40%

MCQ-15457

The following are statements related to horizontal analysis. Which statement(s) is (are) correct?

I. Horizontal analysis is used to review a company's financial statements over multiple periods.

II. Horizontal analysis is usually depicted as a percentage growth over the same line item in the base year.

III. Horizontal analysis allows financial statement users to easily spot trends and growth patterns.

IV. Horizontal analysis can be manipulated to make the current period look better if specific historical periods of poor performance are chosen as a comparison.

A. I and II

B. I, II, and III

C. I, II, III, and IV

D. I only

MCQ-15452

Paul Barlowe is concerned about the results of operations of the two stores he owns in town. He noticed that sales of Store 2 are higher than those of Store 1, yet its profits are lower as shown in the following table:

	Store 1	*Store 2*
Sales	$154,300	$206,100
Cost of goods sold	60,200	78,900
Gross profit	94,100	127,200
Operating expenses:		
Wages	$ 45,600	$ 72,400
Supplies	12,700	16,800
Rent	6,500	8,500
Insurance	2,000	2,700
Other expenses	7,700	8,300
Net income	$ 19,600	$ 18,500

Using vertical analysis, which of the following statements is correct?

A. Store 2 has a lower net profit percentage and a lower gross profit percentage compared to Store 1.

B. The higher sales in Store 2 are probably due to more salespersons being employed in the store.

C. The high amount of rent paid in Store 2 must be investigated.

D. Higher cost of goods sold in Store 2 indicates inefficient operations compared to Store 1.

MCQ-15455

Which one of the following statements does not represent a benefit of vertical analysis?

A. It is simple to implement and easy to use.

B. It helps identify where management invested its resources.

C. It helps managers compare two different entities of different sizes.

D. It helps managers measure the liquidity of the company.

MCQ-12880

In assessing the financial prospects for a firm, financial analysts use various techniques. An example of vertical, common-size analysis is:

A. An assessment of the relative stability of a firm's level of vertical integration.

B. A comparison in financial ratio between two or more firms in the same industry.

C. Advertising expense in 1995 is 2 percent greater than it was in 1994.

D. Advertising expense in 1995 is 2 percent of sales.

MCQ-15459

A financial analyst decided to perform a horizontal analysis on a statement of retained earnings. This type of analysis would not show a percentage change in:

A. Dividends declared.

B. Net income.

C. Beginning retained earnings.

D. Expenses.