1. Other things held constant, which of the following will **not** affect the quick ratio? (Assume that current assets equal current liabilities.)
   a. Fixed assets are sold for cash.
   b. Cash is used to purchase inventories.
   c. Cash is used to pay off accounts payable.
   d. Accounts receivable are collected.
   e. Long-term debt is issued to pay off a short-term bank loan.

2. Pepsi Corporation's current ratio is 0.5, while Coke Company's current ratio is 1.5. Both firms want to "window dress" their coming end-of-year financial statements. As part of their window dressing strategy, each firm will double its current liabilities by adding short-term debt and placing the funds obtained in the cash account. Which of the statements below best describes the actual results of these transactions?
   a. The transactions will have no effect on the current ratios.
   b. The current ratios of both firms will be increased.
   c. The current ratios of both firms will be decreased.
   d. Only Pepsi Corporation's current ratio will be increased.
   e. Only Coke Company's current ratio will be increased.

3. Tapley Dental Supply Company has the following data:

Net income: $240	Sales: $10,000	Total assets: $6,000
Debt ratio: 75%	TIE ratio: 2.0	Current ratio: 1.2

If Tapley could streamline operations, cut operating costs, and raise net income to $300, without affecting sales or the balance sheet (the additional profits will be paid out as dividends), by how much would its ROE increase?
   a. 3.00%
   b. 3.50%
   c. 4.00%
   d. 4.25%
   e. 5.50%

4. A firm has a profit margin of 15 percent on sales of $20,000,000. If the firm has debt of $7,500,000, total assets of $22,500,000, and an after-tax interest cost on total debt of 5 percent, what is the firm's ROA?
   a. 8.4%
   b. 10.9%
   c. 12.0%
   d. 13.3%
   e. 15.1%

5. Culver Inc. has earnings after interest but before taxes of $300. The company's *before-tax* times-interest-earned ratio is 7.00. Calculate the company's interest charges.
   a. $42.86
   b. $50.00
   c. $40.00

d. $60.00
e. $57.93

6. Collins Company had the following partial balance sheet and complete income statement information for 2010:

Balance Sheet:	
Cash	$ 20
A/R	1,000
Inventories	2,000
Total current assets	$3,020
Net fixed assets	2,980
Total assets	$6,000
Income Statement:	
Sales	$10,000
Cost of goods sold	9,200
EBIT	400
EBT	$ 400
Taxes (40%)	160
Net Income	$ 240

The industry average DSO is 30 (360-day basis). Collins plans to change its credit policy so as to cause its DSO to equal the industry average, and this change is expected to have no effect on either sales or cost of goods sold. If the cash generated from reducing receivables is used to retire debt (which was outstanding all last year and which has a 10% interest rate), what will Collins' debt ratio (Total debt/Total assets) be after the change in DSO is reflected in the balance sheet?

a. 33.33%
b. 45.28%
c. 52.75%
d. 60.00%
e. 65.71%

7. A firm has total assets of $1,000,000 and a debt ratio of 30 percent. Currently, it has sales of $2,500,000, total fixed costs of $1,000,000, and EBIT of $50,000. If the firm's before-tax cost of debt is 10 percent and the firm's tax rate is 40 percent, what is the firm's ROE?

a. 1.7%
b. 2.5%
c. 6.0%
d. 8.3%
e. 9.8%

8. Harvey Supplies Inc. has a current ratio of 3.0, a quick ratio of 2.4, and an inventory turnover ratio of 6. Harvey's total assets are $1 million and its debt ratio is 0.20. The firm has no long-term debt. What is Harvey's sales figure if the total cost of goods sold is 75% of sales?

a. $960,000
b. $720,000

c. $1,620,000
d. $120,000
e. $540,000

9. A(n) ____ is a statement summarizing the firm's revenue and expenses over an accounting period.
a. income statement
b. balance sheet
c. statement of cash flows
d. statement of retained earnings

10. The ____ provides a good indication of the firm's ability to meet its current obligations.
a. debt ratio
b. profit margin
c. days sales outstanding
d. quick ratio
e. return on equity