
Accounting - Analysis and Uses of Financial Statements - Final Exam

105 Questions

1. _____ are least interested in financial statement analysis.
 - A. Auditors
 - B. Tax lawyers
 - C. Investors
 - D. Creditors

2. **According SFAC (Statement of Financial Accounting Concepts) No. 1, the objectives of financial reporting for business firms are based on**
 - A. Reporting on management's stewardship
 - B. The need for materiality
 - C. The informational needs of the users
 - D. GAAP

3. **Representational faithfulness is part of the primary decision-specific quality of _____.**
 - A. Predictive value
 - B. Reliability
 - C. Consistency
 - D. Relevance

4. **The going concern or continuity assumption**
 - A. Is applicable to all financial statements
 - B. Primarily involves periodic income measurement
 - C. Must be adhered to in order for the statements to be prepared under GAAP
 - D. Requires that accounting procedures be the same from period to period

5. **Valuing assets at their liquidation values is NOT consistent with**
 - A. Conservatism
 - B. Materiality
 - C. Going concern
 - D. Time period

6. **The business being separate and distinct from the owners is an integral part of the**
 - A. Time period assumption
 - B. Going concern assumption
 - C. Business entity assumption
 - D. Realization assumption

7. **The accounting assumption requiring that financial information be measured and accounted for in the basic monetary unit of the country in which the enterprise is located is**

- A. Monetary unit
- B. Historical cost
- C. Realization
- D. Going concern

8. The assumption that enables us to prepare periodic statements between the time that a business commences operations and the time it goes out of business is

- A. Time period
- B. Business entity
- C. Historical cost
- D. Transaction

9. Valuing inventory at the lower of cost or market is an application of the

- A. Time period assumption
- B. Realization principle
- C. Going concern principle
- D. Conservatism principle

10. Charging off equipment that cost less than \$20 would be an example of the application of

- A. Going concern
- B. Cost
- C. Matching
- D. Materiality

11. The basic financial statements include a

- A. Balance sheet, income statement, statement of retained earnings, and statement of changes in retained earnings
- B. Balance sheet, income statement, statement of retained earnings, and statement of cash flows
- C. Statement of financial position, income statement, statement of retained earnings, and statement of changes in retained earnings
- D. Balance sheet, statement of financial position, income statement, and statement of changes in retained earnings

12. _____ is NOT normally classified as a current liability on the balance sheet.

- A. Accounts payable
- B. Accrued expenses
- C. Prepaid expenses
- D. Unearned revenue

13. Which of the following is NOT one of the four basic financial statements?

- A. Balance sheet
- B. Statement of retained earnings
- C. Audit report
- D. Statement of cash flows

14. Which of the following regarding retained earnings is FALSE?

- A. Retained earnings is increased by net income and decreased by a net loss
- B. Retained earnings is a component of stockholders' equity on the balance sheet
- C. Retained earnings is an asset on the balance sheet
- D. Retained earnings represents earnings not distributed to stockholders in the form of dividends

15. Which of the following is NOT a typical footnote included in an annual report?

- A. A note describing the auditor's opinion of the management's past and future financial planning for the business
- B. A note providing more detail about a specific item shown in the financial statements
- C. A note describing the accounting rules applied in the financial statements
- D. A note describing financial disclosures about items not appearing in the financial statements

16. Which of the following would be classified as a current liability?

- A. Accounts payable
- B. Land
- C. Capital stock
- D. Accounts receivable

17. The accounting equation could be expressed as:

- A. Assets - Stockholders' Equity = Revenues
- B. Liabilities + Stockholders' Equity = Assets
- C. Assets + Liabilities = Stockholders' Equity
- D. Assets - Liabilities = Revenues - Expenses

18. The financial statement that shows the origin and disposition of an enterprise's cash flows is called the:

- A. Balance sheet
- B. Statement of cash flows
- C. Income statement
- D. Retained earnings statement

19. Which of the following is a primary use of cash?

- A. Borrowing
- B. Investment by owners
- C. Operating expenses
- D. Sale of equipment

20. A statement of cash flows is to be presented in general purpose external financial statements by which of the following?

- A. Publicly held business enterprises only
- B. Privately held business enterprises only
- C. All business enterprises
- D. All business enterprises and not-for-profit organizations

21. A statement of cash flows is intended to help users of financial statements

- A. Evaluate a firm's liquidity, solvency, and financial flexibility
- B. Evaluate a firm's economic resources and obligations
- C. Determine a firm's components of income from operations
- D. Determine whether insiders have sold or purchased the firm's stock

22. Footnote disclosures usually do NOT include

- A. Accounting methods
- B. Statement of changes in stockholders' equity
- C. Inventory pricing
- D. Pension fund

23. Section 404, in conjunction with the related SEC rules and _____, established by PCAOB, requires management of a public company and the company's independent auditor to issue new reports at the end of every fiscal year.

- A. ASC 154
- B. AS No. 10
- C. AS No. 5
- D. Section 302

24. Operating expenses do NOT include

- A. Manufacturing overhead expenses
- B. Selling expenses
- C. Depreciation expenses
- D. General and administrative expenses

25. Which of the following items is NOT found on a manufacturer's income statement in the cost of goods sold calculation?

- A. Beginning inventory of finished goods
- B. Cost of goods manufactured
- C. Ending inventory of work in process
- D. Ending inventory of finished goods

26. On its 2x09 balance sheet, Sherman Books had retained earnings equal to \$510 million. On its 2x10 balance sheet, retained earnings were also equal to \$510 million. Which of the following statements is most correct?

- A. The company must have had net income equal to zero in 2x10
- B. The company did not pay dividends in 2x10
- C. If the company's net income in 2x10 was \$200 million, dividends paid must have also equaled \$200 million
- D. If the company lost money in 2x10, they must have paid dividends

27. Which of the following statements is most correct?

- A. Accounts receivable show up as current liabilities on the balance sheet
- B. Dividends paid reduce the net income that is reported on a company's income statement
- C. If a company pays more in dividends than it generates in net income, its balance of retained earnings reported on the balance sheet will fall
- D. All of the statements above are correct

- 28. The organization that has by federal law the responsibility to adopt auditing standards is**
- A. New York Stock Exchange (NYSE)
 - B. The Public Company Accounting Oversight Board (PCAOB)
 - C. Accounting Principles Board (APB)
 - D. Financial Accounting Standards Board (FASB)
- 29. The annual report of a public company must be filed with:**
- A. Financial Accounting Standards Board
 - B. New York Stock Exchange
 - C. Accounting Principles Board
 - D. Securities and Exchange Commission (SEC)
- 30. Which of the following is NOT a type of audit opinion?**
- A. Unqualified opinion
 - B. Qualified opinion
 - C. Adverse opinion
 - D. Clean opinion
- 31. Which of the following statements is NOT true?**
- A. You are likely to regard a qualified opinion or an adverse opinion as a serious question of the reliability of the financial statements
 - B. The accountant's report expresses an opinion on reviewed financial statements
 - C. A disclaimer of opinion indicates that you should not look to the auditor's report as an indication of the reliability of the statements
 - D. In some cases, outside accountants are associated with financial statements when they have performed less than an audit
- 32. In addition to a balance sheet, income statement and the statement of cash flows, a complete set of financial statements must include:**
- A. An auditor's opinion
 - B. A ten-year summary of operations
 - C. A footnote disclosure of such items as accounting policies
 - D. Historical common-size (percentage) summaries
- 33. Which of the following is NOT a purpose of the statement of cash flows?**
- A. To show cash flow from operations
 - B. To show cash flow from financing activities
 - C. To show operating expenses for a period of time
 - D. To show cash flow from investing activities
- 34. Which of the following is NOT a typical cash flow under operating activities?**
- A. Cash inflows from sale of goods or services
 - B. Cash inflows from sale of property, plant, and equipment
 - C. Cash inflows from interest
 - D. Cash outflows to employees

- 35. Which of the following is NOT a typical cash flow under investing activities?**
- A. Cash inflow from sales of equity and debt securities of other companies
 - B. Cash inflow from the sale of fixed assets
 - C. Cash outflow for payments on accounts payable arising from the initial purchase of goods
 - D. Cash outflow for payments to buy fixed assets
- 36. Which of the following is NOT a typical cash flow under financing activities?**
- A. Cash inflow from the sale of stock
 - B. Cash inflow from sale of debt securities
 - C. Cash outflow for issuing dividend payments
 - D. Cash outflow for payments to suppliers of operating expense items
- 37. Factors that an investor considers in evaluating a firm's stock include all EXCEPT**
- A. Financial health
 - B. Industry factors
 - C. Number of future investors
 - D. Future outlook of the company
- 38. Various techniques are used in the analysis of financial data to emphasize the comparative and relative importance of the data presented and to evaluate the position of the firm. Which of the following is NOT one of the techniques used in analysis?**
- A. Ratio analysis
 - B. Common-size analysis
 - C. Linear programming
 - D. Examination of relative size among firms
- 39. Which of the following is NOT a source of industry statistics?**
- A. Risk Management Associates' Annual Statement Studies
 - B. The Wall Street Earnings Summary
 - C. Value Line
 - D. Moody's
- 40. Risk Management Associates' Annual Statement Studies reported the following figures for manufacturers of screw machine products for the ratio of current assets to current debt. The following figures are for a particular industry's current ratio: 1.6; 1.3; 1.2. Which best describes these three numbers?**
- A. One third of each of the companies experienced each of the ratios
 - B. The average ratio was 1.3. The best firm had 1.6; The worst had 1.2
 - C. The median was 1.3. 1.6 is the figure for the upper quartile; 1.2 is the figure for the lower quartile
 - D. The median was 1.3. 1.6 is the figure for the lower quartile; 1.2 is the figure for the upper quartile
- 41. Which of the following is a government document that provides industry statistics?**

- A. The Wall Street Journal
- B. Dun and Bradstreet
- C. The DC Financial Report
- D. Standard and Poor's Industry Survey

42. Statements in which all items are expressed only in relative terms (percentages of a base) are termed:

- A. Digital Statements
- B. Horizontal Statements
- C. Funds Statements
- D. Common-Size Statements

43. Which of these statements is false?

- A. In vertical analysis, a figure from the year's statement is compared with a base selected from the prior statement
- B. A ratio can be computed from any pair of numbers
- C. Horizontal analysis discloses changes on items in financial statements over time
- D. Trend percentages show horizontally the degree of increase or decrease, but they do not indicate the reason for the changes.

44. In financial statement analysis, ratios are

- A. The only type of analysis where industry data are available
- B. Absolute numbers converted to a common base
- C. Fractions usually expressed in percent or times
- D. The only indication of the financial position of the firm

45. Ratios assume significance when they are compared with

- A. Market value ratios
- B. Previous ratios of the same firm
- C. S&P ratios
- D. Betas

46. Denver Dynamics has net income of \$2,000,000. Oakland Enterprises has net income of \$2,500,000. Which of the following best compares the profitability of Denver and Oakland?

- A. Oakland Enterprises is 25% more profitable than Denver Dynamics
- B. Further information is needed for a reasonable comparison
- C. Oakland Enterprises is more profitable than Denver Dynamics, but the comparison can't be quantified
- D. Oakland Enterprises is only more profitable if it is smaller than Denver Dynamics

47. Which of the following is NOT be a meaningful comparison in financial statement analysis?

- A. Past ratios and figures
- B. Industry averages
- C. Ratios of S&P firms
- D. Ratios of major competition

48. Liquidity ratios can be used

- A. To measure the degree of protection of long-term suppliers of funds
- B. To measure the firm's ability to meet its current obligations
- C. To measure borrowing capacity
- D. To measure the earning ability of a firm

49. _____ compares a user-selected company to others in its industry and assigns a number indicating the company's rank on a specific ratio or data point, with '1' being the top ranking.

- A. Moody's
- B. EdgarScan
- C. Value Line
- D. Risk Management Associates

50. Which of these statements is false?

- A. Many companies will not clearly fit into any one industry
- B. A company comparison should not be made with industry averages if the company does not clearly fit into any one industry
- C. The analysis of an entity's financial statements can be more meaningful if the results are compared with industry averages and with results of competitors
- D. When using industry averages, it is often necessary to use an industry that the firm best fits

51. Which one of the following is NOT a problem with ratio analysis?

- A. Ratios reflect past conditions, transactions, events, and circumstances
- B. Ratios can identify significant fundamental and structural relationships and trends
- C. Ratios reflect book values, not real economic values or price-level effects
- D. The computation of ratios is not completely standardized

52. Which of the following is an example of liquidity ratios?

- A. Times interest earned
- B. Quick ratio
- C. Return on equity
- D. P-E ratio

53. In comparing the current ratios of two companies, why might it be incorrect to assume that the company with the higher current ratio is in a better financial position?

- A. A high current ratio might include large amounts of obsolete inventory
- B. A high current ratio could indicate a company's inability to pay current debts as they mature
- C. The current ratio includes long-term assets
- D. The current ratio includes long-term debts

54. If a business enterprise has a current ratio of 3 to 1, which of the following transactions increases the ratio?

- A. Issuance of long-term bonds for cash
- B. Borrowing cash on a nine-month note
- C. Collecting a large amount of accounts receivable

D. Declaring a 5% stock dividend

55. Are the following included in the acid-test (quick) ratio?

Account receivable Inventories

- | | |
|---------------|------------|
| A. No | No |
| B. No | Yes |
| C. Yes | No |
| D. Yes | Yes |

- A. A.
- B. B.
- C. C.
- D. D.

56. If current assets exceed current liabilities, payments to creditors on the last day of the month will

- A. Decreases current ratio
- B. Increases current ratio
- C. Decreases net working capital (assets minus liabilities)
- D. No change

57. All else being equal, which of the following will increase a company's current ratio?

- A. An increase in accounts receivable
- B. An increase in accounts payable
- C. An increase in net fixed assets
- D. All of the statements above are correct

58. 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 its 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

59. A company's current ratio is 2.2 to 1 and quick (acid test) ratio is 1.0 to 1 at the beginning of the year. At the end of the year, the company has a current ratio of 2.5 to 1 and a quick ratio of .8 to 1. Which of the following could help explain the divergence in the ratios from the beginning to the end of the year?

- A. An increase in inventory levels during the current year
- B. An increase in credit sales in relationship to cash sales
- C. An increase in the use of trade payables during the current year
- D. An increase in the collection rate of accounts receivable

60. What ratio is used to measure a firm's pressing liquidity?

- A. Debt ratio
- B. Asset turnover

- C. Cash burn rate
- D. Return on equity

61. The ratio of cash divided by current liabilities is called

- A. Current ratio
- B. Acid-test ratio
- C. Doomsday ratio
- D. Working capital ratio

62. Given the following data: Sales = \$2000; Cost of good sold = \$1500; Average receivables = \$100, calculate the average collection period.

- A. 24.33
- B. 18.25
- C. 137
- D. 20.00

63. Which of the following statement is FALSE regarding accounts receivable ratios?

- A. Although average accounts receivable may be computed annually, quarterly, or monthly, the ratio is most accurate when the longer period available is used
- B. In general, the higher the accounts receivable turnover, the better since the company is collecting quickly from customers
- C. The the number of days' sales in receivables ratio is the number of days it takes to collect on receivables
- D. Accounts receivable ratios are examined by short-term creditors as an indication of corporate liquidity

64. An increase in the current ratio while the quick ratio remains constant means a buildup in

- A. Cash
- B. Long-term debt
- C. Current liabilities
- D. Inventory

65. Assuming stable business conditions, a decline in the number of days' sales in receivables a company's accounts receivable at year-end from one year to the next might indicate

- A. A stiffening of the company's credit policies
- B. That the second year's sales were made at lower prices than that of the first year's sales
- C. A longer discount period and a more distant due date were extended to customers in the second period
- D. A significant decrease in the volume of sales of the second year

66. If, just prior to a period of rising prices, a company changed its inventory measurement method from FIFO to LIFO, the effect in the next period would be to

- A. Increase both the current ratio and inventory turnover
- B. Decrease both the current ratio and inventory turnover
- C. Increase the current ratio and decrease inventory turnover

D. Decrease the current ratio and increase inventory turnover

67. Shaffer Company presents the following data for 2010.

Net Sales, 2010	\$3,007,124
Net Sales, 2009	\$ 93,247
Cost of Goods Sold, 2010	\$2,000,326
Cost of Goods Sold, 2009	\$1,000,120
Inventory, beginning of 2010	\$ 341,169
Inventory, end of 2010	\$ 376,526

The merchandise inventory turnover for 2010 is:

- A. 5.6
- B. 15.6
- C. 7.5
- D. 7.7

68. Mr. Sparks, the owner of School Supplies, Inc., is interested in keeping control over accounts receivable. He understands that accounts receivable turnover will give a good indication of how well receivables are being managed. School Supplies, Inc. does seventy percent of its business during June, July and August. The terms of sale are 2/ 10, n/ 60. Net sales for the year ended December 31, 20x9, and receivables balances are given below.

Net Sales	\$1,500,000
Receivables at January 1, 20x9	80,000
Receivables at December 31, 20x9	70,000

The average accounts receivable turnover calculated from the data above is

- A. 20.0 times
- B. 25.0 times
- C. 22.7 times
- D. 18.75 times

69. If the firm has a high current ratio but a low acid-test ratio, one can conclude that

- A. The firm has a large outstanding accounts receivable balance
- B. The firm has a large investment in inventory
- C. The cash ratio is extremely high
- D. The firm has a large amount of current liabilities

70. Which of the following measures the time needed to turn cash into inventory, inventory into receivables, and receivables back into cash?

- A. Operating cycle
- B. Quick ratio
- C. Payout ratio
- D. Return on equity

71. What ratio is used to measure a firm's efficiency at using its productive capacity?

- A. Fixed asset turnover
- B. Current ratio
- C. Total asset turnover

D. Return on equity

72. _____ refers to the extent that fixed costs are utilized in the production process during an operating cycle.

- A. Total leverage
- B. Operating leverage
- C. Asset turnover
- D. Financial leverage

73. Which of the following is an example of leverage ratios?

- A. Times interest earned
- B. Quick ratio
- C. Payout ratio
- D. Return on equity

74. If the debt ratio is 0.5 what is the debt-equity ratio?

- A. 0.5
- B. 1.0
- C. 1.5
- D. 2.0

75. A measure of long-term debt-paying ability is a company's

- A. Length of the operating cycle
- B. Return on assets
- C. Inventory turnover
- D. Cash coverage ratio

76. Stock market analyst has forecasted the following year-end numbers for Raedebe Technology: Insert table! The company's tax rate is 40 percent. The company does not expect any changes in its net operating working capital. This year the company's planned gross capital expenditures will total \$12 million. (Gross capital expenditures represent capital expenditures before deducting depreciation.)

Sales \$70 million

EBITDA \$20 million

Depreciation \$ 7 million

Amortization \$ 0

What is the company's forecasted free cash flow for the year?

- A. \$ 2.8 million
- B. \$ 7.0 million
- C. \$ 8.0 million
- D. \$12.8 million

77. Free cash flow (FCF) is

- A. Cash flow from operating activities
- B. Cash flow from operations minus cash used to purchase fixed assets minus cash dividends
- C. Cash plus cash equivalents
- D. Net income plus depreciation

78. The degree of financial leverage is

- A. $\frac{\text{Percentage change in earning per share (EPS)}}{\text{Percentage change in sales}}$
- B. $\frac{\text{Percentage change in earning before interest and taxes (EBIT)}}{\text{Percentage change in sales}}$
- C. $\frac{\text{Percentage change in earning per share (EPS)}}{\text{Percentage change in earnings before interest and taxes (EBIT)}}$
- D. $\frac{\text{Income before interest and taxes (EBIT)}}{\text{Interest expense}}$

79. Gross profit margin is

- A. Gross profits divided by net sales
- B. Net sales divided by gross profit
- C. Sales multiplied by gross profit
- D. Average assets multiplied by gross profits

80. Operating expenses to sales ratio is a measure of

- A. Activity
- B. Operating efficiency
- C. Liquidity
- D. Leverage

81. What ratio is used to measure the profit earned on each dollar invested in a firm?

- A. Current ratio
- B. Asset turnover
- C. Return on sales
- D. Return on total asset

82. The DuPont formula separates return on assets into two component ratios. What are they?

- A. Inventory turnover x gross profit margin
- B. Profit margin x total asset turnover
- C. Times interest earned x debt ratio
- D. Return on equity x dividend payout

83. Which of the following is an appropriate computation for the return on investment?

- A. Net income divided by average total assets
- B. Net income divided by total sales
- C. Net sales divided by total assets
- D. Net sales divided by stockholders' equity

84. If a company is profitable and is effectively using leverage, which one of the following ratios is likely to be the largest?

- A. Return on total assets

- B. Return on operating assets
- C. Return on equity (ROE)
- D. Return on total shareholders' equity

85. To enhance ROI :

- A. Improve margin by reducing expenses, raising selling prices, or increasing sales faster than expenses
- B. Improve turnover by increasing sales while holding the investment in assets relatively constant, or by reducing assets
- C. Improve both
- D. Enhance residual income

86. Du Pont formula II , also called modified Du Pont formula, states that ROE is

- A. $\text{ROI} \times \text{equity multiplier}$
- B. $\text{ROI} \times (1 - \text{debt ratio})$
- C. $\text{ROI} \times (\text{Net Income} / \text{Average total assets})$
- D. $\text{ROI} \times \text{debt ratio}$

87. The return on total assets (ROA) :

- A. Measures the return to both common and preferred shareholders
- B. Indicates management's performance in using the firm's assets to produce income
- C. Measures the return on operating assets
- D. Is also called the return on total equity

88. The earnings per share is computed for

- A. Common stock
- B. Nonredeemable preferred
- C. Redeemable preferred
- D. Common stock and fully diluted preferred stock

89. What type of ratio is book value per share?

- A. Market test ratio
- B. Activity ratio
- C. Liquidity ratio
- D. Leverage ratio

90. For computing earnings per share, a potentially dilutive security would be:

- A. Common stock that has been authorized, but not issued
- B. Treasury stock
- C. Bonds payable
- D. Convertible preferred stock

91. Market test ratios do NOT include

- A. Productivity ratio
- B. Price-book value ratio
- C. Price-earnings ratio (multiple)
- D. Price-sales ratio

92. The price-earnings ratio

- A. Measures the past earning ability of the firm
- B. Is a gauge of the growth potential and the market's evaluation of the firm's earnings
- C. Relates price to dividends
- D. Relates price to total net income

93. Book value per share may NOT approximate market value per share because:

- A. The book value is after tax
- B. Book values are based on replacement costs rather than market values
- C. Book value is related to book figures and market value is related to the future potential as seen by investors
- D. Investors do not understand book value

94. Earnings-per-share disclosures are required

- A. Only if the entity has a complex capital structure
- B. Only for an entity that changes its capital structure
- C. If an entity has issued publicly traded potential common stock
- D. Only in statements of wholly owned subsidiaries

95. In calculating book value per common share:

- A. The number of common shares authorized is used as the denominator
- B. Total stockholders' equity less preferred stock is used in the numerator
- C. Relative fair market values of shares outstanding are used to allocate book value between common and preferred stock
- D. Net income less preferred dividends is used in the numerator

96. How are dividends per share for common stock used in the calculation of the following?

Dividend yield Earnings per share

- A. Denominator Denominator**
- B. Numerator Not used**
- C. Denominator Not used**
- D. Numerator Numerator**

- A. A.
- B. B.
- C. C.
- D. D.

97. Which ratio measures the portion of current earnings per common share paid out in dividends?

- A. Share payout
- B. Dividend payout
- C. Dividend yield
- D. Percentage of earnings retained

98. Which of the following is NOT a cash adequacy ratio?

- A. Cash debt coverage ratio

- B. Cash dividend coverage ratio
- C. Cash flow per share
- D. Cash interest coverage ratio

99. Information presented on the statement of cash flows can also be used to analyze the performance of a firm from a cash flow perspective. This does NOT include:

- A. Cash flow return on assets
- B. Earnings before interest and taxes (EBIT)
- C. Cash flow per share
- D. Cash flow to operating income ratio

100. _____ is one of market value ratios.

- A. Price/cash flow ratio
- B. Acid-test ratio
- C. Free cash flow
- D. The number of days in sales

101. The ratio that measures a firm's ability to repay both its short- and long-term debt is

- A. Earnings per share
- B. Cash debt coverage ratio
- C. Cash flow to operating income ratio
- D. Cash flow per share

102. _____ is an indicator of the quality of earnings.

- A. Cash flow to net income ratio
- B. Cash flow per share
- C. Cash burn rate
- D. Net income plus noncash expenses

103. Interim financial reporting should be viewed primarily in which of the following ways?

- A. As reporting under the Internal Revenue Code
- B. As reporting for an integral part of an annual period
- C. As useful only if activity is spread evenly throughout the year
- D. As if the interim period was an annual accounting period

104. A segment is reportable if any one of the following conditions exists EXCEPT:

- A. Revenue is 10% or more of total corporate revenue
- B. Operating profit is 10% or more of total corporate operating profit
- C. Identifiable assets are 10% or more of total corporate assets
- D. Foreign operations provide 3% or more of total corporate sales

105. Interim financial reports:

- A. May use non-GAAP in their preparation
- B. Require that actual year-to-date tax rates be used
- C. Must disclose the material seasonal variations of revenues, costs, and expenses of the firm

D. Require fewer estimates in the financial data than in the annual reports