

Which of the following statements is correct? essay sample

[Finance](#)



Sole proprietorships and partnerships generally have a tax advantage over many corporations, especially large ones.

Question 2

0 out of 2 points

Which of the following statements is CORRECT?

Correct Answer:

One of the disadvantages of a sole proprietorship is that the proprietor is exposed to unlimited liability.

Question 3

0 out of 2 points

You recently sold 100 shares of your new company, XYZ Corporation, to your brother at a family reunion. At the reunion your brother gave you a check for the stock and you gave your brother the stock certificates. Which of the following statements best describes this transaction? Answer

Correct Answer:

This is an example of a direct transfer of capital.

Question 4

0 out of 2 points

Which of the following could explain why a business might choose to operate as a corporation rather than as a sole proprietorship or a partnership?

Answer

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Correct Answer:

Corporate shareholders escape liability for the firm's debts, but this factor may be offset by the tax disadvantages of the corporate form of organization.

Question 5

2 out of 2 points

Money markets are markets for

Answer

Correct Answer:

Short-term debt securities.

Question 6

2 out of 2 points

You recently sold 200 shares of Apple stock to your brother. The transfer was made through a broker, and the trade occurred on the NYSE. This is an example of: Answer

Correct Answer:

A secondary market transaction.

Question 7

2 out of 2 points

Which of the following statements is CORRECT?

Answer

Correct Answer:

It is usually easier to transfer ownership in a corporation than it is to transfer ownership in a sole proprietorship.

Question 8

2 out of 2 points

Which of the following statements is CORRECT?

Answer

Correct Answer:

The NYSE operates as an auction market, whereas the Nasdaq is a dealer market.

Question 9

0 out of 2 points

The LeMond Corporation just purchased a new production line. Assume that the firm planned to depreciate the equipment over 5 years on a straight-line basis, but Congress then passed a provision that requires the company to depreciate the equipment on a straight-line basis over 7 years. Other things held constant, which of the following will occur as a result of this Congressional action? Assume that the company uses the same depreciation method for tax and stockholder reporting purposes. Answer

Correct Answer:

LeMond's net fixed assets as shown on the balance sheet will be higher at the end of the year.

Question 10

0 out of 2 points

Which of the following would be most likely to occur in the year after Congress, in an effort to increase tax revenue, passed legislation that forced companies to depreciate equipment over longer lives? Assume that sales, other operating costs, and tax rates are not affected, and assume that the same depreciation method is used for tax and stockholder reporting purposes.

Correct Answer:

Companies' cash positions would decline.

Question 11

2 out of 2 points

Aubey Aircraft recently announced that its net income increased sharply from the previous year, yet its net cash flow from operations declined. Which of the following could explain this performance? Answer

Correct Answer:

The company's depreciation and amortization expenses declined.

Question 12

0 out of 2 points

Which of the following factors could explain why Regal Industrial Fixtures had a negative net cash flow last year, even though the cash on its balance sheet increased?

Correct Answer:

The company sold a new issue of bonds.

Question 13

0 out of 2 points

Which of the following statements is CORRECT?

Answer

Correct Answer:

A firm can show a large amount of retained earnings on its balance sheet yet need to borrow cash to make required payments.

Question 14

0 out of 2 points

Danielle's Sushi Shop last year had (1) a negative net cash flow from operations, (2) a negative free cash flow, and (3) an increase in cash as reported on its balance sheet. Which of the following factors could explain this situation? Answer

Correct Answer:

The company sold a new issue of common stock.

Question 15

0 out of 2 points

Other things held constant, which of the following actions would increase the amount of cash on a company's balance sheet? Answer

Correct Answer:

The company issues new common stock.

Question 16

0 out of 2 points

For managerial purposes, i. e., making decisions regarding the firm's operations, the standard financial statements as prepared by accountants under Generally Accepted Accounting Principles (GAAP) are often modified and used to create alternative data and metrics that provide a somewhat different picture of a firm's operations. Related to these modifications, which of the following statements is CORRECT? Answer

Correct Answer:

The standard statements focus on accounting income for the entire corporation, not cash flows, and the two can be quite different during any given accounting period. However, for valuation purposes we need to discount cash flows, not accounting income. Moreover, since many firms

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have a number of separate divisions, and since division managers should be compensated on their divisions' performance, not that of the entire firm, information that focuses on the divisions is needed. These factors have led to the development of information that is focused on cash flows and the operations of individual units.

Question 17

0 out of 2 points

Which of the following statements is CORRECT?

Answer

Correct Answer:

The balance sheet gives us a picture of the firm's financial position at a point in time.

Question 18

2 out of 2 points

A firm wants to strengthen its financial position. Which of the following actions would increase its current ratio? Answer

Correct Answer:

Issue new stock and then use some of the proceeds to purchase additional inventory and hold the remainder as cash.

Question 19

2 out of 2 points

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Considered alone, which of the following would increase a company's current ratio? Answer

Correct Answer:

An increase in accounts receivable.

Question 20

0 out of 2 points

If a bank loan officer were considering a company's request for a loan, which of the following statements would you consider to be CORRECT? Answer

Correct Answer:

Other things held constant, the lower the debt ratio, the lower the interest rate the bank would charge the firm.

Question 21

0 out of 2 points

You observe that a firm's ROE is above the industry average, but its profit margin and debt ratio are both below the industry average. Which of the following statements is CORRECT?

Correct Answer:

Its total assets turnover must be above the industry average.

Question 22

0 out of 2 points

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Which of the following would indicate an improvement in a company's financial position, holding other things constant? Answer

Correct Answer:

The current and quick ratios both increase.

Question 23

0 out of 2 points

A firm's new president wants to strengthen the company's financial position.

Which of the following actions would make it financially stronger? Answer

Correct Answer:

Increase EBIT while holding sales constant.

Question 24

2 out of 2 points

Which of the following statements is CORRECT?

Answer

Correct Answer:

The higher the market/book ratio, then, other things held constant, the higher one would expect to find the Market Value Added (MVA).

Question 25

2 out of 2 points

Arshadi Corp.'s sales last year were \$52, 000, and its total assets were \$22, 000. What was its total assets turnover ratio (TATO)? Answer

Correct Answer: