

Quiz-10

Question 1

2 / 2 pts

For a 5-year period, a stock had annual returns of 6.4 percent, -11.2 percent, 0.3 percent, 19.8 percent, and 13.4 percent. What is the geometric average return?

☐

5.74%

☒

5.18%

☐

9.96%

☐

10.02%

☐

7.93%

$$rg = (1.064 \times 0.888 \times 1.003 \times 1.198 \times 1.134)^{1/5} - 1 = 1.28743526^{1/5} - 1 = 0.0518 = 5.18\%$$

Question 2

2 / 2 pts

Maria purchased a stock for \$42.67 a share and sold it one year later for \$43.89 a share. She also received a dividend of \$1.20 per share. What was her **capital gains yield**?

☐

5.51%

☒

2.86%

☐

5.67%



2.34%



4.99%

Capital Gains Yield = $(P1 - P0) / P0 = (43.89 - 42.67) / 42.67 = 0.02859 = 2.86\%$

Question 3

2 / 2 pts

Which one of the following asset classes had the highest level of risk over the 1926 to 2012 period as measured by the standard deviation?



Long-term corporate bonds



U.S. Treasury bills



Long-term government bonds



Small-company stocks



Large-company stocks

Question 4

2 / 2 pts

A stock produced annual returns of 20 percent, -12 percent, 16 percent, and 2 percent over the last four years, respectively. What is the standard deviation?



19.89 percent



17.48 percent



21.17 percent



14.55 percent



16.87 percent

$$\text{Avg Return} = (20 - 12 + 16 + 2) / 4 = 26 / 4 = 6.5\%$$

$$\text{STD} = \{[(0.2 - 0.065)^2 + (-0.12 - 0.065)^2 + (0.16 - 0.065)^2 + (0.02 - 0.065)^2] / (4 - 1)\}^{0.5} = \{0.0635 / 3\}^{0.5} = 0.14549 = 14.55\%$$

Question 5

2 / 2 pts

A stock produced annual returns of 8 percent, -12 percent, 6 percent, 1 percent, and 19 percent over the last five years, respectively. What is the variance of these returns?



.009914



.044667



.012730



.010184



.050920

$$\text{Avg Return} = (8 - 12 + 6 + 1 + 19) / 5 = 22 / 5 = 4.4\%$$

$$\text{Variance} = [(0.08 - 0.044)^2 + (-0.12 - 0.044)^2 + (0.06 - 0.044)^2 + (0.01 - 0.044)^2 + (0.19 - 0.044)^2] / (5 - 1) = 0.05092 / 4 = 0.01273$$

Question 6

2 / 2 pts

For a 5-year period, a stock had annual returns of 6.4 percent, -11.2 percent, 0.3 percent, 19.8 percent, and 13.4 percent. What is the arithmetic average return?



6.28 percent



5.18 percent



5.74 percent



7.09 percent



7.18 percent

Arithmetic Avg = $(6.4 - 11.2 + 0.3 + 19.8 + 13.4) / 5 = 28.7 / 5 = 5.74\%$

Question 7

2 / 2 pts

In 2012, U.S. Treasury bills returned 0.08 percent while inflation was 1.74 percent. What was the real rate of return on U.S. Treasury bills (i.e., by how much has your wealth increased)? Use the formula, not the approximation.



0.08 percent



1.82 percent



-.38 percent



-1.63 percent



-6.15 percent

Real return = $[(1 + \text{nominal}) / (1 + \text{inflation})] - 1 = [1.0008 / 1.0174] - 1 = 0.98368 - 1 = -0.0163 = -1.63\%$

Question 8

2 / 2 pts

In 2012, large-company stocks returned 16 percent, U.S. Treasury bills returned 0.08 percent, and inflation was 1.74 percent. What was the risk-premium on large-company stocks?



17.74%



14.26%



15.92%



16.08%



1.66%

MRP = 16% - 0.08% = 15.92%

Question 9

2 / 2 pts

Which one of the following is true about risk and return over the long-term?



Riskier assets will, on average, earn lower returns.



The reward for bearing risk is known as the standard deviation.



Based on historical data, there is no reward for bearing risk.



An increase in the risk of an investment will result in a decreased risk premium.



In general, the higher the expected return, the higher the risk.

Question 10

2 / 2 pts

Which one of the following is a correct ranking of securities based on their volatility over the period of 1926 to 2012? Rank from highest volatility to lowest volatility.



Small-company stocks, large-company stocks, long-term government bonds



Large-company stocks, U.S. Treasury bills, long-term government bonds



Small-company stocks, long-term government bonds, large-company stocks



Long-term corporate bonds, large-company stocks, U.S. Treasury bills



Small-company stocks, long-term corporate bonds, large-company stocks

Quiz Chapter 11

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- **Due Apr 13 at 11:59pm**
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-
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- **Points** 20

- **Questions** 10

- **Available** Apr 8 at 12am - Apr 13 at 11:59pm 6 days

- **Time Limit** 30 Minutes

This quiz was locked Apr 13 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	17 minutes	20

Score for this quiz: **20** out of 20
Submitted Apr 13 at 10:18pm
This attempt took 17 minutes.

Question 1

2 / 2 pts

Security X has a standard deviation of returns of 35 percent and a beta of 1.45. Security Y has a standard deviation of returns of 28 percent and a beta of 1.06. Security Z has a standard deviation of returns of 44 percent and a beta of 1.22. Given this, which one of the following statements is correct?



Security Z has the greatest total risk because it has the largest standard deviation.



Security X has the greatest total risk because it has the largest beta.



Security X has the greatest diversifiable risk because it has the largest beta.



Security Y has the lowest total risk because it has the lowest beta.



An equally weighted portfolio of X, Y, and Z will have the same systematic risk as the market portfolio.

Question 2

2 / 2 pts

Assume a 100 percent domestic portfolio is revised so it is comprised of 10 percent foreign securities and 90 percent domestic securities. Which one of the following is expected to occur as a result of this revision?



The portfolio rate of return will decrease while the level of risk increases.



The portfolio rate of return will increase while the level of risk decreases.



The portfolio rate of return will remain constant while the level of risk decreases.



Both the portfolio rate of return and level of risk will decrease.



Both the portfolio rate of return and level of risk will increase.

Question 3

2 / 2 pts

Steve has a portfolio of twelve diverse stocks. The portfolio has a beta of 1.02 and a standard deviation of 5.6 percent. Since his portfolio has no financial stocks, Steve plans on adding a bank stock to his existing portfolio. The bank stock has a beta of 1.13

and a standard deviation of 9.8 percent. Which one of the following should Steve expect to occur if he acquires the bank stock?



The portfolio standard deviation will increase.



The portfolio standard deviation will decrease.



The portfolio beta will increase.



The portfolio beta will decrease.



Both the portfolio beta and standard deviation will increase.

Question 4

2 / 2 pts

You own two risky assets, both of which plot on the security market line. Asset A has an expected return of 12 percent and a beta of .8. Asset B has an expected return of 18 percent and a beta of 1.4. If your portfolio beta is the same as the market portfolio, how much of your portfolio is invested in Asset A?



33.33%



50.00%



66.67%



133.33%



60.00%

[Weight of Asset A * Beta of Asset A] + [Weight of Asset B * Beta of Asset B] = Beta of Portfolio

[Weight of Asset A * Beta of Asset A] + [(1 - Weight of Asset A) * Beta of Asset B] = Beta of Portfolio

$[w_A * \text{Beta of Asset A}] + [(1 - w_A) * \text{Beta of Asset B}] = \text{Beta of Portfolio}$

Beta of Market is always 1.

$$w_A(0.8) + (1-w_A)(1.4) = 1$$

$$0.8w_A + 1.4 - 1.4w_A = 1$$

$$1.4 - 0.6w_A = 1$$

$$0.4 = 0.6w_A$$

$$w_A = 0.4/0.6 = 0.6667 = 66.67\%$$

Question 5

2 / 2 pts

Stock A has a beta of 1.2 and a standard deviation of 8.6 percent. Stock B has a beta of 1.6 and a standard deviation of 14.3. The covariance(R_A , R_B) is .0024. What is the correlation(R_A , R_B)?

☒

.1952

☐

.5123

☐

.0014

☐

.6928

☐

.0013

Correlation $r = [\text{Cov}(a,b)]/[\text{STD}_A \cdot \text{STA}_B] = [0.0024]/[0.086 \cdot 0.143] = 0.0024/0.012298 = 0.1952$

Question 6

2 / 2 pts

You have been provided the following information related to two stocks:

Scenario	Probability	Stock A Return	Stock B Return
Recession	20%	-1%	-4%
Normal	70%	8.5%	2%
Boom		15%	12.25

What is the covariance(R_A, R_B)?

☐

.0111

☒

0.0018

☐

.1054

☐

.0221

☐

.0125

Exp. Return A = $0.2(-1\%) + 0.7(8.5\%) + 0.1(15\%) = 7.25\%$

Exp. Return B = $0.2(-4\%) + 0.7(2\%) + 0.1(12.25\%) = 1.825\%$

	Probability	Stock A Return	Exp. Return A	Deviation A	Stock B Return	Exp. Return B	Deviation B	Deviation Product A,B	Weighted
Recession	20%	-1%	7.25%	-0.0825	-4%	1.825%	-0.05825	0.0048	0.0010
Normal	70%	8.5%	7.25%	0.0125	2%	1.825%	0.00175	0.00002	0.0000

Boom	10%	15%	7.25%	0.0775	12.25	1.825%	0.10425	0.00808	0.0008
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Sum up weighted Deviation Product = 0.0018 = Covariance

Question 7

2 / 2 pts

What is the beta of a portfolio that is invested 25 percent in the market portfolio, 25 percent in an asset with twice as much systematic risk as the market portfolio and the rest in a risk-free asset?

☐ .25

☐ .50

☐ .75

☐ 1.00

☒ 1.25

☐ 1.50

☐ 1.75

☐ 2.00

☐ 2.25

☐ 2.50

Portfolio Beta = $0.25(1) + 0.25(2) + 0.5(0) = 0.25 + 0.50 + 0 = 0.75$

Remember, the beta of the market portfolio is equal to 1!

Question 8

2 / 2 pts

Brew Maker's stock is expected to return 3 percent in a recession, 11 percent in a normal economy, and 18 percent in a booming economy. What is the expected rate of return if there is a 20 percent chance of a recession and a 10 percent chance the economy will boom?

☐ 9.57%

☐ 10.5%

☐ 11.5%

☐ 12.5%



10.10%



12.81%



11.57%



7.76%

Exp. Return = $0.2(3\%) + 0.7(11\%) + 0.1(18\%) = 10.1\%$

Question 9

2 / 2 pts

A stock has an expected return of 15 percent. The market risk premium is 10 percent and the risk-free rate is 4 percent. What is the stock's beta?



.50



.75



1.1



1.8



2.0

CAPM: $r = r_{rf} + (r_M - r_{rf}) \cdot \text{beta}$

$15\% = 4\% + (10\%) \cdot \text{beta}$

$11\% = (10\%) \cdot \text{beta}$

$$\text{beta} = 11\%/10\% = 0.11/0.1 = 1.1$$

Question 10

2 / 2 pts

The primary purpose of portfolio diversification is to:



increase returns and risks.



eliminate all risks.



eliminate asset-specific risk.



lower both returns and risks.



eliminate systematic risk.

Quiz Chapter 12

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- **Due Apr 20 at 11:59pm**
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- **Points 20**
-
-
-

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- **Questions 10**
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- **Available** Apr 15 at 12am - Apr 20 at 11:59pm 6 days
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- **Time Limit** 30 Minutes
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This quiz was locked Apr 20 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	20 minutes	20 out of 20

Score for this quiz: **20** out of 20

Submitted Apr 20 at 4:07pm

This attempt took 20 minutes.

Question 1

2 / 2 pts

When you use WACC as the discount rate for a specific project, you are assuming the:



project will be all-equity financed.



risk level of the project equals that of the overall firm.



project is unrelated to the firm's current operations.



project life is perpetual.



the project produces tax-free income.

Question 2

2 / 2 pts

Marin's requires \$289,000 to finance some new equipment. If the average flotation cost is 9.25 percent, how much money must the firm raise?



\$318,457.30



\$262,267.50



\$315,732.50



\$274,533.50



\$289,000

Amount Raised = Necessary Proceeds / (1- % flotation cost)

Amount Raised = $\$289,000 / (1 - 0.0925) = \$289,000 / 0.9075 = \$318,457.30$

Question 3

2 / 2 pts

June Bugs has a debt-equity ratio of .45, a pre-tax cost of debt of 7.4 percent, and a cost of equity of 13.3 percent. Assume a 34 percent tax rate. What is the firm's WACC?



7.57%



9.95%



15.50%



13.29%



10.69%

$D/E = 0.45 \rightarrow D/(E+D) = (D/E)/(1+(D/E)) = 0.45/1.45 = 0.31 \Rightarrow E/(E+D) = 1 - 0.31 = 0.69$

$R_{WACC} = (E/(E+D)) * R_E + (D/(E+D)) * R_D * (1-T) = 0.69 * 13.3\% + 0.31 * 7.4\% * (1-0.34) = 9.17\% + 1.52\% = 10.69\%$

Question 4

2 / 2 pts

A bond has a face value of \$1,000, a 6 percent coupon paid semiannually, and 11 years to maturity. What is the pre-tax cost of debt if the bond currently sells for \$1,023?

☐

5.87%

☐

6.14%

☐

5.81%

☒

5.72%

☐

5.64%

$$R_B = \text{YTM}$$

$$N = 11 \times 2 = 22$$

$$PV = -1,023$$

$$\text{PMT} = (1,000 \times 0.06) / 2 = 30$$

$$FV = 1,000$$

$$\Rightarrow I/Y = 2.86\% \Rightarrow \text{UTM} = 2 \times 2.86\% = 5.72\%$$

Question 5

2 / 2 pts

Reynolds' stock has a beta of 1.21 and an expected dividend next year of \$1.60 a share. The firm increases the dividend by 3 percent annually. The risk-free rate of return is 2.5 percent and the market rate of return is 10.6 percent. What is the cost of equity?



12.30%



12.00%



15.07%



15.33%



11.98%

$$R_S = R_F + \text{beta} \times (R_M - R_F) = 2.5\% + 1.21 \times (10.6\% - 2.5\%) = 2.5\% + 1.21 \times (8.1\%) = 2.5\% + 9.801\% = 12.301\% = 12.30\%$$

Question 6

2 / 2 pts

A stock just paid its annual dividend of \$1.50 per share. This dividend increases at an annual rate of 2 percent. What is the cost of equity if the stock is currently selling for \$56 a share?



4.68%



4.73%



4.97%



4.91%



4.81%

$$R = (D1/P0) + g = (((D0*(1+g))/P0) + g = ((\$1.50*1.02)/56) + 0.02 = (1.53/56) + 0.02 = 0.0273 + 0.02 = 0.0473 = 4.73\%$$

Question 7

2 / 2 pts

Upton Umbrellas has a cost of equity of 12.1 percent, the YTM on the company's bonds is 6.2 percent, and the tax rate is 39 percent. The company's bonds sell for 103.7 percent of par. The debt has a book value of \$423,000 and total assets have a book value of \$957,000. If the market-to-book ratio is 2.89 times, what is the company's WACC?



9.96%



5.62%



10.26%



8.49%



8.35%

Market value of debt = $1.037(\$423,000)$

Market value of debt = \$438,651

Book value of equity = $\$957,000 - 423,000$

Book value of equity = \$534,000

Market value of equity = $2.89(\$534,000)$

Market value of equity = \$1,543,260

Market value of company = $\$438,651 + 1,543,260$

Market value of company = \$1,981,911

WACC = $12.1\%(\$1,543,260/\$1,981,911) + 6.2\%(\$438,651/\$1,981,911)(1 - .39)$

WACC = 10.26%

Question 8

2 / 2 pts

A project has an internal rate of return of 11.76 percent and a beta of 1.22. The market rate of return is 9.8 percent, the tax rate is 35 percent, and the risk-free rate is 3.4 percent. Should this project be accepted according to the CAPM if the firm is all-equity financed? Why or why not?



No; The CAPM rate is 11.21 percent.

☐

No; The CAPM rate is 15.36 percent.

☐

No; The CAPM rate is 11.96 percent.

☒

Yes; The CAPM rate is 11.21 percent.

☐

Yes; The CAPM rate is 15.36 percent

$$R_s = .034 + 1.22(.098 - .034) = .1121, \text{ or } 11.21\%$$

The project should be accepted as the IRR > CAPM.

Question 9

2 / 2 pts

An all-equity firm has a beta of .98. The firm is evaluating a project that will increase the output of the firm's existing product. The market risk premium is 7.3 percent and the risk-free rate is 3.4 percent. What discount rate should be assigned to this expansion project?

☐

8.39%

☐

7.22%

☐

7.15%



10.55%



11.37%

$R_s = .034 + .98 \times .073 = .1055$, or 10.55%

Question 10

2 / 2 pts

A DOL equal to 2 means that ____, while a DFL of 3 means that ____.



for every 1% increase in sales, EBIT will increase by 2%; for every 1% increase in EBIT, EBT will increase by 3%.



For every 10% increase in sales, EBIT will decrease by 20%; for every 10% increase in EBIT, EBT will decrease by 30%.



For every 1% increase in FC, EBIT will increase by 2%; for every 1% increase in sales, EBT will increase by 3%.



For every 10% decline in sales, EBT will decline by 20%; for every 10% decline in EBT, EBIT will increase by 20%.

Quiz Chapter 17

- **Due** Apr 27 at 11:59pm
- **Points** 20
- **Questions** 10
- **Available** Apr 22 at 12am - Apr 27 at 11:59pm 6 days
- **Time Limit** 30 Minutes

This quiz was locked Apr 27 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	30 minutes	20

Score for this quiz: **20** out of 20
Submitted Apr 27 at 8:28pm
This attempt took 30 minutes.

Question 1

2 / 2 pts

The fixed price in an option contract at which the owner can buy or sell the underlying asset is called the option's



opening price



intrinsic value



market price



strike price



time value

Question 2

2 / 2 pts

Which one of these combinations is a protection put?



Writing identical puts and calls on the same asset



Buying a put and buying the underlying asset



Selling a call and buying the underlying asset



Buying a call and selling the underlying asset



Selling a put and buying the underlying asset

Question 3

2 / 2 pts

The seller of a European call option has the:



obligation to sell the underlying stock at the strike price if the option is exercised.



right but not the obligation to exercise the option on the expiration date.



obligation to buy a stock on a specified date but only at the specified price.



obligation to buy a stock sometime during a specified period of time at the specified price.



obligation to buy a stock at the lower of the exercise price or the market price on the expiration date.

Question 4

2 / 2 pts

You own an October 12 call and an October 12 put on SC stock. If the call finishes in the money, then the put will:



also finish in the money.



finish out of the money.



finish at the money.



either finish at the money or out of the money.



either finish at the money or in the money.

Question 5

2 / 2 pts

A 40 put option on FKL stock expires today. The current price of the stock is \$36. The put is:



at the money.



out of the money.



in the money.



funded.



unfunded.

Question 6

2 / 2 pts

High Tower stock is selling for \$32.08 a share, the \$30 puts are priced at \$.62, and the \$30 calls are priced at \$2.36. How much will you receive if you write twenty \$30 put option contracts?



\$1,080



\$1,240



\$10.80



\$12.40



\$4,720

Amount to be received = $20 \times 100 \times \$0.62 = \$1,240$

Question 7

2 / 2 pts

You purchased three WYO 15 call option contracts at a quoted price of \$.44. What is your net gain or loss on this investment if the price of WYO is \$15.70 on the option expiration date?



-\$132



-\$116



\$78



\$54



\$109

Total profit = $(\$15.70 - 15 - \$0.44) \times 100 \times 3 = \78

Question 8

2 / 2 pts

The market price of Wild Ride stock has been very volatile, and you think this volatility will continue for a few weeks. Thus, you decide to purchase a 1-month call option contract with a strike price of \$45 and an option price of \$1.15. You also purchase a 1-month put option on the stock with a strike price of \$50 and an option price of \$.95.

What will be your total profit or loss on all the transactions related to these option positions if the stock price is \$44.40 on the day the options expire?



\$315



\$290



-\$210



\$350



-\$105

Net profit = $[-\$1.15 \times 100] + [(\$50 - \$44.40 - \$0.95) \times 100] = \$350$

Question 9

2 / 2 pts

You wrote six put option contracts on Bakers Field stock with an exercise price of \$30 and an option price of \$2.20. The stock price was \$31.20 a share on the option expiration date. Ignoring trading costs and taxes, what is your total net profit or loss on this investment?



-\$1,320



\$2,040



\$1,320



\$1,180



-\$1,180

The option finished out of the money, so:

Total profit = $6 \times 100 \times \$2.20 = \$1,320$

Question 10

2 / 2 pts

You purchased two WXO 30 call option contracts at a quoted price of \$.35. What is your net gain or loss on this investment if the price of WXO is \$33.70 on the option expiration date?



-\$810



-\$405



\$670



\$540



\$335

Total profit = $(-$.35 - 30 + 33.70) \times 100 \times 2 = \670

Quiz Chapter 18

-
- Due May 4 at 11:59pm
-

-
- Points 20
-

- **Questions** 10

- **Available** Apr 29 at 12am - May 4 at 11:59pm 6 days

- **Time Limit** 30 Minutes

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	30 minutes	20
Correct answers will be available on May 5 at 12am.			
Score for this quiz: 20 out of 20			
Submitted May 3 at 1:01pm			
This attempt took 30 minutes.			

Question 1

2 / 2 pts

ABC historically acquired products that were held in inventory until they could be sold to a customer. The firm is now changing its policy and only acquiring a product when it receives an actual order from a customer. All else equal, this change will:



increase the operating cycle.



shorten the accounts payable period.



lengthen the accounts receivable period.



decrease the cash cycle.



decrease the inventory turnover rate.

correct

Difficulty Level: 2 Medium

Topic: Cash Cycle

Question 2

2 / 2 pts

Which one of the following will decrease the operating cycle?



Decreasing the speed at which inventory is sold



Decreasing the accounts receivable turnover rate



Decreasing the cash cycle by increasing the accounts payable period



Decreasing the accounts payable period



Decreasing the days' sales in inventory

correct

Difficulty Level: 1 Easy

Topic: Operating Cycle

Question 3

2 / 2 pts

A type of short-term loan where the borrower sells its accounts receivables to the lender at a discount to face value is called:



a compensating balance.



an assignment.



a letter of credit.



factoring.



a bond.

correct

Difficulty Level: 1 Easy

Topic: Accounts Receivable Factoring

Question 4

2 / 2 pts

A short-term loan where the borrower pledges its accounts receivable as security but is still responsible for any uncollectible account is referred to as:



a compensating balance.



a letter of credit.



an assignment.



factoring.



a repurchase.

correct

Difficulty Level: 1 Easy

Topic: Accounts Receivable Assignment

Question 5

2 / 2 pts

Which of the following are uses of cash?

- I. Marketable securities are sold
- II. Inventory is increased
- III. Long-term bank loan is acquired
- IV. Stock is repurchased



I and III only



II and IV only



I and IV only



II and III only



II, III, and IV only

correct

Difficulty Level: 2 Medium

Topic: Uses of Cash

Question 6

2 / 2 pts

Which one of the following is a source of cash?



A decrease in inventory



An increase in fixed assets



A decrease in long-term debt



The payment of a cash dividend



An increase in accounts receivable

correct

Difficulty Level: 2 Medium

Topic: Source of Cash

Question 7

2 / 2 pts

A firm has an inventory turnover rate of 16, a receivables turnover rate of 21, and a payables turnover rate of 11. How long is the operating cycle?



37.00 days



40.19 days



42.87 days



63.08 days



73.37 days

Operating cycle = $365/16 + 365/21 = 40.19$ days

Difficulty Level: 2 Medium
Topic: Operating Cycle

Question 8

2 / 2 pts

A firm has sales of \$710,000. The cost of goods sold is equal to 57 percent of sales. The firm has an average inventory of \$23,940. How many days on average does it take the firm to sell its inventory?

☐

12.31 days

☐

16.90 days

☐

15.29 days

☒

21.59 days

☐

10.77 days

Inventory turnover = $(\$710,000 \times .57) / \$23,940 = 16.90$
Inventory period = $365 / 16.90 = 21.59$ days

Difficulty Level: 2 Medium
Topic: Inventory Period

Question 9

2 / 2 pts

Brooke Industries has sales of \$860,000 and cost of goods sold of \$490,000. The firm had a beginning inventory of \$98,000 and an ending inventory of \$112,000. What is the length of the inventory period?

☐

4.67 days

☐

5.21 days



44.56 days



78.21 days



21.59 days

Inventory turnover = $\$490,000 / (\$98,000 + 112,000) / 2 = 4.67$

Inventory period = $365 / 4.67 = 78.21$ days

Difficulty Level: 2 Medium

Topic: Inventory Period

Question 10

2 / 2 pts

If the accounts receivable balance on a firm's balance sheet decreases without any change in credit sales, the operating cycle will:



increase due to the increased receivables turnover rate.



decrease because the number of days' sales in receivables will decrease.



remain constant because credit sales are constant.



remain constant because the accounts receivable and inventory periods will be constant.



remain constant because cash collections affect the cash cycle, not the operating cycle.

correct

Difficulty Level: 2 Medium
Topic: Operating Cycle