

WGU C214 OA Financial Management

Retake Exam

Questions and Answers

1. What does the Foreign Corrupt Practices Act forbid U.S. companies to do?

Prohibits U.S. firms and individuals from paying bribes to foreign officials to further business deals.

2. What are two basic types of financial instruments?

Stocks and Bonds

3. What are secondary markets?

Secondary financial markets are where securities are traded after the initial offering.

4. What do cash flows from operating activities report?

Operating - day to day operations

Investing - Property, plant, equipment, long

term items Financing - debt and equity

changes

5. What does the statement of cash flows report?

Cash inflow and cash outflow of business for period of time

6. Write the equation that links the income statement to the balance sheet?

$$\text{New RE} = \text{Old RE} + \text{Net Income} - \text{dividends}$$

7.

Net income	2,000
	0
Depreciation	500
Change in operating assets	400

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Change in PPE	1,000
	0
Change on long term liabilities	600
Dividends paid	100

What is the firm's cash flow from financing activities? CFF

Increase in debt 600 + (no change in stock) 0 - (dividends paid) 100 = **500**

8. Describe an income statement?

An income statement is a financial statement that shows you how profitable your business was over a given reporting period. It shows your revenue, minus your expenses and losses

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9. What item is included in the income statement and not included in the statement of cash flows.

Depreciation

10. A company sold goods in 2016 for \$30,000 and collected the cash in 2017. In 2016, the company incurred and paid \$20,000 in expenses related to the goods sold. How much income should the company report in 2016 under the accrual basis of accounting?

$30,000 - 20,000 = \$10,000$

11. 11.

EBIT: \$1,000,000

Depreciation: \$30,000

Change in working capital (\$5,000)

Net capital expenditures: \$10,000

Tax rate: 40%

What is the company's free cash flow?

$1,000,000 * (1 - .40) + 30,000 - (-5,000) - 10,000 = 625,000$

12. Define Free Cash Flow?

Represents the cash available for the company to repay creditors or pay dividends and interest to investor

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13. A company reported an increase in accounts payable of \$4,000 during the recent period. Half of this amount is expected to be paid next period. What is the impact on the cash flow from operating activities?

Increase of \$4000

14. An architect will receive \$10,000 per year (at the end of the year) PMT for 10 years. The annual interest earned on the investment is 6%. What is the present value of the architect's investment?

10,000 PMT (at the end of each year) 6 I/Y

10 N

CPT PV = -7360008705

15. An employee wants to retire 20 years from today and would like to have

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