

1. Explain the difference between the current and noncurrent classifications assigned to assets and liabilities when they are reported on a balance sheet. [ 2 points ]
  
2. Explain the difference between accrual and cash basis accounting. [ 2 points ]
  
3. Assume you have just purchased a new John Deere combine for \$250,000. You believe this combine has a useful life of five (5) years and will have a salvage value of \$80,000 at the end of five years. Given these assumptions, complete the table below for the double declining balance depreciation methods. [ 2 pts.]

Double Declining Balance		
Year	Depreciation Expense	Ending Book Value
1		
2		
3		
4		
5		

4. Use the risk dominance decision criteria to identify which of the following investments, with the stated return and risk characteristics, are risk-efficient. [3 pts]

Investment	Mean Return	Standard Deviation
A	14.95	0.54
B	12.69	1.10
C	18.64	3.53
D	8.37	0.77
E	25.15	4.15
F	12.08	1.87
G	16.74	2.33
H	13.92	1.77

5. Compute the expected return, the standard deviation, and the coefficient of variation for the following case. [ 3 pts ]

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Return in Percent	Frequency of Return Being Received
5	0.10
8	0.20
12	0.35
15	0.25
21	0.10

6. Use the following financial information to construct an accrual basis Income Statement on the following page that reports: Value of Production; Operating Costs, Interest Expense, and Net Farm Income [ 2 pts each ]

<b>BALANCE SHEET</b>	Beginning	Ending
Cash	225000	290000
Accounts Receivable	180000	260000
Inventories	255000	480000
Supplies	280000	205000
Total Current Assets	940000	1235000
Machinery	580000	730000
Less: Acc. Depr.	-175000	-260000
Real Estate	980000	980000
Total Assets	2325000	2685000
Accounts Payable	270000	350000
Operating Loan	270000	470000
Accrued Expenses	80000	75000
Accrued Interest Payable	196000	261000
Current Portion Term Debts	100000	120000
Total Current Liabilities	916000	1276000
Long Term Liabilities	860000	840000
Total Liabilities	1776000	2116000
Net Worth	549000	569000
<b>CASH FLOW</b>		
Cash Operating Income		875000
Borrow on Oper. Loan		200000
Total Cash Receipts		1075000
Cash Operating Expenses		749120
Interest Payments		46880
Family Living Withdrawals		64000
Payments on Oper. Loan		0
Capital Purchases		150000
Total Cash Expenditures		1010000
Net Cash Flow		65000



Use the following financial data for Problems 7-8.

BALANCE SHEET	Beginning	Ending
<b>Current Assets</b>		
Cash	84	98
Accounts Receivable	165	188
Inventory	393	422
Total Current Assets	642	708
<b>Fixed Assets</b>		
Net Equipment	2731	2880
Total Assets	3373	3588
Current Liabilities		
Accounts Payable	312	344
Other Current Liabilities	231	196
Total Current Liabilities	543	540
Long-Term Debt	531	457
Total Liabilities	1074	997
Owners' Equity		
Common Stock / Paid in Capital	500	550
Retained Earnings	1799	2041
Total Owners' Equity	2299	2591
Total Liabilities and Owners' Equity	3373	3588
<b>INCOME STATEMENT</b>		
Value of Production	2311	
Operating Costs		
Depreciation Expense	1531	
Interest Expense	276	
Net Farm Income	141	
Family Living Withdrawal ( Unpaid Family Labor)	363	
Additions to Retained Earnings	121	
	242	

7. Given the above information compute: [2 pts each]

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|-----------------------------|------------------------------------|
| a) Asset turnover           | b) Operating profit margin         |
| c) Rate of return on assets | d) Rate of return on equity        |
| e) Cost of debt             | f) Capital debt repayment capacity |
| g) Working capital          | h) Current ratio                   |

8. Using the above financial data prepare a cash flow specifically reporting [ 2 pts each]
- a) Operating Cash Flows
  - b) Cash From Assets
  - c) Cash to Creditors
  - d) Cash to Owners