Ch 14 quiz study

A technique for evaluating financial statements that expresses therelationship among selected items of financial statement data is **Ratio Analysis**

In analyzing the financial statements of a company, a single item on the financial statements **is more meaningful if compared to other financial information.**

Which one of the following would *not* be considered a liquidity ratio?
Return on assets

In common size analysis, **a base amount is required**.

In performing a vertical analysis, the base for prepaid expenses is **a total asset.**

Bria Clothing Store had a balance in the Accounts Receivable account of $810,000 at the beginning of the year and a balance of $850,000 at the end of the year. Net credit sales during the year amounted to $6,640,000. The average collection period of the receivables in terms of days was **30 days.**

Flake Company reported the following on its income statement:

Income before income taxes	$600,000
Income tax expense	150,000
Net income	$450,000

An analysis of the income statement revealed that interest expense was $50,000. Flake Company's times interest earned was **6 times.**

The acid-test ratio **is a quick calculation of an approximation of the current ratio.**

Calculating financial ratios is a financial reporting requirement under generally accepted accounting principles. **True.**

A solvency ratio measures the income or operating success of an enterprise for a given period of time. **False**

Vertical analysis is useful in making comparisons of companies of different sizes. **True**