

QUIZ**HOW MUCH DO YOU
KNOW ABOUT
BUSINESS FINANCE?****1**

GAAP REFERS TO FINANCIAL ACCOUNTING PRINCIPLES THAT ARE COMPULSARY IN ALL COUNTRIES AROUND THE WORLD.

- A) True B) False

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THE BALANCE SHEET IS AN IMPORTANT FINANCIAL STATEMENT THAT NEEDS TO BE PRODUCED AT THE END OF A FICAL PERIOD. IT SHOWS:

- A) Funds Available V Use of Funds
B) Current Assets V Current Liabilities
C) Total Fixed Assets V Total Equity

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THE INCOME STATEMENT IS CRUCIAL FOR COMPANIES BECAUSE IT SUMMARIZES OVER A GIVEN PERIOD:

- A) The company's revenues and costs
B) The company's sales and the costs of goods sold
C) The contributions to the company's profit and loss

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EBITDA IS A CASH ORIENTED PROFITABILITY MEASURE THAT STANDS FOR EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTIZATION. IT IS CALCULATED AS FOLLOWS:

- A) Gross Profit - (Depreciation + Amortization)
B) Operating Profit + Depreciation + Amortization
C) EBIT - (Taxes + Interest)

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A COMPANY'S LIQUIDITY IS CONSIDERED BEING SAFE WHEN...

- A) Its Acid Test is above 1
B) Its Current Ratio is less than 1
C) It's Quick Ratio is less than 1

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ROA, ROE & ROCE ARE PROFITABILITY RATIOS. WHICH ONE MEASURES EFFICIENCY IN USING ASSETS TO GENERATE EARNINGS?

- A) ROA (Return on Assets)
B) ROE (Return on Equity)
C) ROCE (Return on Capital Employed)

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THE DPO IS ONE OF THE COMPANY ACTIVITY RATIOS USED TO MEASURE:

- A) The average number of days needed to collect money from clients
B) The average number of days inventories are held
C) The average number of days needed to pay suppliers

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OWC STANDS FOR "OPERATING CAPITAL" AND GENERALLY COMPANIES TRY TO KEEP IT LOW. WHAT ARE THE LEVERS USED TO REDUCE OWC?

- A) Accounts Receivables, Inventory & Accounts Payables
B) Working Capital, Loans and Debts
C) Production Costs, Early Revenue Payment & Delayed Suppliers Payment

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WHAT IS THE MOST POPULAR INVESTMENT DECISION MAKING TOOL FOR CASH FLOW FORECAST?

- A) Payback Period (PP)
B) Net Present Value (NPV)
C) Internal Rate of Return (IRR)

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THE CONTRIBUTION TO COVERING FIXED COSTS FROM SELLING ONE MORE UNIT OF THE PRODUCT/SERVICE IS CALLED CONTRIBUTION MARGIN PER UNIT AND IS CALCULATED AS FOLLOWS:

- A) Unit Revenue Price - Unit Variable Cost
B) Total Revenue - (Fixed + Variable Costs)
C) Profit Per Unit - Unit Fixed Costs

So how many questions did you get right? Do you need to develop your finance skills? Find out more about MCE's Top Selling programme - "Business Finance for Non-Financial Managers" at www.mce.eu

Answers: (1) B, (2) A, (3) A, (4) B, (5) A, (6) A, (7) C, (8) A, (9) A, (10) A