Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chapter 2 Homework

A company has net income of $50,000 (Sales are $450,000 and cost of goods sold is $250,000). Its average total assets are $500,000; 2/5 of which are current. The current assets consist of $75,000 of inventory, $73,500 of accounts receivable, $31,500 of cash and the remainder of prepaid items. Average total owners’ equity is $400,000 and 75% of total liabilities are current. The current liabilities consist of $60,000 of accounts payable and the remainder of miscellaneous payables.

Find the following:

* Return on Investment ratio
* Quick Ratio
* Return on Owner’s Equity Ratio
* Gross Margin Ratio
* Accounts Receivable Turnover
* Inventory Turnover
* Accounts Payable Turnover

 Sports Academy, Inc. sells sports equipment. The company has 60 stores located in big cities throughout the country. The company recently engaged in the following activities. Identify each activity as part of the (B) Business Organization and Strategy Process (O) operating process, (CR) capital resources process (P) Performance Measurement and Management

 \_\_\_\_\_\_ (a.) Purchased 300 basketballs for resale.

 \_\_\_\_\_\_ (b.) Sold 50 pitching machines.

 \_\_\_\_\_\_ (c.) Borrowed $50,000 from the bank.

 \_\_\_\_\_\_ (d.) Purchased 10 new cash registers.

 \_\_\_\_\_\_ (e.) Paid part-time employees' wages.

 \_\_\_\_\_\_ (f.) Purchased office supplies for cash.

 \_\_\_\_\_\_ (g.)Calculated ratio analysis.

 \_\_\_\_\_\_ (h.) The owners invested an additional $100,000 into the business.

 \_\_\_\_\_\_ (i.) Made a $4,000 payment on the loan for the building that they own.

 \_\_\_\_\_\_ (j.) Developed operating budget.

 Rawlings Inc., which manufactures sporting good equipment, engaged in the following activities. Identify the subprocess in operating process the following activities are associated with. Use (MS) for marketing/sales/collection/customer service, (P) for purchase/human resources/payment, and (C) for conversion.

 \_\_\_\_\_\_ (a.) Purchased raw materials for production.

 \_\_\_\_\_\_ (b.) Sold $10,000 of its product to Johnny Mac’s on account, terms 2/10, n/30.

 \_\_\_\_\_\_ (c.) Paid $5,000 for an advertisement for a bill board.

 \_\_\_\_\_\_ (d.) Factory employees worked in production.

 \_\_\_\_\_\_ (e.) Received $9,800 payment from EMS (see above).

 \_\_\_\_\_\_ (f.) Baseball Belts were finished and sent to the Dick’s Sporting Good Store.

 \_\_\_\_\_\_ (g.) Paid the CEO’s salary.

 \_\_\_\_\_\_ (h.) New belts were installed in the production process.

 \_\_\_\_\_\_ (i.) Paid the cost to repair a machine used in the factory.

Rawlings, Inc. manufactures baseball gloves. Some of the company's activities are listed below. Identify the phase of the management cycle in which each activity occurs. Use (PL) for planning, (PR) for performing, and (E) for evaluating.

 \_\_\_\_\_\_ (a.) Management sets a goal of obtaining a 22% share of the total market.

 \_\_\_\_\_\_ (b.) The building of a new warehouse is being considered.

 \_\_\_\_\_\_ (c.) Management decides to add 1B glove to the product line.

 \_\_\_\_\_\_ (d.) A new customer purchases 3,000 baseball gloves.

 \_\_\_\_\_\_ (e.) Raw materials are purchased for production.

 \_\_\_\_\_\_ (f.) Executive salaries are paid.
\_\_\_\_\_\_ (g.) Based on less than expected sales volume, production of a different color gloves is discontinued.

 \_\_\_\_\_\_ (h.) The company decides a distribution center in Missouri is unnecessary, so it

 will be closed.

 \_\_\_\_\_\_ (i.) Payment is received from a customer.

 \_\_\_\_\_\_ (j.) A review of customers' payment schedules reveals several problems

 requiring corrective action.