

Financial Analysis and Planning Self-Assessment Questions

1. A pharmacy that is undertrading would likely have low net working capital.

- A. True
- B. False

Use the following data and account balances at the end of the year to answer questions 2 through 9

Sales	\$1,000,000
Cost of Goods Sold	700,000
Beginning Inventory	110,000
Ending Inventory	90,000
Current Assets	300,000
Current Liabilities	100,000
Net Profit	50,000
Net Worth	150,000

2. The current ratio is acceptable.

- A. True
- B. False

3. The acid test ratio is:

- A. 1:1
- B. 1.5:1
- C. 2.1:1
- D. 3.0:1
- E. 3.6:1

4. The return on investment is:

- A. 10%
- B. 20%
- C. 33.3%
- D. 40.0%
- E. 50.0%

5. The return on investment is _____ the usual range.

- A. Above
- B. Below

6. The net profit is _____ the acceptable range.

- A. Above
- B. Below
- C. Within

7. The inventory turnover rate is:

- A. 2
- B. 3
- C. 4
- D. 6
- E. 7

8. Assuming sales and COGS the next year were the same as the data above, to what level would the inventory have to be reduced to increase the inventory turnover to 10?

- A. \$40,000
- B. \$50,000
- C. \$60,000
- D. \$70,000
- E. \$80,000

9. The return on investment in inventory is 50%.

- A. True
- B. False

10. If the beginning inventory = the ending inventory, then purchases = cost of goods sold.

- A. True
- B. False