Certified Credit Research Analyst (CCRA)
(Mock Test-1)

1) The two methods for preparation of cash flow statement, differs for Computation of

A. Cash flow from operations
B. Cash flow from Investing Activities
C. Cash flow from Financing Activities
D. All of the Options/Alternatives

2) Which of the following is not a type of audit report issued by the auditors?

A. Unqualified report
B. Qualified Report
C. Substantiated report
D. Disclaimer

3) Which of the following pairs of balance sheet items and its related profit and loss account item is not correct?

A. Balance Sheet Item d. Fixed Assets; Profit and Loss Account Item Depreciation
B. Balance Sheet Item Receivable; Profit and Loss Account Item Cash sales
C. Balance Sheet Item Bank Loans; Profit and Loss Account Item Interest expense
D. Balance Sheet Item trade payable; Profit and Loss Account Item Purchases

4) Other things remaining same, an increase in cost of goods sold by USD 100,000 and an decrease in closing inventory by USD 50,000 would result in:

A. Increase in Profit by USD 50,000

B. Increase in Profit by USD 150,000

C. Decrease in Profit by USD 50,000

D. Decrease in Profit by USD 150,000

5) Estimated life of an X-ray machine for a clinic is 10 years with a salvage value of USD 12,000. What is the net asset value of the X-ray machine in balance sheet after 6 years, if initial cost of the machine was USD 100,000 and straight line depreciation is followed?

A. 52800

B. 47200

C. 58200

6) Which of the Following can NOT be capitalized?

A. Expense incurred to insure the new equipment

B. Expenses incurred to ship the new equipment to the factory

C. Expense incurred during installation of a new equipment

7) A company has purchased raw land for USD 200,000 and wants to use it for operations for five year(s) Company depreciates all its assets at 10% rate. How the purchase of raw land will affect its EBIT over the coming years considering other things constant?

A. EBIT would be reduced

B. Can't say anything

C. No effect

8) Changes from straight line to accelerated depreciation method result the understating which of following items in the earlier years of asset purchase? Applicable Tax rate is 30%

A. Tax expense

B. Net Income after Tax

C. Cash Flow from Investment

9) A company changes salvage value of the asset and changes depreciation method of all of its assets from straight line to accelerated depreciation method. How it will restate its financial statement for Change in Salvage value, Change in Depreciation Method respectively?

A. Apply this change from next year statement, Apply this change and restate previous year Financial statements

B. Apply this change from next year statement, Apply this from next year statement

C. Apply this change and restate previous years statement, Apply this change and restate previous year Financial statements

10) When rising prices and rising Inventories, which of the following Inventory Valuation Method Will result in a understating of Net Income?

A. FIFO Method

B. LIFO Method

C. Weighted Avg. Method

11) Which of the following methods describes the usual physical flow of inventory?

A. LIFO

B. Weighted average

C. FIFO

12) Spencer Company earned net income of USD 300,000 in 2003 and had 100,000 shares of common stock outstanding throughout the year. Also outstanding all year was USD 400,000 of 10% bonds, which are convertible into 16,000 shares of common stock. Spencer Company's tax rate is 40%. Compute Spencer Company's 2003 basic EPS.

A. 3

B. 1.8

C. 4

13) In an inflationary environment (rising inventory prices), which inventory cost flow method will require the largest cash payment for income taxes?

A. Weighted average

B. LIFO

C. FIFO

14) Spencer Company earned net income of USD 300,000 in 2003 and had 100,000 Shares of common stock outstanding throughout the year. Also outstanding all year was USD 400,000 of 10% bonds, which are convertible into 16,000 shares of common stock. Spencer Company's tax rate is 40%. Compute Spencer Company's 2003 diluted EPS.

A. 3

B. 2.79

C. 2.89

15) You have given found assets of USD 5,500,000 & accumulated depreciation expense of USD 2,300,000 & depreciation expense for the year as USD 450,000. Calculate the Estimated Average Depreciable Life of the Asset and Estimated Average Age of the Asset.

A.Avg. Depreciable Life: 2.39, Average Age: 5.11

B. Avg. Depreciable Life: 12.22, Average Age: 5.11

C. Avg. Depreciable Life: 5.11, Average Age: 12.22

16) Assuming that inventory prices are raising. Which of the following ratios would be most likely to increase if a firm changes inventory valuation method from FIFO to LIFO?

A. Inventory turnover

B. Cash conversion cycle

C. Days of Inventory

17) Operating Cycle equals:

A. Average Inventory Period + Average trade payable Period - Average Collection period

B. Average Inventory Period + Average collection Period + Average trade payable

Period

C. Average Inventory Period + Average collection Period - Average trade payable Period

D. Average raw material Period + Average work in progress Period + Average Finished Goods Period

18) Which of the following is not used as a valuation ratio:

A. Debt / EBITDA

B. EV/EBITDA

C. Price to Book ratio

D. Price to Sales Ratio

19) The difference between current ratio and quick ratio is that the latter do not consider which of the following items:

A. Receivables greater than six months

B. Inventories

C. trade payable for expenses other than raw materials

D. Current portion of long term debt

20) Assuming Company A Ltd. has a net profit margin of 15% and its total sales is USD 20,000. If the firm has debt of USD 7,500, total assets of USD 22,500, and an after-tax interest cost on total debt of 5%, what is the company's return on assets?

A. 13.30%

B. 12.00%

C. 10.90%

D. 8.40%

21) Which of the following is not an efficiency ratio?

A. Receivable turnover ratio

B. Inventory turnover ratio

C. Total asset turnover ratio

D. EBITDA Margin

22) Two firms generating same level of gross profit margin and where one generates higher EBITDA margin than the other it can be due to _____

A. use of advanced technology (resulting in lower operating costs)

B. better selling & distributing network at effective cost

C. efficient utilization of assets resulting in high absorption of fixed costs

D. All the options

23) A company with less than one current ratio may indicates that the company has financed its long-term fixed assets by resorting to short-term funds which may result in liquidity crisis in future.

A. FALSE

B. TRUE

C. Not enough information to judge questions

D. FALSE, such case would arise if quick ratio is less than 1 and not current ratio

24) Which of the following is TRUE in regards to overall gearing ratio?

A. Higher than industry average gearing ratio increases the financial risk to the concern.

B. This ratio is a more reliable indicator for leverage compared to debt-equity ratio as it may happen that a firm resorts to higher than industry average debt-equity ratio but has lower than industry gearing ratio to reduce its interest costs (interest cost on long-term debt is generally seen lower than cost on working capital loan).

C. It indicates the management reliance on external debt compared to use of own equity for financing total assets (i.e. fixed assets and net current assets).

D. All the options

25) Companies are raising funds in quasi-equity form where the amount would be initially considered as a debt and after a specified tenure it would get converted into equity. As the firm has no obligation to repay the amount, analyst should calculate the leverage ratio by considering it as ________

A. All the options

B. Secured debt

C. Current Liability

D. Short-term borrowings

26) Total debt to Cash Flow from Operation indicates the average tenure of total debt which can be repaid from internal cash accrual from operation.

A. FALSE

B. The ratio is calculated as Cash flow from operations to Long term debt only

C. TRUE

D. The ratio is calculated as Cash flow from financing to total debt only

27) Which of the following is not correct?

A. Relative and fundamental valuation both provides same investment decision conclusion

B. Price to Sales Ratio technique of relative valuation is appropriate for cyclical firms.

C. P/E ratio can use estimated earnings to get the forward looking P/E ratio

28) Equity Multiplier is

A. Price / EPS

B. Assets / Equity

C. EPS / EBIT

D. Sales / EBIT

29) Based on relative valuation parameter, a company is viewed to be a good investment bet if it trades below historical average levels or industry average levels.

A. The measure only applies on Book value

B. Its good investment only below historical levels and not industry levels

C. TRUE

D. FALSE

30) Leverage ratios helps in getting an idea of the firm's methods of financing of Assets.

A. TRUE

B. FALSE

C. Leverage ratio gives an idea of firm's liabilities

D. DSCR ratio gives idea of firm's method of financing assets

Answers:

1. A	2. C	3. B
4. D	5. B	6. A
7. C	8. B	9. A
10. B	11. C	12. A
13. C	14. B	15. B
16. A	17. C	18. A
19. B	20. A	21. D
22. D	23. B	24. D
25. A	26. C	27. A
28. B	29. C	30. A