

Exam	QUIZ 1	Course code		percentage to answer %	
Academic year	2025/2026	Program		No. of pages	1
Semester	First	Department	Accounting	Date	26/10/2025
Course name	Financial Reports	Marks		Time	20 min

### QUESTION 1

- PHARMA EGYPT Inc has the following balance sheet and income statement data.

Cash	\$14,000	Accounts payable	\$ 42,000
Receivables	70,000	Other current liab	28,000
Inventories	280,000	Total CL	70,000
Total Current Assets	\$ 364,000	Long-term debt	\$140,000
Net fixed assets	126,000	Common equity	280,000
Total assets	\$ 490,000	Total liab. and equity	\$ 490,000
Sales	\$ 280,000		
Net income	\$ 21,000		

The new CFO thinks that inventories are excessive and could be lowered sufficiently to cause the current ratio to equal the industry average of 2.75, without affecting either sales or net income. assuming that inventories are sold off and not replaced to get the current ratio to the target level, and that the funds generated are used to buy back common stock at book value, by how much would the ROE change?

Best wishes ,

Exam	QUIZ 1	Course code		%	
Academic year	2025/2026	Program		No. of pages	1
Semester	First	Department	Accounting	Date	2/11/2025
Course name	Financial Reports	Marks		Time	20 min

### Exam Instructions


1. The use of personal mobile phones is strictly prohibited inside the examination hall.
2. Students are not allowed to exchange tools or talk during the exam.
3. Each student must present a university ID or valid identification.
4. Write your name and seat number clearly on the answer sheet.
5. Leaving the exam hall is not allowed before half of the exam time has passed.
6. Any attempt to cheat or assist in cheating will result in immediate disqualification.
7. Maintain silence and follow the invigilators' instructions.

### QUESTION ONE

Last year Cairo Corp. had \$305,000 of assets, \$ 403,000 of sales, \$ 28,250 of net income, and a debt - to - total - assets ratio of 39 %. The new CFO believes the firm has excessive fixed assets and inventory that could be sold, enabling it to reduce its total assets to \$ 252,500. Sales, cost, and net income would not be affected, and the firm would maintain the same debt ratio (but with less total debt) by **how much the reduction in assets would improve the ROE?**

3.16

Best wishes,

Exam	MIDTERM	Course code		Percentage of degree %		 University of Sadat City
Academic year	2025/2026	Program		No. of pages	2	
Semester	First	Department	Accounting	Date	08/11/2025	
Course name	Financial Reports	Marks		Time	30 min	

- (C)
- > Q1. The financial position and profit or loss statement shown below are for Egypt power Inc. Note that the firm has no amortization charges, it does not lease any assets, none of its debt must be retired during the next 5 years, and the notes payable will be rolled over.

Financial Position, Assets (Millions of \$)		Profit or loss statement (Millions of \$)	
Cash and securities	\$ 2,500	Net sales	\$ 87,500
Accounts Receivable	11,500	Operating costs except depreciation	81,813
Inventories	16,000	Depreciation	1531
Total Current Assets	\$ 30,000	Earnings before interest and taxes	\$ 4156
Net plant and equipment	20,000	less: interest	\$ 1375
Total assets	\$50,000	Earnings before taxes	\$ 2781
Liabilities and equity		taxes	973
Accounts payable	\$ 9,500	Net income	\$ 1808
Notes payable	\$ 7,000	other data	----
Accruals	5,500	shares outstanding	500
Total current liabilities	22,000	common dividends	\$ 632.73
Long-term bonds	15,000	initial rate on notes payable and long-term bonds.	6.25 %
Total debt	37,000	federal plus state income tax rate	35%
Common stock	2,000	Year - end stock price.	\$ 43.39
Retained earnings	11,000		
Total common equity	13,000		
Total liabilities, and equity	50,000		

1. What is the firm's ROA?

<input checked="" type="radio"/> A. 3.62 %	<input type="radio"/> B. 3.98 %
<input type="radio"/> C. 4.37 %	<input type="radio"/> D. 4.81 %
What does it mean? (write short points)	
Meanings - Managerial insight - interpretation?	

2. What is the firm's ROE?

<input type="radio"/> A. 13.21 %	<input checked="" type="radio"/> B. 13.91 %
<input type="radio"/> C. 14.60 %	<input type="radio"/> D. 15.33 %
What does it mean? (write short points)	
Meanings - Managerial insight - interpretation?	

3. What is the firm's current ratio?

<input type="radio"/> A. 0.99	<input type="radio"/> B. 1.10
<input type="radio"/> C. 1.23	<input checked="" type="radio"/> D. 1.36
> What does it mean? (write short points)	
> Meanings - Managerial insight - interpretation?	

4. What is the firm's quick ratio?

<input type="radio"/> A. 0.51	<input checked="" type="radio"/> B. 0.64
<input type="radio"/> C. 0.76	<input type="radio"/> D. 0.92
> What does it mean? (write short points), Managerial insight - interpretation?	



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5. What is the firm's Debit ratio? C

A. 48.55 %

C. 59.94 %

B. 53.95 %

D. 74.00 %

➤ What does it mean? Meanings – Managerial insight – interpretation?

6. What is the firm's Profit Margin?

A. 1.51%

C. 1.86%

B. 1.67%

D. 2.07%

What does it mean? (write short points)

Meanings – Managerial insight – interpretation?

7. What is the firm's Operating Margin?

E. 3.12 %

G. 3.85%

F. 3.46%

H. 4.75%

What does it mean? (write short points)

Meanings – Managerial insight – interpretation?

8. What is the firm's Inventory turnover ratio?

A. 5.47

C. 6.03

B. 5.74

D. 6.33

➤ What does it mean? (write short points)

➤ Meanings – Managerial insight – interpretation?

9. What is the firm's total assets turnover?

A. 1.12

C. 1.75

B. 1.40

D. 2.10

What does it mean? (write short points)

Meanings – Managerial insight – interpretation?

10. Referring to the previous points, the inventory turnover and current ratio are related to the combination of high current ratio and a low inventory turnover ratio, relative to industry norms, suggests that the firms have an above-average inventory level and / or that part of the inventory is obsolete or damaged.

Explain the statement, confirmed your answer with numbers mentioned above?

Best wishes,



Course professor:	Dr. akram samy	Course coordinator:	Dr. akram samy
Teaching staff:	Dr. akram samy	Head of department:	Dr. Mohamed Mousa