Session 4: Post Class tests

1. To get to operating cash flows, which of the following do we do, to start the process?
    a. Start with EBITDA and subtract out depreciation, amortization and other non-cash charges
    b. Start with EBIT and add back depreciation, amortization and other non-cash charges
    c. Start with Net Income and add back depreciation, amortization and other non-cash charges
    d. Start with EBIT and subtract out depreciation, amortization and other non-cash charges
    e. Start with Net Income and subtract out depreciation, amortization and other non-cash charges
2. Following up, we then bring in changes in current assets, like inventory, and current liabilities, like accounts payable. Which of the following best describes the effect of those changes?
    a. Increases in inventory decrease cash flows and increases in accounts payable increase cash flows.
    b. Increases in inventory increase cash flows and increases in accounts payable decrease cash flows.
    c. Increases in inventory decrease cash flows and increases in accounts payable also decrease cash flows.
    d. Increases in inventory increase cash flows and increases in accounts payable also increase cash flows.
    e. Increases in inventory and increases in accounts payable do not affect cash flows.
3. Embedded in investing cash flows are acquisitions made by the company. These acquisitions can be paid for with cash, with stock or with a mix of cash and stock. Which of the following will show up under investing activities?
    a. Only stock-based acquisitions
    b. Only cash-based acquisitions.
    c. Cash-based acquisitions and cash portion of mixed acquisitions
    d. Cash-based acquisitions and stock portion of mixed acquisitions
    e. All acquisitions
4. Dividends can be cash dividends or stock dividends and share buybacks can be either to keep as treasury stock or to reduce share count. Which of the following will show up in the financing section?
    a. All dividends, no share buybacks
    b. All dividends, all buybacks
    c. Cash dividends, no share buybacks
    d. Cash dividends, all share buybacks
    e. Cash dividends, only share buybacks that reduce share count
    f. Cash dividends, only share buybacks for treasury stock
5. If you are looking at the statement of cash flows for a very young, high-growth company, which of the following would you expect to see?

a. Positive cash flow from operations, Negative cash flow from investing and Negative cash flow from financing
b. Negative cash flow from operations, Negative cash flow from investing and Positive cash flow from financing
c. Negative cash flow from operations, Positive cash flow from investing and Negative cash flow from financing
d. Negative cash flow from operations, Negative cash flow from investing and Negative cash flow from financing
e. Positive cash flow from operations, Positive cash flow from investing and Positive cash flow from financing