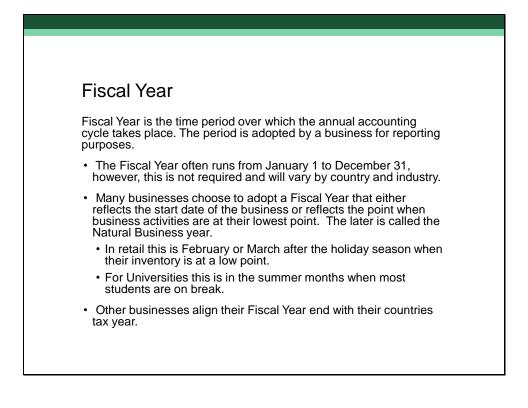
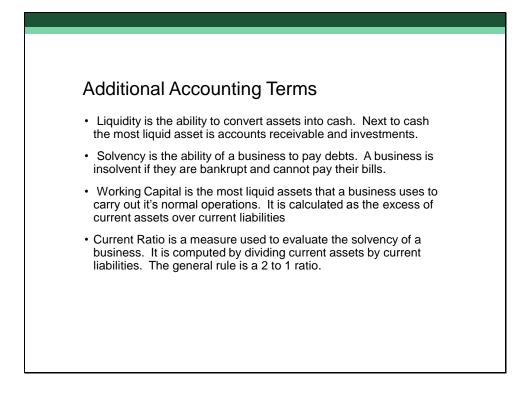
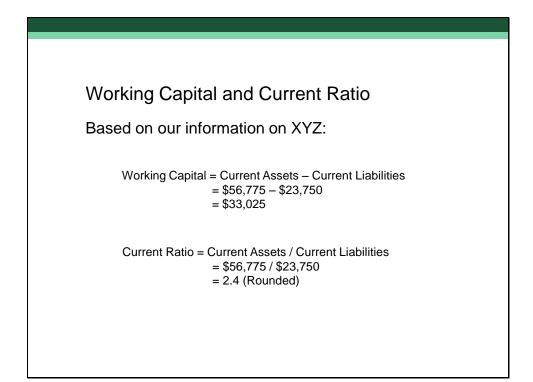
Introduction to Business Accounting Chapter 13 - Fiscal Year











Questions and Answers

Review Questions:

- 1. True or False: Most companies that declare bankruptcy have current ratios of 3 or more.
 - A. True
 - B. False
- 2. True or False: The fiscal year end for all companies is December 31st regardless of industry or country.
 - A. True
 - B. False
- 3. What is liquidity?
 - A. The ability to convert assets into cash
 - B. The ability of a business to pay debts
 - C. A measure used to evaluate the solvency of a business
 - D. None of the above
- 4. True or False: Working Capital is calculated as the excess of current assets over current liabilities.
 - A. True
 - B. False
- 5. True or False: The current ratio is calculated as current assets divided by current liabilities.
 - A. True
 - B. False

Answer Key:

1. B

False. Most companies that declare bankruptcy have current ratios of less than 2.

2. B

False. The fiscal year end for all companies depends heavily on the industry or country.

3. A

Liquidity is the ability to convert assets into cash.

4. A

True. Working Capital is calculated as the excess of current assets over current liabilities.

5. A

True. The current ratio is calculated as current assets divided by current liabilities.