9. Analysts prefer the indirect approach to the preparation of the statement of cash flows because the size and direction of the items reconciling net income to cash flow provide a yardstick for measuring the:

_____ a. current ratio.

_____ b. quality of earnings.

_____ c. rate of dividends.

_____ d. return on assets.

10. Investing transactions that do not directly and immediately affect cash are:

_____ a. included in the statement of cash flows.

_____ b. not reported anywhere in the financial statements.

_____ c. reported separately on a supplemental schedule to the statement of cash flows.

_____ d. reported separately on the balance sheet.

11. The FASB decided that the allocation of income taxes paid to operating, financing, and investing activities would be complex and arbitrary, and relied on which one of the following justifications for its decision?

_____ a. Conservatism constraint

_____ b. Cost-benefit constraint

_____ c. Materiality constraint

_____ d. Revenue recognition principle

12. The FASB addressed simultaneous financing and investing activities by requiring that they be:

____ a. ignored.

____ b. reported on the retained earnings statement.

____ c. reported separately on a supplemental schedule to the statement of cash flows.

____ d. reported separately on the income statement.

13. Madisen Company reported net income for Year 4 of $200,000. The company reported depreciation expense of $35,000 and amortization of patents of $10,000. The company also reported a loss on the sale of equipment of $5,000. Based only on this information, the company would report net cash flow from operations of:

____ a. $235,000.

____ b. $240,000.

____ c. $245,000.

____ d. $250,000.

14. A decrease in accounts receivable of $8,000 for the year:

____ a. decreases cash flow from operations by $8,000.

____ b. decreases cash flow from operations by $16,000.

____ c. increases cash flow from operations by $8,000.

____ d. increases cash flow from operations by $16,000.