

1. If residual income is negative \$10,000, reported profit is \$20,000, and ROI is 40%, what is the required rate of return?
 - a. 40%
 - b. 20%
 - c. 10%
 - d. 5%
 - e. Insufficient information available.

2. Baum Company estimates payments for its materials as: 60% in the month of purchase, 35% the month following, and 5% the second month following. Actual and estimated purchases are: February \$150,000; March \$175,000; and April \$180,000. The estimated April cash payments for purchases would be:
 - a. \$108,000
 - b. \$160,250
 - c. \$176,750
 - d. \$180,000
 - e. None of the above