**Financial Analysis- Ratio**

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| **1)   Overall Profitability ratios are based on**  **a.** Investments **b.** Sales **c.** Both a and b **d.** None of the above |
| **2)   Stock is considered as a liquid asset as anytime it can be converted into cash immediately.**  **a.** Yes **b.** No |
| **3)   The ideal level of liquid ratio is**  **a.** 3:3 **b.** 4:4 **c.** 5:5 **d.** All of the above   |  | | --- | |  | |
| **4)   Which of the following is not included in current assets?**  **a.** Debtors **b.** Stock **c.** Cash at bank **d.** Cash in hand   |  | | --- | |  | |
| **5)   Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000.**  **a.** 5 times **b.** 6 times **c.** 3 times **d.** 1.5 times   |  | | --- | |  | |
| **6)   Determine Debtors turnover ratio if, closing debtors is Rs 40,000, Cash sales is 25% of credit sales and excess of closing debtors over opening debtors is Rs 20,000.**  **a.** 4 times **b.** 2 times **c.** 6 times **d.** 8 times   |  | | --- | |  | |
| **7)   Collection of debtors**  **a.** Decreases current ratio **b.** Increases current ratio **c.** Has no effect on current ratio **d.** None of the above   |  | | --- | |  | |
| **8)   Liquid assets is determined by**  **a.** Current assets – stock - Prepaid expenses **b.** Current assets + stock + prepaid expenses **c.** Current assets + Prepaid expenses **d.** None of the above   |  | | --- | |  | |
| **9)   Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000.**  **a.** 80% **b.** 15% **c.** 25% **d.** 11%   |  | | --- | |  | |
| **10)   What will be the Gross Profit if, total sales is Rs 2,60,000, cost of net goods sold is Rs 2,00,000 and sales return is Rs 10,000?**  **a.** 13% **b.** 28% **c.** 26% **d.** 20% |
| **11)   Liquidity ratios are expressed in**  **a.** Pure ratio form **b.** Percentage **c.** Rate or time **d.** None of the above   |  | | --- | |  | |
| **12)   Return on Proprietors funds is also known as:**  **a.** Return on net worth **b.** Return on Shareholders fund **c.** Return on Shareholders Investment **d.** All of the above   |  | | --- | |  | |  | | |
| **13)   Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales.**  **a.** 31 times **b.** 11 times **c.** 8 times **d.** 32 times   |  | | --- | |  | |
| **14)   Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.**  **a.** Rs 54,000 **b.** Rs 60,000  **c.** Rs 1,62,000 **d.** None of the above   |  | | --- | |  | |
| **15)   The most precise test of liquidity is**  **a.** Quick ratio **b.** Current ratio **c.** Absolute Liquid ratio **d.** None of the above   |  | | --- | |  | |
| **16)   Higher the ratio, the more favorable it is, doesn’t stand true for**  **a.** Operating ratio **b.** Liquidity ratio **c.** Net profit ratio **d.** Stock turnover ratio   |  | | --- | |  | |
| **17)   Debt-equity ratio is a sub-part of**  **a.** Short-term solvency ratio **b.** Long-term solvency ratio **c.** Debtors turnover ratio **d.** None of the above |
| **18)   Liquid ratio is also known as  a) Quick ratio  b) Acid test ratio c) Working capital ratio d) Stock turnover ratio**  **a.** A and B **b.** A and C **c.** B and C **d.** C and D   |  | | --- | |  | |
| **19)   Current ratio is stated as a crude ratio because**  **a.** It measures only the quantity of current assets **b.** It measures only the quality of current assets **c.** Both a and b **d.** Offerings dimension   |  | | --- | |  | |
| **20)   The ideal level of current ratio is**  **a.** 4:2 **b.** 2:1 **c.** Both a and b **d.** None of the above   |  | | --- | |  | |
| **21)   Which ratio is considered as safe margin of solvency?**  **a.** Liquid ratio **b.** Quick ratio **c.** Current ratio **d.** None of the above   |  | | --- | |  | |
| **22)   Working capital turnover ratio can be determined by:**  **a.** (Gross Profit / Working capital) **b.** (Cost of goods sold / Net sales) **c.** (Cost of goods sold / Working capital) **d.** None of the above   |  | | --- | |  | |
| **23)   Debtors Turnover ratio is also known as  A) Receivables turnover ratio B) Debtors velocity  C) Stock velocity  D) Payable turnover ratio**  **a.** A and B **b.** A and C **c.** B and C **d.** C and D   |  | | --- | |  | |  | | |
| **24)   Stock velocity establishes a relationship between**  **a.** Cost of goods sold in a given period and the average amount of inventory held during that period **b.** Cost of goods sold in a given period and the average amount of stock held during that period **c.** Both a and b **d.** None of the above   |  | | --- | |  | |
| **25)   The lower turnover ratio highlights the under utilizations of the resources accessible at the disposal of the firm.**  **a.** True **b.** False |
| **26)   Turnover ratios are also known as**  **a.** Activity ratios **b.** Performance ratios **c.** Both a and b **d.** None of the above |
| **27)   While calculating Earnings per share, if both equity and preference share capitals are there, then**  **a.** Preference share is deducted from the net profit **b.** Equity share capital is deducted from the net profit **c.** Both a and b **d.** None of the above   |  | | --- | |  | |
| **28)   Return on equity capital is calculated on basis of:**  **a.** Funds of equity shareholders **b.** Equity capital only **c.** Either a or b **d.** None of the above   |  | | --- | |  | |
| **29)   Which of the following is expenses ratio?  A) Administrative expenses ratio B) Selling and Distribution expenses ratio C) Factory expenses ratio D) Finance Expenses ratio**  **a.** A, B and D **b.** A, C and D **c.** A, B and C **d.** A, B, C, D   |  | | --- | |  | |  | | |
| **30)   Operating ratio is calculated by**  **a.** (Operating Cost / Gross sales) \* 100 **b.** (Operating Cost / Gross sales) \* 100 **c.** (Operating cost / Net sales) \* 100 **d.** None of the above |
| **31)   Net operating profit ratio determines \_\_\_\_\_\_\_\_\_\_\_ while net profit ratio determines**  **a.** Overall efficiency of the business, working efficiency of the management **b.** Working efficiency of the management, overall efficiency of the business **c.** Overall efficiency of the external market, working efficiency of the internal management **d.** None of the above   |  | | --- | |  | |
| **32)   If sales is Rs 10,00,000, sales returns is Rs 50,000, Profit Before Tax is Rs 2,00,000, Income tax is 40%, Net profit ratio is**  **a.** 12.63% **b.** 20% **c.** 10% **d.** 50%   |  | | --- | |  | |
| **33)   If sales is Rs 5,00,000 and net profit is Rs 1,20,000 Net Profit ratio is**  **a.** 24% **b.** 416% **c.** 60% **d.** None of the above   |  | | --- | |  | |
| **34)   Net Profit ratio is calculated by**  **a.** (Gross Profit / Gross sales) \* 100 **b.** (Gross Profit / Net sales) \* 100 **c.** (Net Profit / Net sales) \* 100 **d.** None of the above   |  | | --- | |  | |
| **35)   Gross Profit ratio should be adequate to cover**  **a.** Selling expenses **b.** Administrative expenses **c.** Dividends **d.** All of the above   |  | | --- | |  | |  | | |
| **36)   If selling price is fixed 25% above the cost, the Gross Profit ratio is**  **a.** 13% **b.** 28% **c.** 26% **d.** 20%   |  | | --- | |  | |
| **37)   Given Sales is 1,20,000 and Gross Profit is 30,000, the gross profit ratio is**  **a.** 24% **b.** 25% **c.** 40% **d.** 44%   |  | | --- | |  | |
| **38)   Gross profit ratio is calculated by**  **a.** (Gross Profit / Gross sales) \* 100 **b.** (Gross Profit / Net sales) \* 100 **c.** (Net Profit / Gross sales) \* 100 **d.** None of the above   |  | | --- | |  | |
| **39)   While calculating Gross Profit, if net profit is given,**  **a.** It can be converted into gross profit by adding interest to it **b.** It can be converted into Gross profit by adding indirect expenses to it **c.** Both a and b **d.** None of the above |
| **40)   While calculating Gross Profit ratio,**  **a.** Closing stock is deducted from cost of goods sold **b.** Closing stock is added to cost of goods sold **c.** Closing stock is ignored **d.** None of the above |
| **41)   Gross Profit ratio is also termed as**  **a.** Gross Profit Margin **b.** Gross Margin to net sales **c.** Both a and b **d.** All of the above   |  | | --- | |  | |
| **42)   General Profitability ratios are based on**  **a.** Investments **b.** Sales **c.** Both A & B **d.** None of the above   |  | | --- | |  | |
| **43)   Which of the following falls under Profitability ratios?  A) General Profitability ratios  B) Overall Profitability ratios C) Comprehensive Profitability ratios**  **a.** A and B **b.** A and C  **c.** B and C **d.** None of the above   |  | | --- | |  | |
| **44)   Which of the following are limitations of ratio analysis?  A) Ratio analysis may result in false results if variations in price levels are not considered.  B) Ratio analysis ignores qualitative factors. C) Ratio Analysis ignores quantitative factors. D) Ratio Analysis is historical analysis.**  **a.** A, B and D **b.** A, C and D **c.** A, B and C **d.** A, B, C, D   |  | | --- | |  | |
| **45)   Profit for the objective of calculating a ratio may be taken as**  **a.** Profit before tax but after interest **b.** Profit before interest and tax **c.** Profit after interest and tax **d.** All of the above   |  | | --- | |  | |
| **46)   The ratio analysis is helpful to management in taking several decisions, but as a mechanical substitute for judgment and thinking, it is worse than useless.**  **a.** True **b.** False   |  | | --- | |  | |  | | |
| **47)   Which of the following statements are true about Ratio Analysis?  A) Ratio analysis is useful in financial analysis. B) Ratio analysis is helpful in communication and coordination. C) Ratio Analysis is not helpful in identifying weak spots of the business.  D) Ratio Analysis is helpful in financial planning and forecasting.**  **a.** A, B and D **b.** A, C and D **c.** A, B and C **d.** A, B, C, D   |  | | --- | |  | |
| **48)   The relationship between two financial variables can be expressed in:**  **a.** Pure ratio **b.** Percentage **c.** Rate or time **d.** Either of the above   |  | | --- | |  | |
| **49)   The definition, “The term accounting ratio is used to describe significant relationship which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in a any part of the accounting organization” is given by**  **a.** Biramn and Dribin **b.** Lord Keynes **c.** J. Betty **d.** None of the above   |  | | --- | |  | |
| **50)   When the concept of ratio is defined in respect to the items shown in the financial statements, it is termed as**  **a.** Accounting ratio **b.** Financial ratio **c.** Costing ratio **d.** None of the above |

**Web Link- For Details & Answer descriptions accurately**

<https://www.careerride.com/mcq-tag-wise.aspx?Key=Ratio%20Analysis&Id=20>