

Unit – II

Module - III

Ratio Analysis

Multiple Choice Questions

1. The analysis and interpretations of the financial statement will reveal_____
 - a. The profitability
 - b. The financial position
 - c. Both**
 - d. None

2. The rearrangement of accounting figures and methodical classification of data is called...
 - a. Interpretations
 - b. Summarization
 - c. Analysis**
 - d. None

3. The process of explaining the meaning, significance and relationship between two financial factors is called...
 - a. Interpretation
 - b. Analysis**
 - c. Summarization
 - d. None

4. Which of the following is technique of financial statement analysis?
 - a. Common size statement
 - b. Comparative statement
 - c. Trend analysis
 - d. All of the above**

5. In _____ figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons...
 - a. Common-size statement analysis
 - b. Comparative statement analysis**
 - c. Trend percentage analysis

- d. None
6. _____ are required to show figures to the previous year figures of financial statements.
- a. Partnership firms
 - b. Cooperatives
 - c. Companies**
 - d. Government companies
7. What is shown by a comparative balance sheet?
- a. Two years balance sheet figures
 - b. Increase or decrease in figures
 - c. Percentage of increase or decrease
 - d. All of the above**
8. The comparative income statement shows the increase or decrease of _____ over the previous year.
- a. Sales
 - b. Profit
 - c. Expense
 - d. All of the above**
9. The technique of converting figures into percentage in some common base is called...
- a. Ratio analysis**
 - b. Common size statement analysis
 - c. Trend percentages
 - d. None
10. In common size balance sheet analysis, the _____ are taken as cent percent.
- a. Total assets**
 - b. Fixed assets
 - c. Total capital

d. None

11. The technique of taking first year figures as base and comparing with subsequent years is called...

- a. Ratio analysis
- b. Common size statement
- c. Trend analysis**
- d. None

12. Ratio analysis is a technique of _____ of financial statement

- a. Analysis
- b. Interpretation
- c. Both**
- d. None

13. Which of the following is an important step in ratio analysis?

- a. Calculation of ratios
- b. Comparison
- c. Interpretation
- d. All of the above**

14. Who is the user of ratio analysis?

- a. Management
- b. Creditors and financial institutions
- c. Investors
- d. All**

15. Which of the following technique shows the financial condition of a business in a simplified manner?

- a. Balance sheet
- b. Ratios**
- c. Funds flow
- d. None

16. What ratios are applied to find out the efficiency of performance of a firm?

- a. Activity ratio
- b. Profitability ratio
- c. Both**
- d. None

17. What trend is projected by profitability ratio?

- a. Costs
- b. Profits
- c. Sales
- d. All of the above**

18. Which of the following is the best for comparing the firms?

- a. Ratios**
- b. Absolute figures
- c. Both
- d. None

19. The ascertainment of trends helps in making...

- a. Standards
- b. Forecasts**
- c. Budgets
- d. None

20. In what way the ratio analysis helps the management?

- a. Planning
- b. Coordination
- c. Control
- d. All**

21. On what basis can ratios be classified?

- a. Financial statement
- b. Function
- c. Both**
- d. Subjective matter

22. Inter-firm comparison with ratios is not meaningful because of ...

- a. Non availability of ideal standards
- b. Different accounting periods followed
- c. Both**
- d. None

23. What is the serious limitation of ratio analysis?

- a. Window dressing
- b. Price level changes not considered**
- c. Personal bias
- d. All of the above

24. Liquidity ratio indicates the ability of the company to meet its _____

- a. Current liability
- b. Tax liability**
- c. Long term obligations
- d. Shareholders claim

25. What is the expected standard for current ratio?

- a. 1:2
- b. 2:1**
- c. 2:3
- d. 1:3

26. The shareholders funds consist of...

- a. Preference shares
- b. Equity shares

- c. Reserves and surplus
- d. All**

27. Net profit ratio shows the relation between net profits and _____

- a. Gross sales
- b. Net sales**
- c. Sales return
- d. Cost of sales

28. What level of operating ratio is ideal?

- a. High
- b. Very high**
- c. Low
- d. Average

29. What is main component of operating expenses?

- a. Selling expenses
- b. Distribution expenses
- c. Production expenses
- d. None**

30. Return on capital employed shows the _____ of a firm.

- a. Profitability
- b. Overall efficiency
- c. Both**
- d. Subjective matter