

**Topic- Analysis of Financial Statement &  
Ratio Analysis**

1. In Net Profit Ratio, the denominator is

- a. Net Purchase
- b. Net Sales
- c. Credit Sales
- d. Credit Purchase
- e. Cost of Goods Sold

**Answer:- Net Sales**

2. Inventory Turnover Ratio measures the relationship of inventory with

- a. Average Sales
- b. Cost of Goods Sold
- c. Total Purchase
- d. Total Assets
- e. Total Creditors

**Answer:- Cost of Goods Sold**

3. A firm has sold goods worth Rs. 300 Lakh with a gross profit margin of 20% during 2022-23. The Stock at the beginning and the end of the year was Rs. 35 Lakh & Rs. 45 Lakh respectively. What is the inventory turnover ratio?

- a. 8 times
- b. 10 times
- c. 4 times
- d. 6 times
- e. 12 times

**Answer:- 6 times**

4. ABC Ltd. has a Current Ratio of 1.5:1 and Net Current Assets of Rs. 5,00,000. What are the Current Assets?

- a. Rs. 5,00,000
- b. Rs. 10,00,000
- c. Rs. 15,00,000
- d. Rs. 20,00,000
- e. Rs. 25,00,000

**Answer:- Rs. 15,00,000**

**Topic- Analysis of Financial Statement &  
Ratio Analysis**

5. **Gross Profit Ratio** for a firm remains same but the **Net Profit Ratio** is decreasing. The **reason for such behavior could be**
- Increase in Costs of Goods Sold
  - Increase in Operating Expense
  - Increase in Dividend
  - Decrease in Sales
  - Increase in Retained Profit

**Answer:- Increase in Operating Expense**

6. **Return on Assets and Return on Investment Ratio** belong to
- Liquidity Ratio
  - Solvency Ratio
  - Profitability Ratio
  - Activity Ratio
  - Volatility Ratio

**Answer:- Profitability Ratio**

7. \_\_\_\_\_ **is the first item (Top Line) in operating Statement**
- Cost of Goods Sold
  - Gross Profit
  - Operating Profit
  - Raw Material
  - Gross Sales

**Answer:- Gross Sales**

8. **As per the Companies 2013, the Balance Sheet of a company must be in the format specified in \_\_\_\_\_ of the Companies Act.**
- Schedule III
  - Schedule IV
  - Schedule V
  - Schedule II
  - Schedule VI

**Answer:- Schedule III**

9. Which of the following items is shown under the head 'Non-Current Assets' while preparing company's Balance Sheet as per Schedule III of Company Act 2013?

- a. Motor Vehicles, Stock in trade, Goodwill, Cash at bank
- b. Bills receivable, Goodwill, Motor Vehicles
- c. Goodwill, Motor Vehicles, Work in Progress
- d. Goodwill, Motor Vehicles, Prepaid Expenses
- e. Goodwill, Motor Vehicles

**Answer:- Goodwill, Motor Vehicles**

10. Out of the following options, which is the most suitable with regards to the balance sheet

- a. Liabilities = Assets + Shareholders Equity
- b. Shareholders Equity = Assets + Liabilities
- c. Assets = Shareholders Equity + Liabilities
- d. Assets = Shareholders Equity – Liabilities
- e. Assets = Long term Borrowing + Short Term Borrowing

**Answer:- Assets = Shareholders Equity + Liabilities**

11. Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?

- a. 500 Units
- b. 1000 Units
- c. 1250 Units
- d. 1100 Units
- e. 1350 Units

**Answer:- 1250 Units**

12. Given selling price is Rs 20 per unit, variable cost is Rs 16 per unit, contribution is

- a. Rs 1.25 per unit
- b. Rs 4 per unit
- c. Rs 0.8 per unit
- d. Rs 2 per unit
- e. Rs 5 per unit

**Answer:- Rs 4 per unit**

**Topic- Analysis of Financial Statement &  
Ratio Analysis**

**13. Determine total as well as per unit contribution if Sales is Rs 40,000, Sales in units is 4,000 and variable cost is Rs 30,000**

- a. Rs 10,400 and Rs 2.6
- b. Rs 9,600 and Rs 2.4
- c. Rs 36,000 and Rs 3.6
- d. Rs 70,000 and Rs 3.5
- e. Rs 10,000 and Rs 2.5

**Answer:- Rs 10,000 and Rs 2.5**

**14. Current ratio of a concern is 1, its net working capital will be**

- a. Positive
- b. Negative
- c. Zero
- d. 1
- e. -1

**Answer:- Zero**

**15. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets**

- a. Rs.10,000
- b. Rs.40,000
- c. Rs.24,000
- d. Rs.6,000
- e. Rs 5,000

**Answer:- Rs.40,000**

**16. The long term use is 120% of long term source. This indicates the unit has**

- a. current ratio 1.2:1
- b. Negative TNW
- c. Low capitalization
- d. Negative NWC
- e.  $NWC = 1$

**Answer:- Negative NWC**

**17. ABC Co. has current assets of Rs 50,000 and total assets of Rs 150,000. ABC has current liabilities of Rs 30,000 and total liabilities of Rs 80,000. What is the amount of ABC's owner's equity?**

**Topic- Analysis of Financial Statement & Ratio Analysis**

- a. Rs. 20,000
- b. Rs. 30,000
- c. Rs. 40,000
- d. Rs. 60,000
- e. Rs. 70,000

**Answer:- Rs. 70,000**

**18. A firm has made credit sales of 240 Lakh during the year 2012-23. The outstanding debtors at the beginning and end of the year were 27.50 Lakh and 32.50 Lakh. What is the debtors' turnover ratio?**

- a. 8 Times
- b. 9 Times
- c. 4 Times
- d. 10 Times
- e. 12 Times

**Answer:- 8 Times**

**19. A firm has made credit sales of 240 Lakh during the year 2012-23. The outstanding debtors at the beginning and end of the year were 27.50 Lakh and 32.50 Lakh. What is the debtors' collection period?**

- a. 3 months
- b. 4 months
- c. 5 months
- d. 1.5 months
- e. 2 months

**Answer:- 1.5 months**

**20. The firm has made credit purchases of 180 Lakh. The amount payable to the creditors at the beginning and at the end of the year is 42.50 Lakh and 47.50 Lakh respectively. What is the creditors' payment period?**

- a. 3 months
- b. 4 months
- c. 5 months
- d. 1.5 months
- e. 2 months

**Answer:- 3 months**

21. An increase in the Firm's receivable turnover ratio means that

- a. It is collecting credit sales more quickly than before
- b. Cash sales have decrease
- c. It has initiated more liberal credit terms
- d. Inventory has increased
- e. Creditors has increased

**Answer:- It is collecting credit sales more quickly than before**

22. Cash inflows arise from \_\_\_\_\_ assets, \_\_\_\_\_ liabilities, and \_\_\_\_\_ stockholders' equity

- a. increasing; increasing; decreasing
- b. increasing; decreasing; decreasing
- c. decreasing; increasing; increasing
- d. decreasing; increasing; decreasing
- e. increasing; decreasing; increasing

**Answer:- decreasing; increasing; increasing**

23. Preliminary expenses is an example of

- a. Fixed assets
- b. Current assets
- c. Fictitious assets
- d. Current liabilities
- e. Long term liabilities

**Answer:- Fictitious assets**

24. How will you treat payment of 'Interest on Debentures' while preparing a Cash Flow Statement?

- a. Cash Flow from Operating Activities
- b. Cash Flow from Investing Activities
- c. Cash Flow from Financing Activities
- d. Cash Equivalent
- e. No Cash Flow

**Answer:- Cash Flow from Financing Activities**

25. Where will you show purchase of Goodwill in a Cash Flow Statement?

- a. Cash Flow from Operating Activities
- b. Cash Flow from Investing Activities
- c. Cash Flow from Financing Activities
- d. Cash Equivalent
- e. No Cash Flow

**Answer:- Cash Flow from Investing Activities**

26. A Ltd., engaged in the business of retailing of two wheelers, invested ₹50,00,000 in the shares of a manufacturing company. Dividend received on this investment will be

- a. Cash Flow from Operating Activities
- b. Cash Flow from Investing Activities
- c. Cash Flow from Financing Activities
- d. Cash Equivalent
- e. No Cash Flow

**Answer:- Cash Flow from Investing Activities**

27. If a machine whose original cost is ₹40,000 having accumulated depreciation ₹12,000, were sold for ₹34,000 then while preparing Cash Flow Statement its effect on cash flow will be

- a. Cash flow from financing activities ₹34,000
- b. Cash flow from financing activities ₹6,000
- c. Cash flow from investing activities ₹34,000
- d. Cash flow from investing activities ₹6,000
- e. Cash flow from operating activities ₹6,000

**Answer:- Cash flow from investing activities ₹34,000**

28. Debt Service Coverage Ratio (DSCR) formula

- a.  $\frac{\text{Net Profit} + \text{Depreciation} + \text{Interest on Term Loan}}{\text{Interest on Term Loan} + \text{Installment}}$
- b.  $\frac{\text{Net Profit}}{\text{Term Loan Installment}}$
- c.  $\frac{\text{Operating Profit}}{\text{Term Loan Installment}}$
- d.  $\frac{\text{Operating Profit}}{\text{Interest on Term Loan}}$
- e.  $\frac{\text{Net Profit}}{\text{Interest on Term Loan}}$

**Answer:-  $\frac{\text{Net Profit} + \text{Depreciation} + \text{Interest on Term Loan}}{\text{Interest on Term Loan} + \text{Installment}}$**

**29. What does the quick ratio measure in financial analysis?**

- a. A company's ability to generate profits
- b. A company's ability to meet its long-term obligations
- c. A company's ability to meet its short-term obligations with its most liquid assets
- d. A company's return on shareholders' equity
- e. Its operating efficiency

**Answer:- A company's ability to meet its short-term obligations with its most liquid assets**

**30. Prepaid expenses is an example of**

- a. Fixed assets
- b. Current assets
- c. Fictitious assets
- d. Current liabilities
- e. Non Current Assets

**Answer:- Current assets**