

Topic- Financial Statement and Ratio Analysis

1. Net Working Capital is the \_\_\_\_\_.

- A) Capital borrowed from the Banks.
- B) Difference between Current Assets and Current Liabilities.
- C) Difference between Current Assets and Fixed Assets.
- D) Cash and Bank Balance.
- E) None of the Above

Answer B) Difference between Current Assets and Current Liabilities.

2. Current Ratio is equal to Current Assets divided by \_\_\_\_\_.

- A) Current Liabilities.
- B) Total Liabilities.
- C) Contingent Liabilities.
- D) Non-Current Liabilities.
- E) None of the Above

Answer A) Current Liabilities.

3. Which of the following transactions will improve the Current Ratio?

- A) Purchase of Goods for Cash.
- B) Payment to Trade Payables by raising capital.
- C) Credit purchase of Goods.
- D) Cash collected from Trade Receivables.
- E) None of the Above

Answer B) Payment to Trade Payables by raising capital.

4. The \_\_\_\_\_ is a measure of liquidity that excludes generally the least liquid current asset \_\_\_\_\_.

- A) Liquid ratio, Accounts receivable.
- B) Current ratio, inventory.
- C) Quick ratio, inventory.
- D) Current ratio, Accounts receivable.

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E) None of the Above

**Answer C) Quick ratio, inventory.**

**5. Two basic measures of liquidity are \_\_\_\_\_.**

- A) Current ratio and Quick ratio.
- B) Gross Profit ratio and Operating ratio.
- C) Current ratio and Average collection period.
- D) Inventory turnover and Current ratio.
- E) None of the Above

**Answer A) Current ratio and Quick ratio.**

**6. The \_\_\_\_\_ of a business firm is measured by its ability to satisfy its short-term obligations as they become due.**

- A) Liquidity
- B) Debt
- C) Profitability
- D) Activity
- E) None of the Above

**Answer A) Liquidity**

**7. Inventory Turnover Ratio is a relationship between \_\_\_\_\_.**

- A) Cost of goods purchased and cost of average inventory.
- B) Cost of goods sold and cost of average inventory, and cost of goods purchased and cost of average inventory.
- C) Cost of goods sold and cost of average inventory.
- D) None of the options is correct.
- E) All are correct

**Answer C) Cost of goods sold and cost of average inventory.**

**8. Debt to equity ratio establishes the relationship between \_\_\_\_\_.**

- A) Long-term debt and current assets.
- B) Long-term debt and equity, and long-term debt and current assets.

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- A) c) Long-term debt and equity.
- C) Short Term Debt to Equity
- D) None of the options are correct.

**Answer C) Long-term debt and equity.**

**9. Equity or Shareholders fund is equal to \_\_\_\_\_.**

- A) Equity share capital + Preference share capital.
- B) Equity share capital + Reserves and Surplus.
- C) Equity share capital + Preference share capital + Reserves and Surplus.
- D) Equity share capital + Reserves and Surplus + Long Term Debt
- E) None of the options are correct.

**Answer C) Equity share capital + Preference share capital + Revenues and Surplus.**

**10. Total Outside Liability means**

- A) Capital + Long Term Liability
- B) Long Term Liability + Short Term Liability
- C) Capital + Short Term Liability
- D) Capital + Short Term Liability + Long Term Liability
- E) None of the above

**Answer: B) Long Term Liability + Short Term Liability**

**11. Cash Accruals means**

- A) Net Profit After Tax
- B) Net Profit Before Tax
- C) Earning Before Interest and Tax
- D) Net Profit After Tax + Depreciation
- E) Net Profit Before Tax + Depreciation

**Answer D) Net Profit After Tax + Depreciation**

**12. Gross Working Capital Means**

- A) Net Working Capital + Capital
- B) Capital

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- C) Total Current Asset
- D) Cash Credit Loan taken from Bank
- E) Current Liability

**Ans: C) Total Current Asset**

**13. Capital is \_\_\_ of Fund and Fixed Asset is \_\_\_ of Fund.**

- A) Use, Source
- B) Use, Use
- C) Source, Use
- D) Source, Source
- E) None of the above

**Ans: C) Source, Use**

**14. Preliminary Expenses not written off will be classified as**

- A) Expense in P&L Account
- B) Current Liability
- C) Intangible Asset
- D) Current Asset
- E) Long Term Liability

**Ans. C) Intangible Asset**

**15. Long Term Source Includes**

- A) Fixed Assets
- B) Total Assets
- C) Capital
- D) Capital, Long Term Liability
- E) Long Term Liability

**Ans. D) Capital, Long Term Liability**

**16. Short Term Uses includes**

- A) Current Liability
- B) Current Assets
- C) Inventories

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- D) Cash Credit Limit
- E) None of these

Ans. B) Current Assets

17. Net Block = 250, Non-Current Asset = 50, Current Ratio = 2, NWC = 130, Term Loan =

160. Compute Current Asset.

- A) 160
- B) 260
- C) 250
- D) 600
- E) 300

Ans. B) 260

18. Net Block = 250, Non Current Asset = 50, Current Ratio = 2, NWC = 130, Term Loan =

160. Compute Current Liability.

- A) 160
- B) 260
- C) 130
- D) 80
- E) 125

Ans. C) 130

19. Net Block = 250, Non Current Asset = 50, Current Ratio = 2, NWC = 130, Term Loan =

160. Compute TOL/TNW.

- A) 1.5
- B) 2
- C) 1.07
- D) 1.15
- E) 1.23

Ans. C) 1.07

20. Net Block = 250, Non Current Asset = 50, Current Ratio = 2, NWC = 130, Term Loan =

160. Compute DER.

- A) 0.59
- B) 0.65
- C) 0.75
- D) 1.17
- E) 1.21

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Ans. A) 0.59

21. Net Block = 330, Intangible Asset = 20, Current Liability = 300, Current ratio = 1.5, DER = 2.69. Calculate Net Worth (Choose the closest value)

- A) 150
- B) 350
- C) 135.5
- D) 344.5
- E) 364.5

Ans. A) 150

22. Net Block = 330, Intangible Asset = 20, Current Liability = 300, Current ratio = 1.5, DER = 2.69. Calculate Term Liabilities (Choose the closest value)

- A) 150
- B) 350
- C) 135.5
- D) 344.5
- E) 364.5

Ans. B) 350

23. Net Block = 330, Intangible Asset = 20, Current Liability = 300, Current ratio = 1.5, DER = 2.69. Calculate TOL/TNW (Choose the closest value)

- A) 4.29
- B) 4.33
- C) 4.5
- D) 5
- E) 4

Ans. D) 5

24. Net Block = 330, Intangible Asset = 20, Current Liability = 300, Current ratio = 1.5, DER = 2.69. Calculate NWC

- A) 150
- B) 350
- C) 135.5
- D) 344.5
- E) 364.5

Ans. A) 150

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25. Net Block = 330, Intangible Asset = 20, Current Liability = 300, Current ratio = 1.5, DER = 2.69. Calculate Total Asset

- A) 800
- B) 1000
- C) 900
- D) 750
- E) 600

Ans. A) 800

26. Total Asset 1200, NWC 150, Current Ratio 4:3, Investment in Sister Concern 80, Intangible asset 20, Net Worth = 300. Compute Current Liability.

- A) 600
- B) 300
- C) 450
- D) 400
- E) 500

Ans. D) 450

27. Total Asset 1200, NWC 150, Current Ratio 1.33, Investment in Sister Concern 80, Intangible asset 20, Net Worth = 300. Compute Gross Block if Depreciation = 50.

- A) 580
- B) 520
- C) 630
  
- D) 500
- E) 550

Ans. E) 550

28. Total Asset 1200, NWC 150, Current Ratio 1.33, Investment in Sister Concern 80, Intangible asset 20, Net Worth = 300. Compute DER (Select the nearest value)

- A) 1.5
- B) 1.6

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- C) 1.75
- D) 2
- E) 2.5

Ans. B) 1.6

29. Total Asset 1200, NWC 150, Current Ratio 1.33, Investment in Sister Concern 80, Intangible asset 20, Net Worth = 300. Compute Total Outside Liability (TOL)

- A) 800
- B) 800
- C) 1200
- D) 750
- E) None of these

Ans. E) None of these

30. Total Asset 1200, NWC 150, Current Ratio 1.33, Investment in Sister Concern 80, Intangible asset 20, Net Worth = 300. Compute TOL/Adjusted TNW

- A) 3
- B) 4
- C) 4.5
- D) 4.25
- E) 5

Ans. C) 4.5