

QB365 Question Bank Software Study Materials

Financial Statement Analysis 50 Important 1 Marks Questions With Answers (Book Back and Creative)

12th Standard

Accountancy

Total Marks : 50

Multiple Choice Question

50 x 1 = 50

- 1) Which of the following statements is not true?
 - (a) Notes and schedules also form part of financial statements
 - (b) The tools of financial statement analysis include common-size statement
 - (c) Trend analysis refers to the study of movement of figures for one year**
 - (d) The common-size statements show the relationship of various items with some common base, expressed as percentage of the common base
- 2) Balance sheet provides information about the financial position of a business concern
 - (a) Over a period of time
 - (b) As on a particular date**
 - (c) For a period of time
 - (d) For the accounting period
- 3) Which of the following tools of financial statement analysis is suitable when data relating to several years are to be analysed?
 - (a) Cash flow statement
 - (b) Common size statement
 - (c) Comparative statement
 - (d) Trend analysis**
- 4) The financial statements do not exhibit
 - (a) Non-monetary data**
 - (b) Past data
 - (c) Short term data
 - (d) Long term data
- 5) Which of the following is not a tool of financial statement analysis?
 - (a) Trend analysis
 - (b) Common size statement
 - (c) Comparative statement
 - (d) Standard costing**
- 6) The term 'fund' refers to
 - (a) Current liabilities
 - (b) Working capital**
 - (c) Fixed assets
 - (d) Non-current assets
- 7) Which of the following statements is not true?
 - (a) All the limitations of financial statements are applicable to financial statement analysis also.
 - (b) Financial statement analysis is only the means and not an end.
 - (c) Expert knowledge is not required in analysing the financial statements**
 - (d) Interpretation of the analysed data involves personal judgement
- 8) A limited company's sales has increased from Rs.1,25,000 to Rs.1,50,000. How does this appear in comparative income statement?
 - (a) + 20 %**
 - (b) + 120 %
 - (c) - 120 %
 - (d) - 20 %
- 9) In a common-size balance sheet, if the percentage of non-current assets is 75, what would be the percentage of current assets?
 - (a) 175
 - (b) 125
 - (c) 25**
 - (d) 100
- 10) Expenses for a business for the first year were Rs. 80,000. In the second year, it was increased to Rs. 88,000. What is the trend percentage in the second year?
 - (a) 10 %
 - (b) 110 %**
 - (c) 90 %
 - (d) 11%
- 11) Which statement are prepared by the business concerns at the end of the accounting period to ascertain the operating results and the financial position?
 - (a) Trend analysis
 - (b) Income statement
 - (c) Financial statement**
 - (d) Balance sheet

- 12) Financial statements are prepared based on _____
 (a) past data (b) future cost (c) terminal cost **(d) historical cost**
- 13) which statements are involve personal judgment in certain cases?
(a) Financial statements (b) Income statement (c) Profit and loss account statement (d) None of these
- 14) Different tools are used for analysing the _____
 (a) balance sheet **(b) financial statement** (c) income statement (d) none of these
- 15) The term fund refers to _____
(a) Working capital (b) Opening capital (c) Closing capital (d) None of these
- 16) When figure relating to several years are considered for the purpose of analysis, the analysis is called _____
(a) Horizontal analysis (b) Vertical analysis (c) Trend analysis (d) Cash flow analysis
- 17) Comparative statement and trend percentages are examples of _____
 (a) Cash flow analysis (b) Trend analysis **(c) Horizontal analysis** (d) Vertical analysis
- 18) Common size statement can be prepared with _____
 (a) double column (b) single column **(c) three columns** (d) five columns
- 19) Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?
 (a) Ratio analysis (b) Average analysis (c) Trend analysis **(d) An of the above**
- 20) The term 'Financial statement' covers _____
 (a) Profit & loss statement (b) Balance sheet and profit & loss statement appropriation account
(c) Profit and loss statement and balance sheet (d) None of these
- 21) A technique that is used in comparative analysis of financial statement is _____
 (a) graphical analysis (b) preference analysis **(c) common size analysis** (d) returning analysis

22) Match List I with List II and Select the Correct Answer using the Codes given below.

LIST I	LIST II
(i) Comparative statement	1. Tendency of movements
(ii) Common size statements	2. Working capital
(iii) Trend analysis	3. Previous years
(iv) Funds flow analysis	4. Different periods of time

(a)	(b)	(c)	(d)
(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)	(i)(ii)(iii)(iv)
4 3 1 2	1 2 3 4	2 3 4 1	3 1 2 4

- 23) The basic financial statement prepared by business concerns are _____ and _____
 (a) Profit and loss account balance sheet (b) Trial balance, Trading account
 (c) Income statement, manufacturing account **(d) Income statement, balance sheet**
- 24) _____ includes manufacturing account and trading and profit and loss account.
(a) Income statement (b) Expenditure statement (c) Financial statement (d) None of these
- 25) _____ shows the net result of business activities during an accounting period.
 (a) Expenditure statement (b) Financial statement **(c) Income statement** (d) None of these
- 26) _____ is a statement of assets and liabilities which shows the financial position as on a particular date.
 (a) Financial statement (b) Trial Balance **(c) Balance sheet** (d) None of these

- 27) _____ can get information about the ability of the business to repay by the debits from financial statements.
(a) Creditors (b) Debtors (c) Owners (d) All of these
- 28) _____ information is non monetary information is also important for business decisions.
(a) Personal judgement **(b) Qualitative** (c) Quantitative (d) Historical
- 29) _____ includes both analysis and interpretation.
(a) Financial statement analysis (b) Trend analysis (c) Both 'a' and 'b' (d) None of these
- 30) _____ refers to elucidation and explanation of the results of analysis.
(a) Information **(b) Interpretation** (c) Data (d) None of these
- 31) _____ comparison is comparison within the organisation among different departments, division etc.
(a) Intra-firm (b) Inter-firm (c) Both 'a' and 'b' (d) None of these
- 32) _____ comparison is comparison of one firm with other firm or firms in the industry.
(a) Intra firm **(b) Inter firm** (c) Both 'a' and 'b' (d) None of these
- 33) _____ is required in analysing the financial statements.
(a) Expert knowledge (b) Quality informationHistorical dataHistorical data (c) Historical data (d) None of these
- 34) The _____ statements can be compared with those of previous years.
(a) Common-size (b) Comparative (c) Both 'a' and 'b' (d) None of these
- 35) _____ refers to the tendency of movement
(a) Ratio **(b) Trend** (c) Both 'a' and 'b' (d) None of these
- 36) _____ refers to the study of movement of figures over a period.
(a) Comparative statement (b) Common -size statement **(c) Trend analysis** (d) Funds flow analysis.
- 37) _____ refers to the excess of current assets over current liabilities.
(a) Income (b) Profit and loss account (c) Balance sheet **(d) Working capital**
- 38) _____ analysis is useful in judging the credit worthiness financial planning and preparation of budgets.
(a) Trend **(b) Funds flow** (c) Cash flow (d) All of these
- 39) _____ analysis helps in assessing the liquidity and solvency of a business concern.
(a) Fund flow (b) Trend **(c) Cash flow** (d) None of these
- 40) Comparison of financial statenients highlights the trend of the _____ of the business.
(a) Financial position (b) Performance (c) ProfitabilityAll of the above (d) All of the above
- 41) Financial statements are meaningful and useful only when they are _____
(a) Verified (b) Presented to owners **(c) Analysis and interpreted** (d) Published
- 42) I Iterpretation of Financial statements indndes processes like, _____
(a) Journalising (b) Ledger writing **(c) Establishing relationship between the accounting date** (d) None of these
- 43) Trend analysis is significant for _____
(a) Profit planning (b) Working capital Management (c) Capital rationing **(d) Forecasting and Budgeting.**
- 44) The three most useful general purpose financial statements for management for _____

(a) Income statement, Balance sheet, and statement of changes in financial position

(b) Income statement, statement of Retained Earning and Balance sheet.

(c) Income statement, Statement of Retained Earning and Funds flow statement

(d) Statement of Retained Earnings, Balance sheet and Funds flow statement.

45) The term Current Assets does not include_____

(a) Payments in advance (b) Bills Receivable **(c) Long-Term Deferred changes** (d) Receipts and Payment A/c

46) The following is a recorded fact_____

(a) Market value of Investment **(b) Debtors** (c) Replacement cost of machinery (d) Creditors

47) The term Fixed Assets includes_____

(a) Stock-in-Trade **(b) Furniture** (c) Payments in Advance (d) Bills receivable

48) In the case of a limited company the term financial statements include _____

(a) Balance sheet (b) Profit & loss A/c (c) Profit and loss A/c and Balance sheet

(d) Profit and loss and Appropriation A/c and Balance sheet

49) Financial statements provide a summary of _____.

(a) accounts (b) assets (c) liabilities (d) none of the above

50) Financial statements are_____.

(a) anticipated facts **(b) recorded facts** (c) estimates of facts (d) none of the above