

QB365 Question Bank Software Study Materials

Ratio 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) The mathematical expression that provides a measure of the relationship between two figures is called

- (a) Conclusion (b) **Ratio** (c) Model (d) Decision

2) Current ratio indicates

- (a) **Ability to meet short term obligations** (b) Efficiency of management (c) Profitability (d) Long term solvency

3) Current assets excluding inventory and prepaid expenses is called

- (a) Reserves (b) Tangible assets (c) Funds (d) **Quick assets**

4) Debt equity ratio is a measure of

- (a) Short term solvency (b) **Long term solvency** (c) Profitability (d) Efficiency

5) Match List I with List II and select the correct answer using the codes given below:

List I	List II
(i) Current ratio	1. Liquidity
(ii) Net profit ratio	2. Efficiency
(iii) Debt-equity ratio	3. Long term solvency
(iv) Inventory turnover ratio	4. Profitability

(a)

(i)	(ii)	(iii)	(iv)
1	4	3	2

(b)

(i)	(ii)	(iii)	(iv)
3	2	4	1

(c)

(i)	(ii)	(iii)	(iv)
4	3	2	1

(d)

(i)	(ii)	(iii)	(iv)
1	2	3	4

6) To test the liquidity of a concern, which of the following ratios are useful?

- (i) Quick ratio
(ii) Net profit ratio
(iii) Debt-equity ratio
(iv) Current ratio

Select the correct answer using the codes given below:

- (a) (i) and (ii) (b) **(i) and (iv)** (c) (ii) and (iii) (d) (ii) and (iv)

7) Proportion of share holder's funds to total assets is called

- (a) **Proprietary ratio** (b) Capital gearing ratio (c) Debt equity ratio (d) Current ratio

8) Which one of the following is not correctly matched?

- (a) Liquid ratio – Proportion (b) Gross profit ratio – Percentage (c) **Fixed assets turnover ratio – Percentage**
(d) Debt-equity ratio – Proportion

9) Current liabilities Rs. 40,000; Current assets Rs. 1,00,000 ; Inventory Rs. 20,000. Quick ratio is

- (a) 1:1 (b) 2.5:1 (c) **2:1** (d) 1:2

10) Cost of revenue from operations Rs. 3,00,000; Inventory in the beginning of the year Rs. 60,000; Inventory at the close of the year Rs. 40,000. Inventory turnover ratio is

- (a) 2 times (b) 3 times (c) **6 times** (d) 8 times

- 11) Which ratio is the proportion of fixed income bearing funds to equity shareholders funds?
 (a) Debt equity ratio (b) **Capital gearing ratio** (c) Proprietary ratio (d) Profitability ratio
- 12) Which ratio indicates the efficiency of utilisation of fixed assets?
 (a) Inventory turnover ratio (b) Trade receivables turnover ratio (c) Trade payables turnover ratio
(d) Fixed assets turnover ratio
- 13) All activity ratios are expressed in terms of _____
 (a) Money (b) Percentage (c) **Times** (d) Proportion
- 14) Current assets of a business concern is Rs.60,000 and current liabilities are Rs.30,000. Current ratio will be _____
 (a) 1:2 (b) 1:1 (c) **2:1** (d) 3:2
- 15) Liquidity ratios are also called as _____
 (a) Current ratio (b) Quick ratio (c) Profitability ratio (d) **Short term solvency ratios**
- 16) Equity share capital is Rs.2,00,000, Reserve & surplus is Rs.30,000. Debenture Rs.40,000 and the shareholder's funds will be _____
 (a) Rs.2,00,000 (b) Rs.2,30,000 (c) **Rs.1,90,000** (d) Rs.1,70,00

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

List I		List II	
(i) Ratio		1. Certain number of times	
(ii) Pure		2. %	
(iii) Percentage		3. Quotient	
(iv) Time		4. Mathematical expression	

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

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

List I		List II	
(i) Proprietary Ratio		1. $\frac{\text{Credit Purchases}}{\text{Average Accounts Payable}}$	
(ii) Stock Turnover Ratio		2. $\frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$	
(iii) Creditors Turnover Ratio		3. $\frac{\text{Shareholders funds}}{\text{Total tangible assets}}$	
(iv) Capital Turnover Ratio		4. $\frac{\text{Gross Profit}}{\text{Sales}}$	

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

- 19) When ratios are calculated on the basis of accounting information, these are called _____
 (a) balancing statement (b) accounting statement (c) statement of affairs (d) **accounting ratios**
- 20) _____ is expressed as a quotient.
(a) Pure (b) Percentage (c) Statement (d) None of these
- 21) _____ gives the proportion of current assets to current liabilities of a business concern.
(a) Current ratio (b) Turn over ratio (c) Quick ratio (d) None of these
- 22) _____ is the time between the acquisition of an asset for processing and its realisation into cash and cash equivalents.
 (a) Quick assets (b) **Operating cycle** (c) Conversion period (d) Inventory

- 23) _____ ratio gives the proportion of quick assets to current liabilities.
 (a) Current (b) Cash (c) **Quick** (d) Profitability
- 24) _____ ratio is calculated to assess the long term solvency position of a business concern.
 (a) Capital gearing (b) Proprietary (c) **Debt equity** (d) Profitability
- 25) _____ ratio expresses the relationship between long term debt and shareholders' funds.
(a) Debt equity (b) Proprietary (c) Capital gearing (d) None of these
- 26) _____ ratio gives the proportion of proprietors funds to total assets.
 (a) Debt equity (b) **Proprietary** (c) Capital gearing (d) Inventory turn over
- 27) _____ ratio indicates the numbers of times the trade payable is turned over during the period in relation to net credit purchases.
 (a) Inventory turnover (b) Trade receivables turnover (c) **Trade payables turnover** (d) Fixed assets turnover
- 28) _____ is the average time taken by the business for payment of accounts payables.
 (a) Debt collection period (b) **Credit payment period** (c) Average collection period (d) Conversion period
- 29) _____ ratios help to assess the profitability of a business concern.
 (a) Liquidity (b) **Profitability** (c) Long term solvency (d) Quick
- 30) _____ assets means current assets less stock and prepaid expenses.
 (a) Current (b) Fixed (c) **Liquid** (d) None the these
- 31) _____ are final result of accounting work done during the accounting period.
 (a) Current affairs (b) **Financial statements** (c) Statement affairs (d) None of these
- 32) The opening stock and the closing are Rs.33,000, Rs.17,000 respectively. The average stock is _____
 (a) Rs.50,000 (b) **Rs.25,000** (c) Rs.16,000 (d) Rs.30,000
- 33) _____ ratio is modified form of liquid ratio.
 (a) Liquid (b) **Absolute Liquid** (c) Fixed (d) None of these
- 34) 100% - Operating profit ratio is equal to _____
 (a) Cost (b) Management (c) Operating Profit ratio (d) **Operating ratio**
- 35) Sales Rs.3,00,000. Cost of goods sold Rs.2,55,000. Gross profit is _____
 (a) Rs.5,55,000 (b) **Rs.45,000** (c) Rs.2,55,000 (d) Rs.3,55,000
- 36) Stock is a _____
 (a) Fixed assets (b) **Current assets** (c) Current liability (d) Capital
- 37) Operating expenses include _____
 (a) Administration and Selling Expenses (b) Selling and Distribution Expenses
(c) Administration, Selling and Distribution Expenses (d) None of these
- 38) _____ is useful in finding the strength and weakness of a business concern
 (a) Financial Analysis (b) **Ratio Analysis** (c) Statement Analysis (d) None of these
- 39) Liquidity ratios are otherwise called as _____
 (a) Long term solvency ratio (b) **Short term solvency ratio** (c) Both (a) & (b) (d) None of these
- 40) _____ Indicates the extent to which the firm depends upon outsiders for its existence

(a) Debt-equity Ratio (b) Proprietary Ratio (c) Absolute Liquid Ratio (d) Solvency Ratio

41) The relationship between sales and capital employed is known as _____

(a) Capital Turnover Ratio (b) Current Ratio (c) Stock Turnover Ratio (d) Solvency Ratio

42) General Profitability ratios are based on _____

(a) Investments **(b) Sales** (c) Both (a) & (b) (d) Purchase

43) 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 these**

44) Which of the following are limitations of Ratio Analysis?

i) Ratio analysis may result in false results if variations in price levels are not considered

ii) Ratio analysis ignored qualitative factors

iii) Ratio analysis ignores quantitative factors

iv) Ratio analysis is historical analysis

(a) i, ii and iv (b) i, iii and iv (c) i, ii and iii (d) i, ii, iii and iv

45) 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 these

46) Debt Equity Ratio is 3:1, the amount of total assets Rs.20 lacks, current ratio is 1.5:1 and owned funds Rs.3 lacks. What is the amount of current asset?

(a) Rs.5 lacks (b) Rs.3 lacks **(c) Rs.12 lacks** (d) Rs.2 lacks

47) In the balance sheet amount of total assets is Rs.10 lacks, current liabilities Rs.5 lacks & capital & reserves are Rs.2 lacks . What is the debt equity ratio?

(a) 1:1 (b) 1.5:1 (c) 2:1 **(d) None of the above**

48) Which ratios measure the firm's ability to meet its short term obligations in time?

(a) Profitability Ratios **(b) Liquidity Ratio** (c) Activity Ratio (d) :None of the above

49) Ideal current Ratio is_____

(a) 1:1 (b) 1:2 **(c) 2:1** (d) 3:1

50) Assets that can be converted into cash within a year or within the period of an operating cycle is_____

(a) Tangible assets (b) Fixed assets **(c) Current assets** (d) Intangible assets