

Ratio Analysis

- 1) The ideal level of liquid ratio is
 - a. 3:3
 - b. 4:4
 - c. 5:5
 - d. All of the above

- 2) Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000.
 - a. 5 times
 - b. 6 times
 - c. 3 times
 - d. 1.5 times

- 3) Determine Debtors turnover ratio if, closing debtors is Rs 40,000, Cash sales is 25% of credit sales and excess of closing debtors over opening debtors is Rs 20,000.
 - a. 4 times
 - b. 2 times
 - c. 6 times
 - d. 8 times

- 4) Liquid assets is determined by
 - a. Current assets – stock - Prepaid expenses
 - b. Current assets + stock + prepaid expenses
 - c. Current assets + prepaid expenses
 - d. None of the above

- 5) Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000.
 - a. 80%
 - b. 15%
 - c. 25%
 - d. 11%

6) Liquidity ratios are expressed in

- a. Pure ratio form
- b. Percentage
- c. Rate or time
- d. None of the above

7) Return on Proprietors funds is also known as:

- a. Return on net worth
- b. Return on Shareholders fund
- c. Return on Shareholders' Investment
- d. All of the above

8) The most precise test of liquidity is

- a. Quick ratio
- b. Current ratio
- c. Absolute Liquid ratio
- d. None of the above

9) Higher the ratio, the more favourable it is, doesn't stand true for

- a. Operating ratio
- b. Liquidity ratio
- c. Net profit ratio
- d. Stock turnover ratio

10) Debt-equity ratio is a sub-part of

- a. Short-term solvency ratio
- b. Long-term solvency ratio
- c. Debtors turnover ratio
- d. None of the above

11) Liquid ratio is also known as

- A Quick ratio
- B Acid test ratio
- C Working capital ratio

D Stock turnover ratio

- a. A and B
- b. A and C
- c. B and C
- d. C and D

12) Current ratio is stated as a crude ratio because

- a. It measures only the quantity of current assets
- b. It measures only the quality of current assets
- c. Both a and b
- d. Offerings dimension

13) The ideal level of current ratio is

- a. 4:2
- b. 2:1
- c. Both (a) and (b)
- d. None of the above

14) Which ratio is considered as safe margin of solvency?

- a. Liquid ratio
- b. Quick ratio
- c. Current ratio
- d. None of the above

15) Working capital turnover ratio can be determined by:

- a. (Gross Profit / Working capital)
- b. (Cost of goods sold / Net sales)
- c. (Cost of goods sold / Working capital)
- d. None of the above