

One mark questions:

1. Identify the ratio which indicates the degree of protection enjoyed by long term lenders for their debt to the company:

- a) liquidity ratio
- b) solvency ratio
- c) profitability ratio
- d) turnover ratio

ANS: _____

2. _____ indicates how quickly debtors are converted into cash

- a) Inventory turnover ratio
- b) Trade receivable turnover ratio
- c) Trade payable turnover ratio
- d) Working capital turnover ratio

ANS: _____

3. Debt equity ratio of a company is 1:2. Purchase of machinery for Rs 10,00,000 on long term deferred payment will ___ the ratio. (increase, decrease not change)

ANS: _____

4. Which of the following is not concerned with the calculation of Cost of Revenue from

Operations?

- a. Opening Inventory
- b. Indirect Expenses
- c. Net Purchases
- d. Direct Expenses

ANS: _____

5. The Debt – Equity Ratio of Vivanta Ltd. is 1 : 2. Which of the following would increase, decrease or not change the debt – equity ratio.

- (a) Cash received from Trade Debtors,
- (b) Bonus shares issue.
- (c) Redemption of Debentures
- (d) Conservation of debentures into Preferences Shares.

ANS: _____

6. 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%

ANS: _____

7. 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

ANS: _____

8. What will be the Gross Profit if, total sales is Rs 2,60,000, cost of net goods sold is Rs 2,00,000 and sales return is Rs 10,000?

- a. 13%
- b. 28%
- c. 26%
- d. 20%

ANS: _____

9. Liquidity ratios are expressed in

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

ANS:_____

10. Collection of debtors

- a. Decreases current ratio
- b. Increases current ratio
- c. Has no effect on current ratio
- d. None of the above

ANS:_____

11. Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales.

- a. 31 times
- b. 11 times
- c. 8 times
- d. 32 times

ANS:_____

12. Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.

- a. Rs 54,000
- b. Rs 60,000
- c. Rs 1,62,000
- d. None of the above

ANS:_____

13. Higher the ratio, the more favorable it is, doesn't stand true for

- a. Operating ratio

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

ANS:_____

14. 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

ANS:_____

15. 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

ANS:_____

16. The Quick ratio of a company is 2:1. State giving reasons, which of the following would improve, reduce or not change the ratio:

- (a) Purchase of goods on credit.
- (b) Sale of goods at a profit.

ANS:_____

17. Calculate Current assets and Quick assets from the following:

Current liabilities are 1,60,000. Liquid ratio is 1.5:1 and current ratio is 2.5:1

18. A Company's inventory turnover ratio is 5 times. Inventory at the end is 20,000 more than in the beginning. Sales are 8,00,000. Rate of gross profit on cost $\frac{1}{4}$, Current liabilities 2,40,000 and acid test ratio is 0.75. Calculate current ratio.

19. Current assets of a company are 17,00,000. Its current ratio is 2.5 and liquid ratio is 0.95. Calculate current liabilities, liquid assets and inventory.

20. From the following information calculate inventory turnover ratio for the year 2017-18 and 2018-19:

	2017-18	2018-19
Inventory on 31st March	7,00,000	17,00,000
Revenue from operations	50,00,000	75,00,000

Gross profit is 25% on cost of revenue from operations

In the year 2017-18, inventory increased by 2,00,000.

21. Cost of Revenue from Operations is Rs. 5,00,000. The opening stock is Rs. 40,000 and the closing stock is Rs. 60,000 (at cost). Calculate inventory turnover ratio.

22. RK Ltd. has 15% Debentures of Rs. 1,00,000, 12% Long – term Loan of Rs. 1,00,000. Its profit after interest and after tax is Rs. 97,200. Calculate Interest Coverage Ratio, if tax rate is 40%.

23. Calculate Current Ratio of a company from the following information:
Inventory (Stock) Turnover Ratio: 4 Times; Inventory (Stock) in the beginning was Rs. 20,000 less than Inventory at the end. Revenue from Operations (Net Sales) Rs. 6,00,000; Gross Profit Ratio 25%. Current Liabilities Rs. 60,000 and Quick Ratio is 0.75:1.

24. The ratio of Current Assets (Rs. 6,00,000) to Current Liabilities (Rs. 4,00,000) is 1.5 : 1. The accountant of the firm is interested in maintaining a Current Ratio of 2 : 1, by paying off a part of the Current Liabilities. Compute the amount of Current liabilities that should be paid so that the Current Ratio at the level of 2 : 1 may be maintained.

25. Debtors Turnover Ratio 4 times, Cost of Revenue from Operations Rs. 6,40,000, GP Ratio 20%, Closing Trade Receivable were Rs. 20,000 more than at the beginning, Cash Revenue from Operations being $33\frac{1}{3}\%$ of Credit Revenue from Operations. Calculate the amount Opening Trade Receivable and Closing Trade receivable.

26. From the following information calculate the following ratios:

(a) Operating Ratio.

(b) Inventory Turnover Ratio

(c) Proprietary Ratio

Current Assets Rs. 3,00,000 Current Liabilities Rs. 2,00,000

Share Capital Rs. 6,00,000 Non – Current Assets Rs. 5,00,000

Rate of Gross Profit 40% Opening Inventory Rs. 1,50,000

Cash Revenue from Operations Rs. 10,00,000

Credit Revenue from Operations – 120% of Cash Revenue from Operations

Operating Expenses – 10% of total revenue from Operations

Closing Inventory - Rs. 20,000 more than Opening Inventory

27. Liquid Assets Rs. 6,80,000, Inventories Rs. 1,90,000, Prepaid Expenses Rs. 10,000, Working Capital Rs. 2,00,000. Calculate the Current Ratio and Quick Ratio.

28. The Quick Ratio of a company is 2:1. State giving reason, which of the following would improve, reduce or not change the ratio:

- (i) Purchase of Stock-in-trade (costing Rs. 10,000) for Rs. 11,000.
- (ii) Sale of an office furniture (Book value Rs. 10,000) for Rs. 9,000.
- (iii) Payment of Dividend.
- (iv) Issue of Equity shares.

[illegible]

29. From the following information. Calculate Debt-equity Ratio:

Equity Share Capital 1,50,000

Preference Share capital 1,00,000

Reserves and Surplus 1,50,000

Long-term Borrowings 6,00,000

Long-term Provisions 2,00,000

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32. Calculate Working capital turnover ratio from the following:

Cost of revenue from operations Rs. 3,00,000

Current Assets Rs. 2,00,000

Current liabilities Rs. 1,50,000

33. Revenue from Operations Rs. 10,00,000, Gross Profit Ratio 25%, Operating Ratio 90%, Operating Rs. 1,00,000, Non-operating Expenses Rs. 5,000, Non-operating income Rs 55,000. Calculate Net Profit Ratio.

34. From the following information calculate Return on Investment

Net profit after interest and tax – Rs. 1,20,000

Tax – Rs 1,20,000

Net fixed Assets – Rs. 5,00,000

Long term trade investment – Rs. 50,000

Current assets – Rs. 2,20,000

12% debentures – Rs. 4,00,000

Equity share capital – Rs. 50,000

10% preference share capital – Rs. 50,000

Reserve and surplus – Rs. 1,00,000

Current liability – Rs. 1,70,000
