MCQ questions on Ratio Analysis

1. 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
2. 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

3. **Given Sales is 1,20,000 and Gross Profit is 30,000, the gross profit ratio is**

   a. 24%
   b. 25%
   c. 40%
   d. 44%
4. **If selling price is fixed 25% above the cost, the Gross Profit ratio is**
   a. 13% **b.** 28%
   c. 26% **d. 20%**
5. **Overall Profitability ratios are based on**

   a. **Investments** **b.** Sales
   c. Both a and b **d.** None of the above

6. Stock is considered as a liquid asset as anytime it can be converted into cash immediately.

a. Yes

b. No

1. analysis and interpretations of the financial statement will reveal_________

a. The profitability b. The financial position

c. Both d. None

2. The rearrangement of accounting figures and methodical classification of data is called…

a. Interpretations b. Summarization

c. Analysis d. None

3. The process of explaining the meaning, significance and relationship between two financial factors is called…

a. Interpretation **b. Analysis**

c. Summarization d. None

4. Which of the following is technique of financial statement analysis?

a. Common size statement

b. Comparative statement

c. Trend analysis

d. All of the above.

5. In ______ figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons…

a. Common-size statement analysis

b. **Comparative statement analysis**

c. Trend percentage analysis

d. None

6. ________ are required to show figures to the previous year figures of financial statements.

a. Partnership firms

b. Cooperatives

c. **Companie**s

d. Government companies

7. What is shown by a comparative balance sheet?

a. Two years balance sheet figures

b. Increase or decrease in figures

c. Percentage of increase or decrease

d. All of the above

8. The comparative income statement shows the increase or decrease of _______ over the previous year.

a. Sales b. Profit c. Expense **d. All of the above**

9. The technique of converting figures into percentage in some common base is called…

a. Ratio analysis b. Common size statement analysis

c. Trend percentages d. None

10. In common size balance sheet analysis, the _______ are taken as cent percent.

a. Total assets b. Fixed assets

c. Total capital d. None

11. The technique of taking first year figures as base and comparing with subsequent years is called…

a. Ratio analysis

b. Common size statement

c. Trend analysis

d. None

12. Ratio analysis is a technique of ________ of financial statement

a. Analysis

b. Interpretation

c. Both

d. None

13. Which of the following is an important step in ratio analysis?

a. Calculation of ratios

b. Comparison

c. Interpretation

d. All of the above

14. Who is the user of ratio analysis?

a. Management

b. Creditors and financial institutions

c. Investors

d. All

15. Which of the following technique shows the financial condition of a business in a simplified manner?

a. Balance sheet

b. Ratios

c. Funds flow

d. None

16. What ratios are applied to find out the efficiency of performance of a firm?

a. Activity ratio

b. Profitability ratio
c. Both
d. None

17. What trend is projected by profitability ratio?
a. Costs b. Profits
c. Sales **d. All of the above**

18. Which of the following is the best for comparing the firms?
a. Ratios
b. Absolute figures
c. Both
d. None

19. The ascertainment of trends helps in making…
a. Standards **b. Forecasts** c. Budgets
d. None

20. In what way the ratio analysis helps the management?
a. Planning b. Coordination
c. Control **d. All** .

21. On what basis can ratios be classified?
a. Financial statement b. Function
c. Both d. Subjective matter.

22. Inter-firm comparison with ratios is not meaningful because of …
a. Non availability of ideal standards
b. Different accounting periods followed
c. Both
d. None

23. What is the serious limitation of ratio analysis?

a. Window dressing

b. Price level changes not considered

c. Personal bias

d. All of the above

24. Liquidity ratio indicates the ability of the company to meet its ______

_ a. Current liability **b. Tax liability**

c. Long term obligations d. Shareholders claim

25. What is the expected standard for current ratio?

a. 1:2 **b. 2:1**

c. 2:3 d. 1:3

26. The shareholders funds consist of…

a. Preference shares

b. Equity shares

c. Reserves and surplus

d. All

27. Net profit ratio shows the relation between net profits and ________

a. Gross sales

b. Net sales

c. Sales return

d. Cost of sales

28. What level of operating ratio is ideal?

a. High **b. Very high** c. Low d. Average

29. What is main component of operating expenses?

a. Selling expenses b. Distribution expenses
c. Production expenses **d. None**

30. Return on capital employed shows the ________ of a firm.
a. Profitability b. Overall efficiency
c. Both d. Subjective matter