



INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

REVISION MCQ's: FINANCIAL STATEMENTS & ANALYSIS

1. Horizontal Analysis is also known as:

- (a) Dynamic Analysis
- (b) Structural Analysis
- (c) Static Analysis
- (d) None of these

2. Vertical Analysis is also known as:

- (a) Static Analysis
- (b) Dynamic Analysis
- (c) Structural Analysis
- (d) None of these

3. The most commonly used tools for financial analysis are:

- (a) Comparative Statements
- (b) Common-size Statement
- (c) Accounting Ratios
- (d) All the above

4. Analysis of financial statements involve:

- (a) Trading A/c
- (b) Profit & Loss statement
- (c) Balance Sheet
- (d) All the above

5. Financial analysis is significant because it:

- (a) Ignores qualitative aspect
- (b) Judges operational efficiency
- (c) Suffers from the limitations of financial statements
- (d) It is affected by personal ability and bias of the analysis

6. Which of the following is the purpose or objective of financial analysis?

- (a) To assess the current profitability of the firm
- (b) To measure the solvency of the firm
- (c) To assess the short-term and long-term liquidity position of the firm
- (d) All the above

7. Which of the following is not a limitations of financial statement analysis?

- (a) To measure the financial strength
- (b) Affected by window-dressing
- (c) Do not reflect changes in price level
- (d) Lack of Qualitative Analysis

8. When Financial Statements of two or more organisations are analysed, it is called:

- (a) Intra-firm Analysis
- (b) Inter-firm Analysis
- (c) Vertical Analysis
- (d) None of these

9. Which analysis is based only on one year's data:

- (A) Cash Flow Statement
- (B) Dividend Analysis
- (C) Vertical Analysis
- (D) Horizontal Analysis

10. Assertion: (A)The limitations of financial statements also form the limitations of the Ratio analysis

Reason : (R) Since the ratios are derived from the financial statements , any weakness in the original financial statements will also creep in the derived analysis in the form of accounting ratios.

- (a) Both (A) and (R) are true and (R) is correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

11. Calls in Arrears appear in a Company's Balance Sheet under

- (A) Reserve & Surplus
- (B) Shareholder's Funds
- (C) Contingent Liabilities
- (D) Short-term Borrowings

12. Calls in advance appear in a Company's Balance Sheet under

- (A) Share Capital
- (B) Current Liability
- (C) Long-term Borrowings
- (D) Reserve & Surplus

13. Fixed Deposits appear in a Company's Balance Sheet under:

- (A) Current Assets
- (B) Current Liabilities
- (C) Long-term Provisions
- (D) Long-term Borrowings

14. Share Forfeiture Account appears in a Company's Balance Sheet under the Sub-head

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- (A) Share Capital
- (B) Reserve & Surplus
- (C) Contingent Liability
- (D) Commitments

15. Securities Premium Reserve appears in a Company's Balance Sheet under:
- (A) Share Capital
 - (B) Long-term Provision
 - (C) Short-term Provision
 - (D) Reserve & Surplus
16. appear in a Company's Balance Sheet under the Sub-head Short-term Provision
- (A) Interest Accrued but not due on Borrowings
 - (B) Provision for Tax
 - (C) Unpaid Dividend
 - (D) Calls in Advance
17. Interest accrued but not due on loans appear in a Company's Balance Sheet under the Sub-head
- (A) Short-term Borrowings
 - (B) Trade Payables
 - (C) Other Current Liabilities
 - (D) Short-term Provisions
18. 6% Debentures appear in a Company's Balance Sheet under the Sub-head
- (A) Long-term Provisions
 - (B) Long-term Borrowings
 - (C) Other Current Liabilities
 - (D) Other Long-term Liabilities
- 19.

Match the items given in Column I with the headings/subheadings (Balance sheet) as defined in Schedule III of Companies Act 2013.

Column I	Column II
(I) Loose Tools	(a) Intangible fixed assets
(II) Patents	(b) Other current assets
(III) Prepaid insurance	(c) Long term Borrowings
(IV) Debentures	(d) Inventories
(V) Machinery	(e) Tangible Fixed assets

Choose the correct option:

- A. (I)-(a), (II)-(b), (III)- (d), (IV)- (c), (V)-(e)
- B. (I)-(d), (II)- (a), (III)-(b), (IV)- (c), (V)-(e)
- C. (I)-(d), (II)- (a), (III)-(b), (IV)-(e), (V)-(c)
- D. (I)- (e), (II)- (d), (III)- (a), (IV)-(b), (V)-(b)

20. Which of the following statements are false?

- a) When all the comparative figures in a balance sheet are stated as percentage of the total, it is termed as horizontal analysis.
- b) When financial statements of several years are analysed, it is termed as vertical analysis.
- c) Vertical Analysis is also termed as time series analysis.

Choose from the following options:

- (A) Both (a) and (b)
- (B) Both (a) and (c)
- (C) Both (b) and (c)
- (D) All three (a), (b), (c)

21. In a company's Balance sheet, provision for employees benefits to be settled within 12 months is shown under _____

- (a) Non – Current Liabilities
- (b) Current Liabilities
- (c) Non -Current Assets
- (d) Shareholder's funds

22. In a company's Balance Sheet, Debit (Negative) balance of Statement of Profit and Loss is shown under

- (a) Non – Current Liabilities
- (b) Current Liabilities
- (c) Non -Current Assets
- (d) Reserves and Surplus