INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

REVISION MCQ’s: RATIO ANALYSIS

1. Liquid Assets include:
(A) Debtors
(B) Bills Receivable
(C) Bank Balance
(D) All of the Above

2. Cash Balance ₹15,000; Trade Receivables ₹35,000; Inventory ₹40,000; Trade Payables ₹24,000 and Bank Overdraft is ₹6,000. Current Ratio will be:
(A) 3.75 : 1
(B) 3 : 1
(C) 1 : 3
(D) 1 : 3.75

3. Cash Balance ₹5,000; Trade Payables ₹40,000; Inventory ₹50,000; Trade Receivables ₹65,000 and Prepaid Expenses are ₹10,000. Liquid Ratio will be
(A) 1.75 : 1
(B) 2 : 1
(C) 3.25 : 1
(D) 3 : 1

4. Which of the following transactions will improve the Current Ratio :
(A) Cash Collected from Trade Receivables
(B) Purchase of goods for cash
(C) Payment to Trade Payables
(D) Credit purchase of Goods

5. A company’s Current Ratio is 2 : 1. After cash payment to some of its creditors, Current Ratio will:
(A) Decrease
(B) Increase
(C) As before
(D) None of these

6. A company’s Current assets are ₹3,00,000 and its current liabilities are ₹2,00,000. Subsequently, it paid ₹50,000 to its trade payables. Current ratio will be
(A) 2 : 1
(B) 1.67 : 1
(C) 1.25 : 1
(D) 1.5 : 1

7. A Company’s liquid assets are ₹5,00,000 and its current liabilities are ₹3,00,000. Thereafter, it paid 1,00,000 to its trade payables. Quick ratio will be:
(A) 1.33 : 1
(B) 2.5 : 1
(C) 1.67 : 1
(D) 2 : 1

8. A Company’s Quick Ratio is 1.5 : 1; Current Liabilities are ₹2,00,000 and Inventory is ₹1,80,000. Current Ratio will be :
(A) 0.9 : 1
(B) 1.9 : 1
(C) 1.4 : 1
(D) 2.4 : 1

9. Current ratio of a firm is 9 : 4. Its current liabilities are ₹1,20,000. Inventory is ₹30,000. Its liquid ratio will be :
(A) 1 : 1
(B) 1.5 : 1
(C) 2 : 1
(D) 1.6 : 1

10. A Company’s Current Ratio is 3 : 1 and Liquid Ratio is 1.2 : 1. If its Current Liabilities are ₹2,00,000, what will be the value of Inventory?
(A) ₹2,40,000
(B) ₹3,60,000
(C) ₹4,00,000
(D) ₹40,000

11. Proprietary Ratio is :
(A) Long term Debts/Shareholder’s Funds
(B) Total Assets/Shareholder’s Funds
(C) Shareholder’s Funds/Total Assets
(D) Shareholder’s Funds/Fixed Assets

12. Equity Share Capital ₹20,00,000; Reserve 5,00,000; Debentures ₹10,00,000; Current Liabilities ₹8,00,000. Debt-equity ratio will be :
(A) 0.4 : 1
(B) 0.32 : 1
(C) 0.72 : 1
(D) 0.5 : 1

13. Fixed Assets ₹5,00,000; Current Assets ₹3,00,000; Equity Share Capital ₹4,00,000; Reserve ₹2,00,000; Long-term Debts ₹40,000. Proprietary Ratio will be :

(A) 75%
(B) 80%
(C) 125%
(D) 133%

14. On the basis of following data, a Company's Total Assets-Debt Ratio will be: Working Capital ₹2,70,000; Current Liabilities ₹30,000; Fixed Assets ₹4,00,000; Debentures ₹2,00,000; Long Term Bank Loan ₹80,000.
(A) 0.37:1
(B) 0.4:1
(C) 0.45:1
(D) 0.7:1

15. On the basis of following data, the Debt-Equity Ratio of a Company will be: Equity Share Capital Rs.5,00,000; General Reserve Rs.3,20,000; Preliminary Expenses Rs.20,000; Debentures Rs.3,20,000; Preliminary Expenses Rs.20,000; Debentures Rs.3,20,000; Current Liabilities Rs.80,000.
(A) 1:2
(B) 0.52:1
(C) 0.4:1
(D) 0.37:1

16. From the following details, calculate interest coverage ratio:

Net Profit after tax Rs. 60,000; 15% Long-term debt 10,00,000; and Tax rate 40%.

(A)4 times (B)2.5 times (C)1.67 times (D) 3.67 times

17. ***Assertion*:** Ratio analysis is one of the tools employed to know the financial health of a concern.

Reason: Ratios ignore the price level changes due to inflation.

(A) Both Assertion and Reason are correct and Reason is a correct explanation of the Assertion
(B) Both Assertion and Reason are correct but Reason is not the correct explanation of the Assertion
(C) Assertion is correct but Reason is wrong
(D) Assertion is wrong but Reason is correct

18. A transaction involving an increase in Current Ratio but no change in Working Capital:
(A) Purchase of goods on Credit
(B) Cash Payment of Non – Current Liability
(C) Payment to a Trade Creditor
(D) Sale of Fixed Assets for Cash

19. Net profit before tax but after interest is Rs.2,40,000. 15% Long Term debt 4,00,000. Tax Rs.50,000. Shareholders fund-8,00,000. The ICR will be

(A)4 times
(B)5 times
(C)3times
(D)5 times

Answer the question no. **20 to 22** based on the following information:
X Ltd. has a Liquid Ratio of Rs. 1.5:1. Its Net Working Capital is Rs. 1,20,000 and its inventories are Rs. 80,000. Total Assets Rs. 3,80,000, Total Debt Rs. 2,80,000.

20. Current Ratio of X Ltd is:
(A)2:1 (B) 2.5:1 (C)3:1 (D)None of these

21.Total asset to Debt Ratio is:
(A)1.35 (B) 1.67 (C)1.9 (D)2.5

22.The debt equity Ratio is:
(A)1:2 (B)1:3 (C) 3:1 (D)2:1