



INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

REVISION MCQ's: RATIO ANALYSIS (PART 2)

1. Net profit ratio shows the relation between net profits and _____
a. Gross sales b. Net sales c. Sales return d. Cost of sales
2. Return on capital employed shows the _____ of a firm.
a. Profitability b. Overall efficiency c. Both d. Subjective matter
3. If Total sales is ₹2,50,000 and credit sales is 25% of Cash sales. The amount of credit sales is:
(A) ₹50,000 (B) ₹2,50,000 (C) ₹16,000 (D) ₹3,00,000
4. What will be the amount of gross profit of a firm if its average inventory is ₹80,000, Inventory turnover ratio is 6 times, and the Selling price is 25% above cost?
(A) ₹1,20,000. (B) ₹1,60,000. (C) ₹2,00,000. (D) None of the above
5. Given below are two statements, one labelled as Assertion (A) and the other labelled as Reason (R):
Assertion (A): A high operating ratio indicates a favourable position.
Reasoning (R): A high operating ratio leaves a high margin to meet non-operating expenses.
In the context of the above two statements, which of the following is correct?
(A) (A) and (R) both are correct and (R) correctly explains (A).
(B) Both (A) and (R) are correct but (R) does not explain (A).
(C) Both (A) and (R) are incorrect.
(D) (A) is correct but (R) is incorrect.
6. Rs. 2,00,000 is the Cost of Revenue from Operations during the year. If Inventory Turnover Ratio is 8 times, calculate inventories at the end of the year. Inventories at the end is 1.5 times that of the beginning.
(a) Rs. 30,000 (b) Rs. 15,000 (c) Rs. 45,000 (d) Rs. 60,000
7. Inventory Turnover Ratio is 3 Times. Goods purchased for Rs. 80,000 would _____ the Inventory Turnover Ratio
(a) Increase (b) Decrease (c) No Change (d) None of these

8. From the following particulars, determine Trade Receivables Turnover Ratio:

Revenue from Operations Rs. 20,00,000

Credit Revenue from Operations Rs. 16,00,000

Trade Receivables Rs. 2,00,000

(a) 4 Times (b) 5 Times (c) 6 times (d) 8 Times

9. Rs. 1,75,000 is the Credit Revenue from Operations of an enterprise. If Trade Receivables Turnover Ratio is 8 times, Calculate Trade Receivables in the beginning and at the end of the year. Trade Receivables at the end is Rs. 7,000 more than that in the beginning.

(a) Trade Receivable in the beginning Rs. 18,375 & Trade Receivable at the end Rs. 25,375

(b) Trade Receivable in the beginning Rs. 20,375 & Trade Receivable at the end Rs. 15,375

(c) Trade Receivable in the beginning Rs. 15,375 & Trade Receivable at the end Rs. 22,475

(d) Trade Receivable in the beginning Rs. 17,575 & Trade Receivable at the end Rs. 22,875

10. Calculate Trade Payables Turnover Ratio from the following information:

Opening Creditors Rs. 1,25,000, Opening Bills Payable Rs. 10,000, Closing Creditors Rs. 90,000, Closing Bills Payable Rs. 5,000, Purchases Rs. 9,50,000, Cash Purchases Rs. 1,00,000, Purchases Return Rs. 45,000

(a) 5 Times (b) 6 Times (c) 7 Times (d) 8 Times.

11. From the following information, calculate Opening Trade Payables:

Cash Purchases 25% of Total Purchases, Revenue from Operations Rs. 3,00,000, Gross Profit 25% on Revenue from Operations, Opening Inventory Rs. 75,000, Closing Inventory Rs. 1,50,000, Trade Payable Turnover Ratio 3 Times, Closing Trade Payables were Rs. 75,000 in excess of Opening Trade Payables.

(a) Rs. 35,000 (b) Rs. 37,500 (c) Rs. 40,000 (d) Rs. 42,500

12. Calculate Working Capital Turnover Ratio from the following information:

Revenue from Operation Rs. 15,00,000, Current Assets Rs. 6,25,000, Total Assets Rs. 10,00,000, Non-Current Liabilities Rs. 5,00,000, Shareholder's funds Rs. 2,50,000

(a) 2 Times (b) 3 Times (c) 4 Times (d) 5 Times

13. Cash Sales Rs. 5,00,000, Credit Sales Rs. 6,00,000, Sales Return Rs. 1,00,000, Current Assets Rs. 3,00,000, Current Liabilities Rs. 1,00,000. Calculate Working Capital Turnover Ratio.

(a) 2 Times (b) 3 Times (c) 4 Times (d) 5 Times

14. Calculate Gross Profit Ratio from the following data:

Cash Sales are 20% of Total Sales, Credit Sales are Rs. 5,00,000, Purchases Rs. 4,00,000, Excess of Closing Inventory over Opening Inventory Rs. 25,000

(a) 20% (b) 40% (c) 80% (d) 50%

15. From the following information calculate Operating Ratio:

Cost of Goods sold Rs. 52,000, Operating Expenses Rs. 18,000, Gross Sales Rs. 88,000, Sales Return Rs. 8,000

(a) 82.5% (b) 85% (c) 87.5% (d) 88%

16. Calculate Cost of Revenue from Operations from the following information:

Revenue from Operation Rs. 12,00,000, Operating Ratio 75%, Operating Expenses Rs. 1,00,000

(a) Rs. 4,00,000 (b) Rs. 8,00,000 (c) Rs. 6,00,000 (d) Rs. 10,00,000

17. Revenue from Operations Rs. 9,00,000, Gross Profit 25% on Cost, Operating Expenses Rs. 45,000. Calculate Operating Profit Ratio

(a) 5% (b) 10% (c) 15% (d) 20%

18. What will be the Operating Ratio if Operating profit ratio is 75%?

(a) 100% (b) 75% (c) 175% (d) 25%

19. Operating Profit Ratio of X Ltd is 20%. Stock – in – trade costing Rs. 25,000 withdrawn for personal use will _____ the Operating Profit Ratio

(a) Increase (b) Decrease (c) Not Change (d) None of these

20. Cash Sales Rs. 2,20,000, Credit Sales Rs. 3,00,000, Sales Return Rs. 20,000, Gross Profit Rs. 1,00,000, Operating Expenses Rs. 25,000, Non- Operating Income Rs. 30,000, Non- Operating Expenses Rs. 5,000. Calculate Net profit Ratio.

(a) 20% (b) 10% (c) 15% (d) 5%

21. Net Profit before interest and Tax Rs. 2,50,000, Capital Employed Rs. 10,00,000. Return on Investment will be _____

(a) 15% (b) 20% (c) 25% (d) 30%

22. Net Profit after interest and tax was Rs. 1,00,000, Current Assets were Rs. 4,00,000, Current Liabilities Rs. 2,00,000, Fixed Assets Rs. 6,00,000 and 10% Long term debt Rs. 4,00,000. The rate of tax was 20%. Calculate Return on Capital Employed

(a) 18% (b) 20.63% (c) 17.54% (d) 19%

23. Purchase of machinery of Rs. 5,00,000 by issue of equity shares of Rs. 10 per share will _____ the Return on Investment Ratio

(a) Increase (b) Decrease (c) Not Change (d) None of these

24. Operating profit is the excess of Revenue from Operations over Operating Cost. Is this statement true or false?

25. Net Profit after Interest but before Tax: Rs 1,40,000, 15% Long-term Debts: Rs 4,00,000, Shareholders' Funds: Rs. 2,40,000, Tax rate: 50%. Calculate Return on Capital Employed.

(a) 31.25% (b) 15.75% (c) 18.25% (d) 29.25%

26. 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

27. Working capital turnover ratio can be determined by:

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

28. Debtors Turnover ratio is also known as _____

- A) Receivables turnover ratio
- B) Debtors velocity
- C) Stock velocity
- D) Payable turnover ratio

29. Operating ratio is calculated by _____

- a. $(\text{Operating Cost} / \text{Gross sales}) * 100$
- b. $(\text{Operating Cost} / \text{Gross sales}) * 100$
- c. $(\text{Operating cost} / \text{Net sales}) * 100$
- d. None of the above

30. Which of the following statements are true about Ratio Analysis?

- A) Ratio analysis is useful in financial analysis.
- B) Ratio analysis is helpful in communication and coordination.
- C) Ratio Analysis is not helpful in identifying weak spots of the business.
- D) Ratio Analysis is helpful in financial planning and forecasting.

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