



11	The term financial statement refers to... (A) Income statement (C) Balance sheet	(B) Cash flow and Fund Flow (D) <b>All</b>
12	Which of the following is the main objective of a financial statement? (A) to know the solvency (C) to know the earning capacity	(B) to know the debt capacity (D) <b>All</b>
13	In financial statements, the fixed assets are shown at ... (A) <b>Market price</b> (C) Replacement price	(B) Cost price (D) None
14	What is followed while preparing the financial statements? (A) Accounting conventions (C) Accounting concepts	(B) Accounting principles (D) <b>All</b>
15	In financial statement the stock is valued at cost or market price whichever is less on the basis of... (A) Accounting concepts (C) Accounting principles	(B) <b>Accounting conventions</b> (D) None
16	Which of the following statement is true? Statement A: Financial statements are prepared on the basis of accounting principles. Statement B: Any changes in the accounting principles or method will affect the utility of the financial statements. (A) A is true but not B (C) <b>Both are true</b>	(B) B is true but not A (D) Both are false
17	The balance sheet shows ... (A) The source of working capital (C) Both	(B) The change in working capital (D) <b>None</b>
18	The analysis and interpretations of the financial statement will reveal ... (A) The financial position (C) None	(B) The profitability (D) <b>Both</b>
19	The process of explaining the meaning, significance and relationship between two financial factors is called ... (A) Summarization (B) Analysis	(C) <b>Interpretation</b> (D) None
20	The process of comparing various financial factors of a company over a period of time is known as ... (A) Inter-firm comparison (C) <b>Intra-firm comparison</b>	(B) Ratio Analysis (D) Inter-industry comparison
21	Which of the following is technique of financial statement analysis? (A) Common-size statement (C) Trend analysis	(B) Comparative statement (D) <b>All</b>

22	Which technique used for figures of two or more periods is placed side by side to facilitate easy and meaningful comparisons? (A) <b>Comparative statement</b> (B) Common-size statement (C) Trend Analysis (D) None
23	Comparison of financial statements highlights the trend of the _____ of the business. (A) Financial position (B) Performance (C) Profitability (D) <b>All of the above</b>
24	Analysis of any financial Statement comprises (A) Balance sheet (B) P&L Account (C) Trading account (D) <b>All of the above</b>
25	Which of the following statements are true? A) External analysis depends entirely on issued financial statements. B) Interpretation and analysis both are different. C) Financial analysis covers interpretation. (A) Both A and B (B) Both A and C (C) Both B and C (D) <b>A, B, C</b>
26	Which of the following are techniques, tools or methods of analysis and interpretation of financial statements? (A) Ratio Analysis (B) Average Analysis (C) Trend Analysis (D) <b>All of the above</b>
27	Interpretation of accounts is the (A) Art and science of translating the figures (B) To know financial strengths and weaknesses of a business (C) To know the causes for the prevailing performance of business (D) <b>All of the above</b>
28	The term 'Financial Statement' covers (A) Profit & Loss Statement (B) Balance sheet and Profit & Loss Statement appropriation account (C) <b>Profit &amp; Loss Statement and Balance sheet</b> (D) All of above are false
29	Which of the following is true about financial statements? A) Financial statement gives a summary of accounts. B) Financial statements can be stated as recorded facts. (A) Only A (B) Only B (C) <b>Both A and B</b> (D) None of the above
30	The ideal level of liquid ratio is - (A) <b>3:3</b> (B) 4:4 (C) 5:5 (D) All of the above
31	Which of the following is not included in current assets? (A) Debtors (B) <b>Stock</b> (C) Cash at bank (D) Cash in hand

32	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) <b>4 times</b> (B) 2 times                      (C) 6 times                      (D) 8 times
33	Liquid assets are determined by (A) <b>Current assets – stock - Prepaid expenses</b> (B) Current assets + stock + prepaid expenses (C) Current assets + Prepaid expenses (D) None of the above
34	The most precise test of liquidity is (A) Quick ratio    (B) Current ratio (C) <b>Absolute Liquid ratio</b> (D) None of the above
35	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
36	Liquid ratio is also known as A) Quick ratio B) Acid test ratio C) Working capital ratio D) Stock turnover ratio (A) <b>A and B</b> (B) A and C                      (C) B and C                      (D) C and D
37	The ideal level of current ratio is (A) 4:2                      (B) 2:1                      (C) <b>Both a and b</b> (D) None of the above
38	Which ratio is considered as safe margin of solvency? (A) Liquid ratio    (B) Quick ratio (C) <b>Current ratio</b> (D) None of the above
39	Turnover ratios are also known as (A) Activity ratios    (B) Performance ratios (C) <b>Both a and b</b> (D) None of the above
40	Which of the following is expenses ratio? A) Administrative expenses ratio B) Selling and Distribution expenses ratio C) Factory expenses ratio D) Finance Expenses ratio (A) A, B and D                      (B) A, C and D                      (C) A, B and C                      (D) <b>A, B, C, D</b>
41	Operating ratio is calculated by (A) $(\text{Operating Cost}/\text{Gross sales}) * 100$ (B) $(\text{Operating Cost}/\text{Gross sales}) * 100$ (C) <b><math>(\text{Operating cost} / \text{Net sales}) * 100</math></b> (D) None of the above

42	If sales is Rs 5,00,000 and net profit is Rs 1,20,000 Net Profit ratio is (A) <b>24%</b> (B) 416% (C) 60% (D) None of the above
43	Net Profit ratio is calculated by (A) $(\text{Gross Profit} / \text{Gross sales}) * 100$ (B) $(\text{Gross Profit} / \text{Net sales}) * 100$ (C) <b><math>(\text{Net Profit} / \text{Net sales}) * 100</math></b> (D) None of the above
44	Given Sales is 1,20,000 and Gross Profit is 30,000, the gross profit ratio is (A) 24% (B) <b>25%</b> (C) 40% (D) 44%
45	Gross profit ratio is calculated by (A) $(\text{Gross Profit} / \text{Gross sales}) * 100$ (B) <b><math>(\text{Gross Profit} / \text{Net sales}) * 100</math></b> (C) $(\text{Net Profit} / \text{Gross sales}) * 100$ (D) None of the above
46	While calculating Gross Profit ratio, (A) <b>Closing stock is deducted from cost of goods sold</b> (B) Closing stock is added to cost of goods sold (C) Closing stock is ignored (D) None of the above
47	Current Ratio is: (A) Solvency Ratio (B) <b>Liquidity Ratio</b> (C) Activity Ratio (D) Profitability Ratio
48	Current Ratio is : (A) Liquid Assets/Current Assets (B) Fixed Assets/Current Assets (C) <b>Current Assets/Current Liabilities</b> (D) Liquid Assets/Current Liabilities
49	Liquid Assets do not include: (A) Bills Receivable (B) Debtors (C) <b>Inventory</b> (D) Bank Balance
50	Ideal Current Ratio is: (A) 1 : 1 (B) 1 : 2 (C) 1 : 3 (D) <b>2 : 1</b>
51	Working Capital is the: (A) Cash and Bank Balance (B) Capital borrowed from the Banks (C) <b>Difference between Current Assets and Current Liabilities</b> (D) Difference between Current Assets and Fixed Assets
52	Ideal Quick Ratio is: (A) <b>1 : 1</b> (B) 1 : 2 (C) 1 : 3 (D) 2 : 1
53	Quick Ratio is also known as: (A) <b>Liquid Ratio</b> (B) Current Ratio (C) Working Capital Ratio (D) None of the Above
54	Liquid Assets include: (A) Debtors (B) Bills Receivable (C) Bank Balance (D) <b>All of the Above</b>

55	Liquid Ratio is equal to liquid assets divided by : (A) Non-Current Liabilities (C) Total Liabilities (B) <b>Current Liabilities</b> (D) Contingent Liabilities
56	Current Assets ₹4,00,000; Current Liabilities Rs.2,00,000 and Inventory is Rs.50,000. Liquid Ratio will be : (A) 2 : 1 (B) 2.25 : 1 (C) 4 : 7 (D) <b>1.75 : 1</b>
57	Which of the following transactions will improve the Current Ratio : (A) Cash Collected from Trade Receivables (B) Purchase of goods for cash (C) <b>Payment to Trade Payables</b> (D) Credit purchase of Goods
58	A Company's Current Ratio is 2.5 : 1 and its Working Capital is ₹60,000. If its Inventory is ₹52,000, what will be the liquid Ratio? (A) 2.3 : 1 (B) 2.8 : 1 (C) 1.3 : 1 (D) <b>1.2 : 1</b>
59	Debt Equity Ratio is : (A) Liquidity Ratio (C) Activity Ratio (B) <b>Solvency Ratios</b> (D) Operating Ratio
60	Which of the following are applications of funds? (A) Payment of dividend on share capital (B) Payment of tax (C) Increase in working capital (D) <b>All of the above</b>
61	Which of the following are sources of funds? A) Issue of bonus shares B) Issue of shares against the purchase of fixed assets C) Conversion of debentures into shares D) Conversion of loans into shares (A) A and C (B) A and D (C) A, B, C and D (D) <b>None of the above</b>
62	Funds Flow Statement is also known as (A) Statement of Funds Flow (B) Statement of Sources and Application of Funds (C) Statement of Sources and Uses of Funds (D) <b>All of the above</b>
63	Which statement is prepared in the process of funds flow analysis? (A) <b>Schedule of changes in working capital</b> (B) Funds Flow Statement (C) Both a and b (D) None of the above

64	Funds Flow Statement holds significance for (A) Shareholders (B) Financiers (C) Government <b>(D) All of the above</b>
65	Which of the following are Non-current assets? (A) Land, Building and Plant (B) Leasehold property (C) Computer software <b>(D) All of the above</b>
66	Which of the following are current assets? A) Fixed investments B) Trade Payables <b>C) Short-term loans and advances</b> D) Furniture (A) Only A (B) Only B (C) Only C (D) A, B, C and D
67	Which of the following transactions will result in inflow of funds? <b>A) Issue of debentures</b> B) Conversion of debentures into equity shares C) Redemption of long-term loan D) Creation of General Reserve (A) Only A (B) Only D (C) A and D (D) A, B, C and D
68	Statement of cash flows includes (A) Financing Activities (B) Operating Activities (C) Investing Activities <b>(D) All of the Above</b>
69	In cash flows, when a firm invests in fixed assets and short-term financial investments results in (A) Increased Equity (B) Increased Liabilities <b>(C) Decreased Cash</b> (D) Increased Cash
70	The purchase value of assets over its serviceable life is categorized as (A) Appreciated Liabilities (B) Appreciated Assets <b>(C) Depreciation</b> (D) Appreciation
71	Cash flow example from a financing activity is <b>(A) Payment of Dividends</b> (B) Receipt of Dividend on Investment (C) Cash Received from Customers (D) Purchase of Fixed Asset
72	In the context of Funds Flow Analysis, the word “funds” is used to define (A) Net Working capital (B) Total current assets - Total current liabilities <b>(C) Both A and B</b> (D) None of the above
73	Which of the following is/are examples of Funds Flow Statement? A) Collection of debtors B) Shares issued for cash C) Shares issued against the purchase of machinery D) Shares issued for property <b>(A) A and B</b> (B) A and C (C) A and D (D) A, B, C and D

74	Which of the following are Non-current assets? (A) Land, Building and plant (C) Computer software	(B) Leasehold property (D) <b>All of the above</b>
75	Funds flow statements are prepared so as to (A) To identify the changes in working capital (B) To identify reasons behind change in working capital (C) To know the item-wise outflow of funds during given period	(D) <b>All of the above</b>
76	The objectives of Cash Flow Statement are A) Analysis of cash position B) Short-term cash planning C) Evaluation of liquidity D) Comparison of operating Performance	(A) Both A and B (B) Both A and C (C) Both B and D (D) <b>A, B, C, D</b>
77	Cash Flow Statement is based upon (A) <b>Cash basis of accounting</b> (C) Credit basis of accounting	(B) Accrual basis of accounting (D) None of the above
78	Statement of cash flows includes (A) Financing Activities (C) Investing Activities	(B) Operating Activities (D) <b>All of the Above</b>
79	In cash flows, when a firm invests in fixed assets and short-term financial investments results in (A) Increased Equity (C) <b>Decreased Cash</b>	(B) Increased Liabilities (D) Increased Cash
80	A firm that issues stocks and bonds to raise funds results in (A) Decreases Cash (C) Increases Equity	(B) <b>Increases Cash</b> (D) Increases Liabilities
81	The statement of cash flow clarifies cash flows according to (A) Operating and Non-operating Flows (B) Inflow and Outflow (C) Investing and Non-operating Flows	(D) <b>Operating, Investing, and Financing Activities</b>
82	Cash flow example from a financing activity is (A) <b>Payment of Dividends</b> (C) Cash Received from Customers	(B) Receipt of Dividend on Investment (D) Purchase of Fixed Asset
83	Which item comes under financial activities in cash flow? (A) Redemption of Preference Share (C) Interest Paid	(B) Issue of Preference Share (D) <b>All the above</b>



84	In cash flow statement, the item of interest is shown in A) Operating Activities B) Financing Activities C) Investing Activities (A) Both A and B      (B) Both A and C <b>(C) Both B and C</b> (D) A, B, C
85	Cash Flow Statement is based upon <b>(A) Cash basis of accounting</b> (B) Accrual basis of accounting (C) Credit basis of accounting (D) None of the above
86	Which of the following statements are true? A) Cash flow reveals only the inflow of cash B) Cash flow reveals only the outflow of cash C) Cash flow is a substitute for income statement D) Cash flow statement is not a replacement of funds flow statement. (A) Only A      (B) Only B      (C) Both B and C <b>(D) Only D</b>
87	Contingent liability is part of _____ (A) Liquid Liability      (B) Current Liability (C) Long term Liability <b>(D) None Of the Above</b>
88	While calculating working capital debtors will be taken under the head (A) Fictitious Assets <b>(B) Current Assets</b> (C) Fixed Assets      (D) None Of the Above
89	Which of the following is a not current asset? (A) Cash & Bank <b>(B) Preliminary Expenses</b> (C) Investment      (D) Inventory
90	_____ changes need of working capital (A) Capital Investment decision <b>(B) Business cycle</b> (C) Issue of debentures      (D) Easy Cash Availability
91	From the available information calculate working capital--- Fixed Assets Rs 8,00,000, Current Assets Rs 4,00,000, Capital and long-term liabilities Rs 9,00,000 and Current Liabilities Rs 3,00,000 (A) Rs 3,60,000 <b>(B) Rs 1,00,000</b> (C) Rs 3,90,000      (D) Rs 1,10,000
92	Statement of cash flows includes (A) Financing Activities      (B) Operating Activities (C) Investing Activities <b>(D) All of the Above</b>
93	In cash flows, when a firm invests in fixed assets and short-term financial investments results in (A) Increased Equity      (B) Increased Liabilities <b>(C) Decreased Cash</b> (D) Increased Cash
94	A firm that issues stocks and bonds to raise funds results in (A) Decreases Cash <b>(B) Increases Cash</b> (C) Increases Equity      (D) Increases Liabilities
95	The basic financial statements include A) Statement of Cash Flows      B) Statement of Retained Earnings C) Balance Sheet and Income Statement <b>D) None of the Above</b>
96	Which of the following is not a cash inflow? (A) Decrease in debtors      (B) Issue of shares <b>(C) Decrease in creditors</b> (D) Sale of fixed assets

97	Which of the following is the test of the long-term liquidity of a business? (A) Interest coverage ratio (B) Stock turnover ratio (C) Operating ratio (D) Current ratio
98	Comparison of financial statements highlights the trend of the _____ of the business. (A) Financial position (B) Performance (C) Profitability <b>(D) All of the above</b>
99	Analysis of any financial Statement comprises (A) Balance sheet (B) P&L Account (C) Trading account (D) All of the above
100	Given Sales is 1, 20,000 and Gross Profit is 30,000, the gross profit ratio is ----- (A) 24% <b>(B) 25%</b> (C) 40% (D) 44% %

