INDIAN SCHOOL AL WADI AL KABIR

Class: XII	**Department: Commerce**
Accountancy	**Chapter: Ratio Analysis**

MULTIPLE CHOICE QUESTIONS:

1. Which of the following is a tool of Analysis of Financial Statements?
(A) Statement of Profit and Loss
(B) Balance Sheet
(C) Ratio Analysis
(D) Both (a) and (b)

2. The Current Ratio of a company is 2:1. Which of the following transactions will **increase** the Current Ratio?
(A) Purchase of goods for cash
(B) Payment of a current liability
(C) Purchase of machinery for cash
(D) Sale of goods at cost for cash

3. While calculating the Current Ratio, which of the following is excluded from Current Assets even though it is shown under Current Assets in the Balance Sheet?
(A) Trade Receivables (B) Cash and Cash Equivalents (C) Marketable Securities (D) Loose Tools and Stores & Spares

4. A company's Current Ratio is 2.5:1 and its Quick Ratio is 1.5:1. If its Current Liabilities are ₹80,000, the value of inventory is:
(A) ₹80,000
(B) ₹60,000
(C) ₹1,20,000
(D) ₹2,00,000

5.Which of the following is not a Solvency Ratio?
(A) Interest Coverage Ratio
(B) Return on Investment
(C) Debt to Capital Employed Ratio
(D) Total Assets to Debt Ratio

6.Which of the following ratios is primarily used to measure the safety margin available to lenders of long-term loans?
A) Operating Ratio B) Gross Profit Ratio C) Interest Coverage Ratio D) Inventory Turnover Ratio

7. A company has Shareholders' Funds of ₹6,00,000 and Debt of ₹4,00,000. Its Debt-Equity Ratio is:

(A) 0.67:1
(B) 1.50:1
(C) 2:1
(D) 0.40:1

8._____ ratios are calculated to determine the ability of the business to service its debt in the long run.
(A) Liquidity (B) Turnover
(C) Solvency (D) Profitability

9. If the Operating Ratio of a company is 80%, its Operating Profit Ratio will be:
(A) 10%
(B) 20%
(C) 80%
(D) 180%

10. Revenue from Operations is ₹12,00,000 and average Trade Receivables are ₹2,00,000. Assuming all sales are credit sales, the Trade Receivables Turnover Ratio is:
(A) 4 times
(B) 5 times
(C) 6 times
(D) 8 times

11.Current Ratio of Super Ltd. is 2 : 1.Which of the following transactions Will result in decrease in this ratio?
(A) Payment of 40,000 to creditors
(B) Sale of furniture (book value 38,000) for 16,000 only
(C) Repayment of long term loan of 7,00,000
(D) Cash collected from debtors 1,18,000

12. _____ indicate the speed at which activities of the business are being performed.
(A) Liquidity ratios
(B) Turnover ratios
(C) Solvency ratios
(D) Profitability ratios

13. If the Working Capital Turnover Ratio is 5 times and Working Capital is ₹2,00,000, Revenue from Operations will be:
(A) ₹40,000
(B) ₹2,50,000
(C) ₹10,00,000
(D) ₹12,00,000

14. Debt-Equity Ratio of Dhamaka Ltd is 3:1. Which of the following will result in decrease in this ratio?
(A) Issue of Debentures for Cash of ₹2,00,000.
(B) Issue of Debentures of ₹3,00,000 to Vendors from whom Machinery was purchased.
(C) Goods purchased on Credit of ₹1,00,000.
(D) Issue of Equity Shares of ₹2,00,000.

15. Current ratio of Adhaar Ltd. is 2.5:1. Accountant wants to maintain it at 2:1. Following options are available.
(i) He can repay Bills Payable
(ii) He can purchase goods on credit
(iii) He can take short term loan.

Choose the correct option.
(A) Only (i) is correct
(B) Only (ii) is correct
(C) Only (i) and (iii) are correct
(D) Only (ii) and (iii) are correct

16. Given that Net Profit after Tax is ₹6,00,000, Tax Rate is 40%, and 12% Debentures are ₹10,00,000, the Interest Coverage Ratio will be:
(A)10 times (B) 9.33 times (C) 8.33 times (D) 5 times

17. A firm has a Revenue from Operations of ₹9,00,000 and a Gross Profit of 25% on cost. If the Opening Inventory was ₹1,50,000 and Closing Inventory was ₹1,38,000, the Inventory Turnover Ratio is:
(A) 5 times B) 4 times C) 5.2 times D) 6.25 times

18. If the Total Debt of Navya Textiles Ltd. is ₹15,00,000, Current Liabilities are ₹3,00,000, and Capital Employed is ₹20,00,000, the Debt-to-Equity Ratio will be:
(A) 0.75:1 (B) 1:1 (C) 1.5:1 (D) 1.2:1

19. For Zenith Electronics Ltd., the Current Ratio is 3.5:1 and the Quick Ratio is 2:1. If the Current Liabilities of the company are ₹1,20,000, what is the value of the Inventory?
(A) ₹1,80,000 (B) ₹4,20,000 (C) ₹1,20,000 (D) ₹2,40,000

20. If Long-term Debt is ₹8,00,000 and Shareholders' Funds are ₹12,00,000, what is the Debt to Capital Employed Ratio?
(A) 40% (B) 25% (C) 60% (D) 66.6%

21. The Proprietary Ratio of a company is 0.8:1. This indicates that:
(A) 80% of Total Assets are financed by Shareholders' Funds
(B) 80% of Fixed Assets are financed by Long-term Debt
(C) Current Assets are 80% of Current Liabilities
(D) The company has very high external liabilities

NUMERICALS:

LIQUIDITY RATIOS:
1.A firm has a Current Ratio of 2.5:1 and Working Capital of ₹6,00,000. Calculate the value of Current Assets and Current Liabilities.

2. From the following information, calculate the Quick Ratio:
Current Assets: ₹5,00,000; Current Liabilities: ₹2,00,000; Inventory: ₹1,50,000;Prepaid Expenses: ₹10,000.

3. The Quick Ratio of a firm is 1.5:1. Its Current Liabilities are ₹1,20,000 and Inventory is ₹80,000. Calculate the Current Ratio.

4. Current Assets of a company are ₹8,00,000 and its Current Ratio is 2.5:1. After purchasing goods for ₹1,00,000 on credit, what will be the new Current Ratio?

5. From the following information, find the value of Inventory:
Current Ratio: 2.5:1; Quick Ratio: 1.5:1; Current Liabilities: ₹2,50,000

6. A firm had Current Liabilities of Rs. 90,000. It then acquired Stock-in-trade at a cost of Rs. 10,000 on credit. After this acquisition, the Current Ratio was 2:1. Determine the size of the Current Assets and Working Capital after and before the inventories was acquired.

7. The ratio of Current Assets (Rs. 3,00,000) to Current Liabilities (Rs. 2,00,000) is 1.5:1. The accountant of this firm is interested in maintaining a Current Ratio of 2:1 by paying some part of current liabilities. You are required to suggest him the amount of Current Liabilities which must be paid for this purpose.

8. The Quick Ratio of a company is 1:1. State giving reasons whether the following transactions will improve, decline, or not change the ratio:
(a) Payment of a Current Liability of ₹50,000. (b) Purchase of goods for cash ₹20,000.
(c) issue of new Equity Shares of ₹2,00,000 for cash.

SOLVENCY RATIOS:

9. Calculate: (i) Current Ratio, (ii) Debt-equity ratio, (iii) Debt to capital employed ratio from the following: Long term Debt: ₹80.000 Long Term Provision: ₹20,000 Non-Current Assets: ₹1,25,000 Current Assets: ₹35,000 Working Capital: ₹25,000.

10. From the following information, compute Debt-Equity Ratio, Total Assets to Debt Ratio and Proprietary Ratio:
Long term borrowings: ₹2,00,000 Long term provisions: ₹1,00,000 Current liabilities: ₹50,000 Noncurrent Assets: ₹3,60,000 Current Assets: ₹90,000

11. From the following details, calculate interest coverage ratio: Net Profit after tax Rs. 60,000; 15% Longterm Debt 10,00,000; and Tax Rate: 40%.

12. Net profit after Interest but before Tax: ₹1,40,000, 15% Long Term Debt: ₹4,00,000, Shareholder's fund: ₹2,40,000, Tax Rate: 50%. Calculate Interest coverage Ratio

13. From the following information, calculate: Interest coverage ratio (ICR) Net profit after interest and tax ₹ 8,00,000, 10% debentures ₹9,00,000, Tax @ 50%, Capital Employed: ₹ 2,00,00,000.

14. From the following information, calculate the Interest Coverage Ratio:
Net Profit before Interest and Tax: ₹ 4,50,000; 10% Long-term Loans: ₹ 5,00,000;
15% Debentures: ₹2,00,000

15. Calculate the Debt to Capital Employed Ratio, Proprietary Ratio and Debt Equity ratio from the following information:

- Shareholder's Funds: ₹ 10,00,000
- 8% Debentures: ₹ 5,00,000
- Secured Loan: ₹ 3,00,000
- Total Assets: ₹ 7,50,000

16. Calculate: (i) Debt to Capital employed ratio and (ii) Total Asset to Debt ratio from the following information.
Shareholder funds ₹ 15,00,000 8% Debenture ₹ 7,50,000 Current liabilities ₹ 2,50,000 Non -current Assets ₹ 17,50,000 Current Assets ₹7,50,000.

ACTIVITY RATIOS

17. From the following information, calculate Inventory turnover ratio: Opening Stock ₹ 18,000 Wages ₹14,000, Closing Stock ₹22,000 Sales ₹80,000 Purchases ₹46,000 Carriage Inwards ₹4,000.

18. Calculate Inventory Turnover Ratio from the following:
Revenue from Operations ₹ 4,00,000; Gross Profit 25% on Cost; Opening Inventory ₹ 70,000; Closing Inventory ₹ 90,000.

19. A firm's Inventory Turnover Ratio is 5 times. Inventory at the end is ₹ 20,000 more than Inventory at the beginning. If Revenue from Operations is ₹ 8,00,000 and Gross Profit is 20% on Sales, find Opening and Closing Inventory.

20. Opening Inventory ₹ 19,000, Purchases ₹ 1,52,000, Revenue from operations ₹ 2,00,000, Gross Profit 25% on Revenue from operations. Calculate Inventory Turnover Ratio.

21. From the following, calculate Inventory Turnover Ratio: Opening Inventory ₹ 29,000; Closing Inventory ₹ 31,000; Revenue from Operations ₹ 3,00,000; Gross Profit 25% on Sales.

22. Average Inventory of a firm is ₹ 80,000 and Inventory Turnover Ratio is 4 times. If the firm sells goods at a profit of 25% on cost, compute the Revenue from Operations.

23. Revenue from Operations v2,00,000, Gross Profit: 25% on Cost, Opening Inventory was 1/3rd of the value of Closing Inventory. Closing Inventory was 30% of Revenue from Operations. Calculate the Inventory Turnover Ratio.

24. Cash Revenue from operations 20% of Total Revenue from Operations, Credit Revenue from Operations ₹ 9,00,000, Gross Profit 25% on Cost, Closing Inventory Rs. 2,25,000, Opening Inventory ₹ 75,000. Calculate Inventory Turnover Ratio.

25. Calculate Trade Receivables Turnover Ratio: Total Revenue from Operations ₹ 12,00,000; Cash Revenue from Operations 20% of Total Revenue; Opening Trade Receivables ₹ 1,20,000; Closing Trade Receivables ₹ 2,00,000.

26.Calculate Trade Receivables Turnover Ratio if Closing Trade Receivables are ₹ 90,000, which is 3 times the Opening Trade Receivables. Revenue from Operations ₹ 6,00,000; Gross Profit 25% on Cost.

27. From the following information, calculate Trade Receivables Turnover Ratio: Cost of Revenue from Operations: ₹ 6,00,000 Gross Profit on Cost: 25%, Cash Sales: 20% of Total Sales Opening Debtors: ₹ 1,00,000 Closing Debtors: ₹ 2,00,000. Provision for Doubtful Debts: Opening Rs. 10,000 and Closing Rs.20,000.

28.Calculate Trade Payables Turnover Ratio: Credit Purchases ₹ 12,00,000; Opening Creditors ₹ 1,20,000; Opening Bills Payable ₹ 80,000; Closing Creditors ₹ 1,60,000; Closing Bills Payable ₹ 40,000.

29. From the following information, calculate Trade Payables Turnover Ratio: Total Purchases ₹ 21,00,000; Cash Purchases ₹ 4,00,000; Purchase Return ₹ 1,00,000; Opening Creditors ₹ 1,50,000; Closing Creditors ₹ 2,50,000.

30. A company has a Working Capital of ₹ 2,50,000 and its Working Capital Turnover Ratio is 8 times. If the Gross Profit is 20% on cost, calculate the Cost of Revenue from Operations.

31.Calculate Working Capital Turnover Ratio: Equity Share Capital ₹ 5,00,000; Plant & Machinery ₹ 8,00,000; Current Assets ₹ 4,00,000; Current Liabilities ₹ 1,50,000; Revenue from Operations ₹ 10,00,000.

32. Equity Share Capital ₹ 15,00,000; Gross Profit on Revenue from Operations is $33^{1}/_{3}$%; Cost Revenue from Operations or Cost of Goods Sold ₹ 20,00,000; Current Assets ₹ 10,00,000; Current Liabilities ₹ 2,50,000. Calculate Working Capital Turnover Ratio.

33.From the following calculate Working Capital Turnover Ratio: Revenue from operations ₹ 12,00,000, Current Assets ₹ 5,00,000, Total Assets ₹ 8,00,000 Non-current liabilities ₹ 4,00,000 and Shareholder's Funds ₹ 2,00,000.

34. Capital Employed: ₹ 12,00,000; Net Fixed Assets: ₹ 8,00,000; Cost of Goods Sold or Cost of Revenue from Operations: ₹ 40,00,000; Gross Profit is 20% on Cost. Calculate Fixed Assets turnover ratio.

35. From the following calculate Fixed Assets Turnover Ratio: Revenue from operations: ₹ 12,00,000, Current Assets: ₹ 5,00,000, Total Assets: ₹ 8,00,000

36. Net Fixed Assets ₹8,00,000; Current assets ₹ 4,00,000, current liabilities ₹ 2,00,000. Cost of Revenue from Operations ₹ 40,00,000; Gross Profit is 20% on Cost. Calculate Net Assets turnover ratio.

37.Based on the following information, calculate Net assets or Capital Employed Turnover Ratio: Shareholders' Funds ₹ 40,00,000, Equity Share Capital ₹ 15,00,000, 7 % Preference Share Capital ₹10,00,000, Reserves and Surplus ₹ 15,00,000, 8 % Debentures ₹ 10,00,000 and Revenue from Operations ₹ 75,00,000.

PROFITABILITY RATIOS:

38. From the following data, calculate the Gross Profit Ratio:
- Cash Revenue from Operations: ₹ 2,00,000
- Credit Revenue from Operations: ₹ 4,40,000
- Return Inward: ₹ 40,000
- Cost of Revenue from Operations: ₹ 4,80,000

39. Calculate Gross Profit Ratio:
- Average Inventory: ₹ 80,000
- Inventory Turnover Ratio: 6 times
- Selling Price: 25% above cost

40. Gross Profit of a company is 25% on cost. If the Gross Profit is ₹ 5,00,000, calculate the Revenue from Operations and the Gross Profit Ratio.

41. Revenue from Operations Rs. 6,00,000, Gross Profit 25% on Cost, Operating Expenses Rs. 60,000. Calculate Operating Ratio.

42. From the following information, calculate (a) Operating Ratio and (b) Operating Profit Ratio:
Revenue from Operations: ₹ 10,00,000; COGS: ₹ 6,00,000; Operating Expenses: ₹ 2,00,000

43. Calculate the Net Profit Ratio from the following:
Gross Profit Ratio: 25%; Revenue from Operations: ₹ 12,00,000; Indirect Expenses: ₹ 1,20,000
Non-operating Income: ₹ 30,000; Tax Rate: 30%.

44. Calculate Net Profit Ratio:
Operating Profit: ₹ 1,50,000; Non-operating Income: ₹ 20,000; Non-operating Expenses: ₹ 10,000
Revenue from Operations: ₹ 5,00,000; Tax Rate: 50%

45. Given the following information calculate GPR, NPR, OR and OPR:
RFO ₹3,40,000, CRFO(COGS) ₹1,20,000, Selling expenses 80,000, Administrative Expenses₹ 40,000, Interest on debentures ₹20,000, Gain on sale of asset ₹10,000, Trading commission received ₹25,000.

46. From the following, calculate ROCE:
Fixed Assets: ₹ 8,00,000; Current Assets: ₹ 4,00,000; Current Liabilities: ₹ 2,00,000
Net Profit before Interest and Tax: ₹ 2,50,000

47. Net Profit after Tax of a company is ₹ 3,00,000. Its Tax Rate is 40%. The company has 10% Debentures of ₹ 10,00,000. If the Capital Employed is ₹ 20,00,000, calculate Return on capital employed.

48. Net profit after Interest but before Tax Rs. 1,40,000, 15% Long Term Debt Rs. 4,00,000, Shareholder's funds Rs. 2,40,000, Tax Rate: 50%. Calculate Return on Capital Employed & Interest Coverage Ratio.

49. Calculate ROCE and ICR:
Net Profit after Interest and Tax: ₹ 2,40,000; Tax Rate: 40%; 15% Debentures: ₹ 4,00,000; Shareholder's Funds: ₹ 10,00,000.