ACCOUNTS

BOOKS - ARYA ACCOUNTS (HINGLISH)

ACCOUNTING RATIOS

Multiple Choice Questions Liquidity Ratios

1. Two basic measures of liquidity are :

A. Inventory turnover and Current ratio

B. Current ratio and Quick ratio

C. Gross Profit ratio and Operating ratio

D. Current ratio and Average Collection Period

Answer: B

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2. Current Ratio is :

A. Solvency Ratio

B. Liquidity Ratio

C. Activity Ratio

D. Profitability Ratio

Answer: B

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3. Current Ratio is :

A. Liquid Assets/Current Assets

B. Fixed Assets/Current Assets

C. Current Assets/Current Liabilities

D. Liquid Assets/Current Liabilities

Answer: C

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4. Liquid Assets do not include :

A. Bills Receivable

B. Debtors

C. Inventory

D. Bank Balance

Answer: C

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5. Ideal Current Ratio is :

A. $1:1$

B. $1:2$

C. $1:3$

D. $2:1$

Answer: D

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6. Working Capital is the :

A. Cash and Bank Balance

B. Capital borrowed from the Banks

C. Difference between Current Assets and Current Liabilities

D. Difference between Current Assets and Fixed Assets

Answer: C

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7. Current assets include only those assets which are expected to be realised within ....

A. 3 months

B. 6 months

C. 1 year

D. 2 years

Answer: C

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8. The .... of a business firm is measured by its ability to satisfy its short term obligations as they become due.

A. Activity

B. Liquidity

C. Debt

D. Profitability

Answer: B

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9. Ideal Quick Ratio is :

A. $1:1$

B. $1:2$

C. $1:3$

D. $2:1$

Answer: A

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10. Quick Assets do not include

A. Cash in hand

B. Prepaid Expenses

C. Marketable Securities

D. Trade Receivables

Answer: B

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11. Current Assets do not include:

A. Prepaid Expenses

B. Inventory

C. Goodwill

D. Bills Receivable

Answer: C

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12. Quick Ratio is also known as:

A. Liquid Ratio

B. Current Ratio

C. Working Capital Ratio

D. None of the Above

Answer: A

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13. Liquid Assets include:

A. Debtors

B. Bills Receivable

C. Bank Balance

D. All of the Above

Answer: D

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14. Liquid Ratio is equal to liquid assets divided by

:

A. Non-Current Liabilities

B. Current Liabilities

C. Total Liabilities

D. Contingent Liabilities

Answer: B

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15. Patents and Copyrights fall under the category of :

A. Current Assets

B. Liquid Assets

C. Intangible Assets

D. None of Above

Answer: C

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16. Cash Balance Rs. 15,000, Trade Receivables Rs. 35,000, Inventory Rs. 40,000, Trade Payables Rs. 24,000 and Bank Overdraft is Rs. 6,000. Current Ratio will be:

A. $3.75:1$

B. $3:1$

C. $1:3$

D. $1:3.75$

Answer: B

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17. Trade Receivables Rs. 40,000, Trade Payables Rs. 60,000, Prepaid Expenses Rs. 10,000, Inventory Rs. 1,00,000 and Goodwill is Rs. 15,000. Current Ratio will be:

A. $1:2$

B. $2:1$

C. $2.33:1$

D. $2.5:1$

Answer: D

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18. Cash Balance Rs. 5,000, Trade payables Rs. 40,000, Inventory Rs. 50,000, Trade Receivables Rs. 65,000 and Prepaid Expenses are Rs. 10,000. Liquid Ratio will be :

A. $1.75:1$

B. $2:1$

C. $3.25 : 1$

D. $3 : 1$

Answer: A

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19. Current Assets Rs. 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. $1.75:1$

Answer: D

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20. 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

Answer: C

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21. Which of the following transactions will improve the quick ratio?

A. Sale of goods for cash

B. Sale of goods on credit

C. Issue of new shares for cash

D. All of the Above

Answer: D

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22. 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

Answer: B

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23. A Company's Current Assets are Rs. 8,00,000 and its current liabilities are Rs. 4,00,000. Subsequently, it purchased goods for Rs. 1,00,000 on credit. Current ratio will be ....

A. $2:1$

B. $2.25:1$

C. $1.8:1$

D. $1.6:1$

Answer: C

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24. A company's Current assets are Rs. 3,00,000 and its current liabilities are Rs. 2,00,000. Subsequently, it paid Rs. 50,000 to its trade payables. Current ratio will be ....

A. $2:1$

B. $1.67:1$

C. $1.25 : 1$

D. $1.5 : 1$

Answer: B

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25. Current Assets of a Company were Rs. 1,00,000 and its current ratio was $2 : 1$. After this the company paid Rs. 25,000 to a trade payable. The current ratio after the payment will be:

A. $5 : 1$

B. $2:1$

C. $3:1$

D. $4:1$

Answer: C

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26. Currrent liabilities of a company were Rs. 2,00,000 and its current ratio was $2.5:1$. After this the company paid Rs. 1,00,000 to a trade payable. The current ratio after the payment will be:

A. $2:1$

B. $4:1$

C. $5:1$

D. None of the above

Answer: B

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27. A company's liquid assets are Rs. 10,00,000 and its current liabilities are Rs. 8,00,000.

Subsequently, it purchased goods for Rs. 1,00,000 on credit. Quick ratio will be ....

A. $1.11 : 1$

B. $1.22 : 1$

C. $1.38 : 1$

D. $1.25 : 1$

Answer: A

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28. A company's liquid assets are Rs. 5,00,000 and its current liabilities are Rs. 3,00,000. Thereafter, it paid Rs.1,00,000 to its trade payables. Quick ratio will be:

A. $1.33 : 1$

B. $2.5 : 1$

C. $1.67 : 1$

D. $2 : 1$

Answer: D

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29. The .... is a measure of liquidity which excludes .... ,generally the least liquid asset.

A. Current ratio, Accounts receivable

B. Liquid ratio, Accounts receivable

C. Current ratio, inventory

D. Liquid ratio, inventory

Answer: D

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30. Assuming that the current ratio is $2:1$, purchase of goods on credit would:

A. Increase Current ratio

B. Decrease Current ratio

C. have no effect on Current ratio

D. decrease gross profit ratio

Answer: B

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31. Assuming that the current ratio is $2:1$, Cash paid against Bills Payable would:

A. Increase Current ratio

B. Decrease Current ratio

C. have no effect on Current ratio

D. decrease gross profit ratio

Answer: A

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32. Assuming liquid ratio of $1:2:1$, cash collected from debtors would:

A. Increase liquid ratio

B. decrease liquid ratio

C. have no effect on liquid ratio

D. Increase gross profit ratio

Answer: C

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33. Liquid Assets:

A. Current Assets - Prepaid Exp.

B. Current Assets - Inventory + Prepaid Exp.

C. Current Assets - Inventory - Prepaid Exp.

D. Current Assets + Inventory - Prepaid Exp.

Answer: C

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34. Current Assets Rs. 85,000, Inventory Rs. 22,000, Prepaid Expenses Rs. 3,000. Then liquid assets will be:

A. Rs. 63,000

B. Rs. 60,000

C. Rs. 82,000

D. Rs. 1,10,000

Answer: B

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35. A Company's Quick Ratio is $1.5 : 1$, Current Liabilities are Rs. 2,00,000 and Inventory is Rs. 1,80,000. Current Ratio will be :

A. $0.9 : 1$

B. $1.9 : 1$

C. $1.4 : 1$

D. $2.4 : 1$

Answer: D

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36. A Company's Quick Ratio is $1.8:1$, Liquid Assets are Rs. 5,40, 000 and Inventory is Rs. 1,50,000. Its Current Ratio will be :

A. $2:1$

B. $2.3:1$

C. $1.8:1$

D. $1.3:1$

Answer: B

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37. A Company's Current Ratio is $2.8:1$, Current Liabilities are Rs. 2,00,000, Inventory is Rs. 1,50,000 and Prepaid Expenses are Rs. 10,000. Its Liquid Ratio will be:

A. $3.6:1$

B. $2.1:1$

C. $2:1$

D. $2.05:1$

Answer: C

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38. A Company's Current Ratio is $3:1$, Current Liabilities are Rs. 2,50,000, Inventory is Rs. 60,000 and Prepaid Expenses are Rs. 5,000. Its Liquid Assets will be:

A. Rs. 6,90,000

B. Rs. 6,95,000

C. Rs. 6,85,000

D. Rs. 8,15,000

Answer: C

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39. On the basis of following data, the liquid ratio of a company will be : Current Ratio $5:3$, Current Liabilities Rs. 75,000 and Inventory Rs. 25,000

A. $1:1$

B. $2:1.8$

C. $3:2$

D. $4:3$

Answer: D

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40. Current ratio of a firm is $9:4$. Its current liabilities are Rs. 1,20,000. Inventory is Rs. 30,000. Its liquid ratio will be:

A. $1:1$

B. $1.5:1$

C. $2:1$

D. $1.6:1$

Answer: C

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41. A firm's current ratio is $3.5:2$. Its current liabilities are Rs. 80,000 Its working capital will be:

A. Rs. 1,20,000

B. Rs. 1,60,000

C. Rs. 60,000

D. Rs. 2,80,000

Answer: C

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42. A Company's Current Ratio is $3:1$ and Liquid Ratio is $1.2:1$. If its Current Liabilities are Rs. 2,00,000, what will be the value of Inventory?

A. Rs. 2,40,000

B. Rs. 3,60,000

C. Rs. 4,00,000

D. Rs. 40,000

Answer: B

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43. A Company's Current Ratio is $2.5:1$ and Liquid Ratio is $1.6:1$. If its Current Assets are Rs. 7,50,000, what will be the value of inventory?

A. Rs. 4,50,000

B. Rs. 4,80,000

C. Rs. 2,70,000

D. Rs. 1,80,000

Answer: C

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44. Current Ratio of a Company is $2.5 : 1$. If its working capital is Rs. 60,000, its current liabilities will be:

A. Rs. 40,000

B. Rs. 60,000

C. Rs. 1,00,000

D. Rs. 24,000

Answer: A

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45. A Company's Current Assets are Rs. 6,00,000 and working capital is Rs. 2,00,000. Its Current Ratio will be:

A. $3:1$

B. $1.5:1$

C. $2:1$

D. $4:1$

Answer: B

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46. A Company's Current Ratio is $2.4:1$ and Working Capital is Rs. 5,60,000. If its Liquid Ratio Ratio is 1.5, what will be the value of inventory?

A. Rs. 6,00,000

B. Rs. 2,00,000

C. Rs. 3,60,000

D. Rs. 6,40,000

Answer: C

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47. A Company's Current Ratio is $2.5 : 1$ and its Working Capital is Rs. 60,000. If its Inventory is Rs. 52,000, what will be the liquid Ratio?

A. $2.3 : 1$

B. $2.8 : 1$

C. $1.3 : 1$

D. $1.2 : 1$

Answer: D

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48. If a Company's Current Liabilities are Rs. 80,000, Working Capital is Rs. 2,40,000 and Inventory is Rs. 40,000, its quick ratio will be:

A. $3.5 : 1$

B. $4 : 1$

C. $4.5 : 1$

D. $3 : 1$

Answer: A

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49. A Company's Liquid Assets are Rs. 2,00,000, Inventory is Rs. 1,00,000, Prepaid Expenses are Rs. 20,000 and Working Capital is Rs. 2,40,000. Its Current Ratio will be

A. $1.33 : 1$

B. $4 : 1$

C. $2.5 : 1$

D. $3 : 1$

Answer: B

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Multiple Choice Questions Solvency Ratios

1. Long term solvency is indicated by:

A. Current Ratio

B. Quick Ratio

C. Net Profit Ratio

D. Debt/Equity Ratio

Answer: D

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2. Debt Equity Ratio is :

A. Liquidity Ratio

B. Solvency Ratio

C. Activity Ratio

D. Operating Ratio

Answer: B

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3. Debt Equity Ratio is :

A. Long Term Debts/Shareholder's Funds

B. Short Term Debts/Enquity Capital

C. Total Assets/Long term Debts

D. Shareholder's Funds/Total Assets

Answer: A

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4. 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

Answer: C

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

A. $75\ \%$

B. $80\ \%$

C. $125\ \%$

D. $133\ \%$

Answer: A

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6. The .... ratios provide the information critical to the long run operation of the firm.

A. Liquidity

B. Activity

C. Solvency

D. Profitability

Answer: C

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7. If Debt equity ratio exceeds ...., it indicates risky financial position.

A. $1:1$

B. $2:1$

C. $1:2$

D. $3:1$

Answer: B

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8. In debt equity ratio, debt refers to:

A. Short-Term Debts

B. Short Term & Long Term Debts

C. Total Debts

D. Debentures and Current Liabilities

Answer: B

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9. Proprietary Ratio indicates the relationship between Proprietor's Funds and ....

A. Long-Term Debts

B. Short-Term & Long Term Debts

C. Total Assets

D. Debentures

Answer: C

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10. The formula for calculating the Debt Equity Ratio is :

A. $\frac{\text{Short Term Debts}}{\text{Shareholder's Funds}}$

B. $\frac{\text{Shareholder's Funds}}{\text{Fixed Assets}}$

C. $\frac{\text{Short Term + Long Term Debts}}{\text{Shareholder's Funds}}$

D. None of the Above

Answer: D

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11. Equity Share Capital Rs. 20,00,000, Reserve 5,00,000, Debentures Rs. 10,00,000, Current Liabilities Rs. 8,00,000. Debt-equity ratio will be :

A. $0.4 : 1$

B. $.32 : 1$

C. $.72 : 1$

D. $.5 : 1$

Answer: A

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12. Debt equity ratio of a company is $1:2$. Which of the following transactions will increse it:

A. Issue of new shares for cash

B. Redemption of Debentures

C. Issue of Debentures for cash

D. Goods purchased on credit

Answer: C

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13. Satisfactory ratio between Long-term Debts and Shareholder's Funds is :

A. $1:1$

B. $3:1$

C. $1:2$

D. $2:1$

Answer: D

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14. On the basis of following data, the Debt-Enquity Ratio of a Company will be:

Enquity Share Capital Rs. 5,00,000, General Reserve Rs. 3,20,000, Preliminary Expenses Rs. 20,000, Debentures Rs. 3,20,000, Current Liabilities Rs. 80,000.

A. $1:2$

B. $.52:1$

C. $.4:1$

D. $.37:1$

Answer: C

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15. On the basis of following information received from a firm, its Debt-Equity Ratio will be:

Equity Share Capital Rs. 5,80,000, Reserve Fund Rs. 4,30,000, Prelilminary Expenses Rs. 40,000, Long term Debts Rs. 1,28,900, Debentures Rs. 2,30,000.

A. $.42 : 1$

B. $.53 : 1$

C. $.63 : 1$

D. $.37 : 1$

Answer: D

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16. On the basis of following data, the proprietary ratio of a Company will be:

Equity Share Capital Rs. 6,00,000, Debentures Rs. 2,40,000, Statement of Profit & Loss Debit Balance Rs. 40,000.

A. $74\ \%$

B. $65\ \%$

C. $82\ \%$

D. $70\ \%$

Answer: D

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17. On the basis of following information received from a firm, its Proprietary Ratio will be:

Fixed Assets Rs. 3,30,000, Current Assets Rs. 1,90,000, Preliminary Expenses Rs. 30,000, Equity

Share Capital Rs. 2,44,000, Preference Share Capital Rs. 1,70,000, Reserve Fund Rs. 58,000.

A. 70%

B. 80%

C. 85%

D. 90%

Answer: C

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18. On the basis of following data, a Company's Total Assets-Debt Ratio will be:

Working Capital Rs. 2,70,000, Current Liabilities Rs. 30,000, Fixed Assets Rs. 4,00,000, Debentures Rs. 2,00,000, Long Term Bank Loan Rs. 80,000.

A. 37%

B. 40%

C. 45%

D. 70%

Answer: B

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19. On the basis of following information received from a firm, its Total Assets-Debt Ratio will be:

Working Capital Rs. 3,20,000, Current Liabilities Rs. 1,40,000, Fixed Assets Rs. 2,60,000, Debentures Rs. 2,10,000, Long Term Bank Debt Rs. 78,000.

A. $40\ \%$

B. $60\ \%$

C. $30\ \%$

D. $70\ \%$

Answer: A

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Multiple Choice Questions Activity Ratios

1. Inventory Turnover Ratio is :

A. Average Inventory/Revenue from Operations

B. Average Inventory/Cost of Revenue from Operations

C. Cost of Revenue from Operations/Average Inventory

D. G.P./Average Inventory

Answer: C

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2. Opening Inventory Rs. 1,00,000, Closing Inventory Rs. 1,50,000, Purchases Rs. 6,00,000, Carriage Rs. 25,000. Wages Rs. 2,00,000. Inventory Turnover Ratio will be:

A. 6.6 Times

B. 7.4 Times

C. 7 Times

D. 6.2 Times

Answer: D

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3. Revenue from Operations Rs. 8,00,000, Gross profit Ratio 25%, Opening Inventory Rs. 1,00,000, Closing Inventory Rs. 60,000. Inventory Turnover Ratio will be:

A. 10 Times

B. 7.5 Times

C. 8 Times

D. 12.5 Times

Answer: B

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4. On the basis of following data, the cost of revenue from operations by a company will be:

Opening Inventory Rs. 70,000, Closing Inventory Rs. 80,000, Inventory Turnover Ratio 6 Times.

A. Rs. 1,50,000

B. Rs. 90,000

C. Rs. 4,50,000

D. Rs. 4,80,000

Answer: C

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5. Opening Inventory of a firm is Rs. 80,000. Cost of revenue from operations is Rs. 6,00,000. Inventory Turnover Ratio is 5 times. Its closing Inventory will be:

A. Rs. 1,60,000

B. Rs. 1,20,000

C. Rs. 80,000

D. Rs. 2,00,000

Answer: A

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6. Cost of revenue from operations Rs. 6,00,000, Inventory Turnover Ratio 5, Find out the value of opening inventory, if opening inventory is Rs. 8,000 less than the closing inventory.

A. Rs. 1,12,000

B. Rs. 1,16,000

C. Rs. 1,28,000

D. Rs. 1,24,000

Answer: B

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7. Revenue from operations Rs. 2,00,000, Inventory Turnover Ratio 5, Gross Profit 25%. Find out the value of Closing Inventory, if Closing Inventory is Rs. 8,000 more than the Opening Inventory.

A. Rs. 38,000

B. Rs. 22,000

C. Rs. 34,000

D. Rs. 26,000

Answer: C

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8. If the inventory turnover ratio is divided into 365, it becomes a measure of ....

A. Sales efficiency

B. Average Age of Inventory

C. Sales Turnover

D. Average Collection Period

Answer: B

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9. If average inventory is Rs. 50,000 and closing inventory is Rs. 2,000 less than the opening inventory, opening and closing inventory will be:

A. Rs. 52,000 and Rs. 50,000

B. Rs. 50,000 and Rs. 48,000

C. Rs. 48,000 and Rs. 46,000

D. Rs. 51,000 and Rs. 49,000

Answer: D

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10. Opening Inventory Rs. 50,000, Closing Inventory Rs. 40,000 and cost of revenue from operations Rs. 7,20,000. What will be Inventory Turnover Ratio?

A. 18 Times

B. 16 Times

C. 14.4 Times

D. 8 Times

Answer: B

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11. Average Inventory Rs. 60,000, Inventory Rs. Turnover Ratio 8, Gross Profit 20% on revenue from operations, what will be Gross Profit?

A. Rs. 1,20,000

B. Rs. 96,000

C. Rs. 80,000

D. Rs. 15,000

Answer: A

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12. Opening Inventory Rs. 75,000, Closing Inventory Rs. 1,05,000, Inventory Turnover Ratio 6, Gross Profit 20% on cost, what will be Gross Profit?

A. Rs. 1,35,000

B. Rs. 1,08,000

C. Rs. 90,000

D. Rs. 18,000

Answer: B

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13. Opening Inventory Rs. 40,000, Purchase Rs. 4,00,000, Purchase Return Rs. 12,000, what will be Inventory turnover ratio if Closing inventory is less than Opening Inventory by Rs. 8,000?

A. 9 Times

B. 10.78 Times

C. 11 Times

D. 8.82 Times

Answer: C

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14. The formula for calculating the Trade Receivables Turnover Ratio is :

A. $\frac{\text{Total Revenue from Operations}}{\text{Average Debtors}}$

B. $\frac{\text{Credit Revenue from Operations}}{\text{Average Debtors}}$

C.

$$\frac{\text{Net Credit Revenue from Operations}}{\text{Average Debtors + Average Bills Receivable}}$$

D. None of the Above

Answer: C

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15. Total revenue from operations Rs. 9,00,000, Cash revenue from operations Rs. 3,00,000, Debtors Rs. 1,00,000, B/R Rs. 20,000. Trade Receivables Turnover Ratio will be :

A. 5 Times

B. 6 Times

C. 7.5 Times

D. 9 Times

Answer: A

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16. Total revenue from operations Rs. 27,00,000, Credit revenue from operations Rs. 18,00,000, Opening Debtors Rs. 3,20,000, Closing Debtors Rs. 4,00,000, Provision for Doubtful Debts Rs. 60,000. Trade Receivables Turnover Ratio will be :

A. 7.5 times

B. 9 times

C. 6 times

D. 5 times

Answer: D

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17. Credit revenue from operations Rs. 24,00,000, Trade Receivables Turnover Ratio 6 times, Opening Debtors Rs. 3,20,000. Closing Debtors will be:

A. Rs. 4,00,000

B. Rs. 4,80,000

C. Rs. 80,000

D. Rs. 7,20,000

Answer: B

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18. A firm makes credit revenue from operations of Rs. 2,40,000 during the year. If the trade receivables turnover ratio is 8 times, calculate closing debtors, if the closing debtors are more by Rs. 6,000 than the opening debtors :

A. Rs. 33,000

B. Rs. 36,000

C. Rs. 24,000

D. Rs. 27,000

Answer: A

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19. Credit revenue from operations Rs. 3,00,000. Trade Receivables Tournover Ratio 5, Calculate Closing Debtors, if closing debtors are two times in comparison to Opening Debtors.

A. Rs. 40,000

B. Rs. 60,000

C. Rs. 80,000

D. Rs. 1,20,000

Answer: C

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20. Credit revenue from operations Rs. 5,60,000, Debtors Rs. 70,000, B/R Rs. 10,000. Average Collection Period will be :

A. 52 Days

B. 53 Days

C. 45 Days

D. 46 Days

Answer: B

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21. Credit revenue from operations Rs. 6,00,000, Cash revenue from operations Rs. 1,50,000, Debtors Rs. 1,00,000, B/R Rs. 50,000. Average Collection Period will be :

A. 2 Months

B. 2.4 Months

C. 3 Months

D. 1.6 Months

Answer: C

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22. On the basis of following data, a Company's closing debtors will be:

Credit revenue from operations Rs. 9,00,000, Average Collection period 2 months, Opening debtors are Rs. 15,000 less as compared to closing debtors.

A. Rs. 1,42,500

B. Rs. 1,57,500

C. Rs. 1,80,000

D. Rs. 75,000

Answer: B

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23. Total credit revenue from operations of a firm is Rs. 5,40,000. Average collection period is 3 months. Opening debtors are Rs. 1,10,000. Its closing debtors will be:

A. Rs. 1,35,000

B. Rs. 1,60,000

C. Rs. 2,20,000

D. Rs. 1,80,000

Answer: B

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24. The formula for calculating Trade Payables Turnover Ratio is :

A. $\frac{\text{Net Credit Purchase}}{\text{Average Creditors}}$

B.

$$\frac{\text{Net Credit Purchase}}{\text{Average Creditors} + \text{Average Bills Payable}}$$

C. $\frac{\text{Cash Purchases}}{\text{Total Creditors}}$

D. None of the Above

Answer: B

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25. Credit Purchases Rs. 12,00,000, Opening Creditors Rs. 2,00,000, Closing Creditors Rs. 1,00,000. Trade Payables Turnover Ratio will be :

A. 6 times

B. 4 times

C. 8 times

D. 12 times

Answer: C

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26. Total Purchases Rs. 4,50,000, Cash Purchases Rs. 1,50,000, Creditors Rs. 50,000, Bills Payables Rs. 10,000. Trade Payables Turnover Ratio will be :

A. 7.5 times

B. 6 times

C. 9 times

D. 5 times

Answer: D

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27. Credit Purchases Rs. 6,00,000, Trade Payables Turnover Ratio 5, Calculate closing creditors, if closing creditors are Rs. 10,000 less than opening creditors.

A. Rs. 1,15,000

B. Rs. 1,25,000

C. Rs. 1,30,000

D. Rs. 1,10,000

Answer: A

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28. Credit Purchase Rs. 9,60,000, Cash Purchases Rs. 6,40,000, Creditors Rs. 2,40,000, Bills Payable Rs. 80,000. Average Payment Period will be:

A. 3 months

B. 4 months

C. 2.4 months

D. 6 months

Answer: B

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29. Current Assets Rs. 5,00,000, Current Liabilities Rs. 1,00,000, Revenue from Operations Rs. 28,00,000. Working Capital turnover Ratio will be:

A. 7 times

B. 5.6 times

C. 8 times

D. 10 times

Answer: A

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30. On the basis of following data, the Working Capital Turnover Ratio of a company will be :

Liquid Assets Rs. 3,70,000, Inventory Rs. 80,000, Current Liabilities Rs. 1,50,000, Revenue from operations Rs. 7,50,000.

A. 2.5 Times

B. 3 Times

C. 5 Times

D. 3.8 Times

Answer: A

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31. A firm's current assets are Rs. 3,60,000, current ratio is $3:1$. Revenue from operations is Rs.

12,00,000. Its working capital turnover ratio will be :

A. 3 Times

B. 5 Times

C. 8 Times

D. 4 Times

Answer: B

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Multiple Choice Questions Profitability Ratios

1. Opening Inventory Rs. 1,00,000, Closing Inventory Rs. 1,20,000, Purchases Rs. 20,00,000, Wages Rs. 2,40,000, Carriage Inwards Rs. 1,50,000, Selling Exp. Rs. 60,000, Revenue from Operations is Rs. 30,00,000. Gross Profit ratio will be :

A. $29\ \%$

B. $26\ \%$

C. $19\ \%$

D. $21\ \%$

Answer: D

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2. Cash Revenue from Operations Rs. 4,00,000, Credit Revenue from Operations Rs. 21,00,000, Revenue from Operations Return Rs. 1,00,000, Cost of revenue from operations Rs. 19,20,000. G.P. ratio will be

A. 4%

B. 23.2%

C. 80%

D. 20%

Answer: D

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3. A firm's credit revenue from operations is Rs. 3,60,000, cash revenue from operations is Rs. 70,000. Cost of revenue from operations is Rs. 3,61,200. Its gross profit ratio will be :

A. 11%

B. 15%

C. 18%

D. 16%

Answer: D

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4. On the basis of following data, a Company's Gross Profit Ratio will be :

Net Profit Rs. 40,000, Office Expenses Rs. 20,000, Selling Expenses Rs. 36,000, Total revenue from operations Rs. 6,00,000.

A. 16%

B. $20\ \%$

C. $6.67\ \%$

D. $12.5\ \%$

Answer: A

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5. What will be the amount of Gross Profit, if revenue from operations are Rs. 6,00,000 and Gross Profit Ratio is $20\ \%$ of cost?

A. Rs. 1,50,000

B. Rs. 1,00,000

C. Rs. 1,20,000

D. Rs. 5,00,000

Answer: B

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6. What will be the amount of Gross Profit, if revenue from operations are Rs. 6,00,000 and Gross Profit Ratio is 20% of revenue from operations?

A. Rs. 1,50,000

B. Rs. 1,00,000

C. Rs. 1,20,000

D. Rs. 5,00,000

Answer: C

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7. Revenue from operations is Rs. 1,80,000, Rate of Gross Profit is 25% on cost. What will be the Gross Profit?

A. Rs. 45,000

B. Rs. 36,000

C. Rs. 40,000

D. Rs. 60,000

Answer: B

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8. Operating ratio is :

A. Cost of revenue from operations + Selling Expenses/Net revenue from operations

B. Cost of production + Operating Expenses/Net revenue from operations

C. Cost of revenue from operations + Operating Expenses/Net Revenue from Operations

D. Cost of Production/Net revenue from operations.

Answer: C

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9. Cost of Revenue from Operations =

A. Revenue from Operations - Net Profit

B. Revenue from Operations - Gross Profit

C. Revenue from Operations - Closing Inventory

D. Purchases - Closing Inventory

Answer: B

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10. Total Revenue from Operations Rs. 15,00,000, Cost of Revenue from Operations Rs. 9,00,000 and Operating Expenses Rs. 2,25,000. Calculate operating ratio :

A. 75%

B. 25%

C. 60%

D. 15%

Answer: A

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11. Purchase Rs. 7,20,000, Office Expenses Rs. 30,000, Selling Expenses Rs. 90,000, Opening Inventory Rs. 1,40,000, Closing Inventory Rs. 80,000, Revenue from Operations Rs. 12,00,000. Calculate operating ratio

A. $60\ \%$

B. $75\ \%$

C. $70\ \%$

D. $65\ \%$

Answer: B

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12. Revenue from Operations Rs. 6,00,000, Gross Profit $20\,\%$, Office Expenses Rs. 30,000, Selling Expenses Rs. 48,000. Calculate operating ratio

A. $80\,\%$

B. $85\,\%$

C. $96.33\,\%$

D. $93\,\%$

Answer: D

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13. Which of the following is not operating expenses?

A. Office Expenses

B. Selling Expenses

C. Bad Debts

D. Loss by Fire

Answer: D

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