



St. Lawrence High School



A Jesuit Christian Minority Institution

Answer Key 54

Sub: ACCOUNTANCY

Class 12

F.M. 15

Chapter: Unit 5

Date: 18/01/2021

Topic: FSA- Ratio Analysis 2

Choose the correct alternatives

1 x 15 = 15

- Solvency ratios are required to calculate to determine
(a) profitability; **(b) ability to repay the debt;** (c) turnover; (d) none of these
- Which one of the following is an example of solvency ratio?
(a) current ratio; (b) quick ratio; **(c) debt equity ratio;** (d) inventory turnover ratio
- Debt equity ratio signifies the relationship between
(a) current assets & current liabilities; **(b) long term debt & shareholders fund;**
(c) long term debt & fixed assets; (d) long term debt & total assets
- Long term debts means
(a) Debentures & long term loan; (b) Creditors & bills payable;
(c) Shares & debentures; (d) None of these
- Shareholders' Funds means
(a) Equity share capital & reserve and surplus; (b) Shares & debentures;
(c) Equity share capital & creditors; (d) none of these
- If debentures is Rs. 2,00,000; Equity share capital is Rs. 4,00,000 and General reserve is Rs. 1,00,000, calculate debt equity ratio.
(a) 0.8:1; **(b) 0.4:1;** (c) 0.2:1; (d) none of these
- Which ratio measures the proportion of the firm's total assets that are financed by long term debt?
(a) debt equity ratio; **(b) total assets to debt ratio;** (c) quick ratio; (d) current ratio
- Total assets consist of
(a) all fixed assets; (b) all current assets; **(c) all fixed & current assets;** (d) none of these
- If fixed assets is Rs. 3,00,000, current assets is Rs. 2,00,000 and debentures is Rs. 1,80,000 calculate Total Assets to Debt Ratio.
(a) 2.78:1; (b) 2.79:1; (c) 4:1; (d) 3:1
- If debentures are issued debt equity ratio will
(a) increase; (b) decrease; (c) not change; (d) none of these
- If cash received from debtors debt equity ratio will
(a) increase; (b) decrease; **(c) not change;** (d) none of these
- If debentures are converted to preference shares debt equity ratio will
(a) increase; **(b) decrease;** (c) not change; (d) none of these

13. If goods are purchased on credit debt equity ratio will
(a) increase; (b) decrease; **(c) not change**; (d) none of these
14. Due to redemption of debentures debt equity ratio will
(a) increase; **(b) decrease**; (c) not change; (d) none of these
15. If total assets to debt ratio is _____ means that the firm is using more long term debt for financing its total assets.
(a) high; **(b) low**; (c) constant; (d) none of these

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