



St. Lawrence High School



A Jesuit Christian Minority Institution

Answer Key 55

Sub: ACCOUNTANCY

Class 12

F.M. 15

Chapter: Unit 5

Date: 23/01/2021

Topic: FSA- Ratio Analysis 3

Choose the correct alternatives

1 x 15 = 15

1. EBIT means
(a) earning before investment and tax; **(b) earning before interest & tax;**
(c) earning before interest and trade; (d) none of these
2. Which one of the following is an example of solvency ratio
(a) current ratio; (b) quick ratio; (c) inventory turnover ratio; **(d) interest coverage ratio**
3. Trade Receivable means summation of
(a) creditor & bills payable; **(b) debtors & bills receivable;**
(c) creditor & bills receivable; (d) debtors & bills payable
4. Trade Payable means summation of
(a) creditor & bills payable; (b) debtors & bills receivable;
(c) creditor & bills receivable; (d) debtors & bills payable
5. Working Capital means
(a) current assets – current liabilities; (b) total assets- current assets;
(c) current assets – non- current liabilities; (d) none of these
6. Cost of goods sold means
(a) sales – gross profit; (b) opening stock + purchases – closing stock;
(c) both (a) & (b); (d) none of these
7. If total purchases is Rs. 4,00,000 ,cash purchases is Rs. 1,00,000 and average trade payable is Rs.1,50,000 trade payable turnover ratio is
(a) 3 times; **(b) 2 times;** (c) 1time; (d) none of these
8. Total sales is Rs. 5,00,000, cash sales is Rs. 1,00,000 and average trade receivable is Rs. 2,00,000. Trade Receivable Turnover Ratio is
(a) 4 times; **(b) 2 times;** (c) 3times; (d) none of these
9. Sales is Rs. 6,00,000, current assets is Rs. 3,00,000 and current liabilities is Rs. 1,00,000. Working Capital Turnover Ratio is
(a) 3 times; (b) 2 times; (c) 4 times; (d) none of these
10. If trade payable turnover ratio is high means
(a) strict credit terms granted by the supplier; (b) liberal credit terms granted by the supplier;
(c) no credit terms granted by the supplier; (d) all of these

11. If trade payable turnover ratio is low means
(a) strict credit terms granted by the supplier; **(b) liberal credit terms granted by the supplier;**
(c) no credit terms granted by the supplier; (d) all of these
12. If working capital ratio is high means
(a) efficient management of working capital; (b) inefficient management of working capital;
(c) working capital management is applied; (c) none of these
13. If working capital ratio is low means
(a) efficient management of working capital; **(b) inefficient management of working capital;**
(c) working capital management is applied; (c) either (b) or (c)
14. If trade receivable turnover ratio is high means
(a) improved collection procedure; (b) slow realization from debtors;
(c) more credit from a creditors; (d) all of these
15. If trade receivable turnover ratio is low means
(a) improved collection procedure; **(b) slow realization from debtors;**
(c) more credit from a creditors; (d) all of these

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