

WORK SHEET
UNIT-V

1. Ratio analysis is used for:
 - A) Recording transactions
 - B) Analyzing financial statements
 - C) Preparing accounts
 - D) Auditing**Answer:** B) Analyzing financial statements
2. Current ratio is a:
 - A) Profitability ratio
 - B) Liquidity ratio
 - C) Solvency ratio
 - D) Activity ratio**Answer:** B) Liquidity ratio
3. Ideal current ratio is generally:
 - A) 1:1
 - B) 2:1
 - C) 3:1
 - D) 4:1**Answer:** B) 2:1
4. Quick ratio is also known as:
 - A) Current ratio
 - B) Acid-test ratio
 - C) Turnover ratio
 - D) Debt ratio**Answer:** B) Acid-test ratio
5. Inventory turnover ratio indicates:
 - A) Liquidity
 - B) Profitability
 - C) Efficiency in managing inventory
 - D) Solvency**Answer:** C) Efficiency in managing inventory
6. Net profit ratio is a:
 - A) Liquidity ratio
 - B) Turnover ratio
 - C) Profitability ratio
 - D) Solvency ratio**Answer:** C) Profitability ratio
7. Proprietary ratio shows relationship between:
 - A) Debt and equity
 - B) Assets and liabilities
 - C) Shareholders' funds and total assets
 - D) Profit and sales**Answer:** C) Shareholders' funds and total assets
8. Debt-equity ratio is a:
 - A) Liquidity ratio

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- B) Profitability ratio
C) Leverage ratio
D) Turnover ratio
Answer: C) Leverage ratio
9. High debt-equity ratio indicates:
A) Low risk
B) High financial risk
C) High liquidity
D) Low profitability
Answer: B) High financial risk
10. Solvency ratio measures:
A) Short-term ability
B) Long-term financial stability
C) Profitability
D) Sales efficiency
Answer: B) Long-term financial stability
11. Fund flow statement shows:
A) Cash inflows only
B) Changes in working capital
C) Profit only
D) Expenses only
Answer: B) Changes in working capital
12. Cash flow statement shows:
A) Only profits
B) Only losses
C) Inflows and outflows of cash
D) Assets only
Answer: C) Inflows and outflows of cash
13. Cash from operating activities includes:
A) Sale of machinery
B) Issue of shares
C) Business operations
D) Loan repayment
Answer: C) Business operations
14. Investing activities include:
A) Purchase of fixed assets
B) Payment of salaries
C) Purchase of goods
D) Rent paid
Answer: A) Purchase of fixed assets
15. Financing activities include:
A) Sales revenue
B) Issue of shares and debentures
C) Purchase of stock
D) Wages paid
Answer: B) Issue of shares and debentures

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FILL IN THE BLANKS

1. Ratio analysis helps in _____ financial performance.
Answer: analyzing
2. Current ratio compares current assets with current _____.
Answer: liabilities
3. Quick ratio excludes _____ from current assets.
Answer: inventory
4. Inventory turnover ratio measures _____ efficiency.
Answer: operational
5. Net profit ratio is a _____ ratio.
Answer: profitability
6. Debt-equity ratio measures financial _____.
Answer: leverage
7. Solvency ratios indicate _____ term stability.
Answer: long
8. Fund flow statement shows changes in _____ capital.
Answer: working
9. Cash flow statement records _____ inflows and outflows.
Answer: cash
10. Purchase of fixed assets is an _____ activity.
Answer: investing



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