

TEST

## Chapter 9 Analysis of Financial Statement

### QUESTIONS

SECTIONS

1. Section A - 20 Questions

#### Section 1 : Section A - 20 Questions

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1 Gross Profit RATIO INDICATES the RELATIONSHIP of gross profit to the.....

- NET-CASH
- NET-SALES
- Net PURCHASES
- Gross SALES

Correct: +1

2 Current RATIO =  $\frac{\text{Current Assets}}{\text{Current liabilities}}$

- Quick Assets
- Quick LIABILITIES
- Current Assets
- None of these

Correct: +1

3 Liquid Assets = .....

- Current Assets + Stock
- Current Assets-Stock
- Current Assets - stock + PREPAID Expenses
- None of these

Correct: +1

4 Cost of goods sold.....

- SALES - Gross profit
- SALES - Net Profit
- SALES Proceeds
- None of these

Correct: +1

5 Net-Profit RATIO is EQUAL to——

- OPERATING RATIO
- OPERATING net-profit RATIO
- Gross Profit RATIO
- Current RATIO

Correct: +1

6 The Common Size STATEMENT requires——

- Common BASE
- JOURNAL Entries
- CASH Flow
- current RATIO

Correct: +1

7 Bill PAYABLE is.....

- Long term LOAN
- Current LIABILITIES
- Liquid Assets
- Net Loss

Correct: +1

8 GENERALLY Current RATIO should be—

- 2:1
- 1:1
- 1:2
- 3:1

Correct: +1

9 From FINANCIAL STATEMENT ANALYSIS the creditors ARE SPECIALLY interested to know .....

- Liquidity
- Profits
- SALE
- SHARE CAPITAL

Correct: +1

10 ANALYSIS of FINANCIAL STATEMENT is A tool but not A remedy.

- True
- False

Correct: +1

**11** PURCHASE of Fixed Assets is OPERATING CASH flow.

- True
- False

Correct: +1

**12** Dividend PAID is not A SOURCE of fund.

- True
- False

Correct: +1

**13** Gross Profit depends upon Net SALES.

- True
- False

Correct: +1

**14** PAYMENT of CASH AGAINST PURCHASE of stock is use of fund.

- True
- False

Correct: +1

**15** RATIOANALYSIS is useful for inter firm COMPARISON.

- True
- False

Correct: +1

**16** The short term deposits ARE considered AS CASH EQUIVALENT.

- True
- False

Correct: +1

**17** Activity RATIOS Turnover RATIOS ARE theSAME.

- True
- False

Correct: +1

**18** Current RATIO MEASURES the liquidity of the business.

True

False

Correct: +1

**19** RATIO ANALYSIS MEASURES PROFITABILITY efficiency AND FINANCIAL soundness of the business.

True

False

Correct: +1

**20** Financial statement include only Balance Sheet

True

False

Correct: +1

TEST

## Chapter 9 Analysis of Financial Statement

### ANSWERS

SECTIONS

1. Section A - 20 Questions

#### Section 1 : Section A - 20 Questions

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- 1 NET-SALES
- 2 Current Assets
- 3 Current Assets-Stock
- 4 SALES - Gross profit
- 5 OPERATING RATIO
- 6 Common BASE
- 7 Current LIABILITIES
- 8 2:1
- 9 Liquidity
- 10 True
- 11 False
- 12 True
- 13 True
- 14 True
- 15 True
- 16 True
- 17 True
- 18 True
- 19 True
- 20 False