

Very Short Answer Type Questions

1. What is meant by Ratio? (Delhi 2001 C)
2. What do you understand by Accounting Ratio? (Delhi 2001, NCERT)
3. What is meant by Ratio Analysis? (AI 2010 C)
4. State **any two** limitations of Ratio Analysis. (AI 2010 C)
5. State the limitations of Ratio Analysis regarding qualitative aspect.
6. What is the main advantage of Ratio Analysis? (AI 2010 C)
7. State the various ways by which a ratio can be expressed.
8. State **any two** limitations of Ratio Analysis. (AI 2010 C)
9. What is Quick Ratio?
10. What is the ideal Quick Ratio?
11. Quick Ratio of a company is 1.5 : 1. State with reason, whether the purchase of inventory for cash will improve, reduce or not change the ratio.
12. Quick Ratio of a company is 1.5 : 1. State with reason, whether cash collected against Trade Receivables would improve, reduce or not change the ratio. (Delhi 2016)
13. What is meant by 'Liquidity of Business'?
14. What is measured by Liquidity Ratios?
15. Name the ratios that indicate the liquidity of an enterprise.
16. What is meant by Current Assets?
17. State **any two** items which are included in Current Assets.
18. State **two** items which are not included in Current Assets to compute Current Ratio.
19. Assuming that the Current Ratio is 2 : 1, state giving reason whether the ratio will improve, decline or will have no change in case a Bill Receivable is dishonoured. (Sample Paper I, 2009)
20. Current Ratio of a company is 3 : 1. State with reason, whether the payment of ₹ 20,000 to the creditors will increase, decrease or not change the ratio. (AI 2009 C)
21. Quick Ratio of a company is 1.5 : 1. State giving reason, whether the ratio will improve, decline or not change on payment of dividend by the company. (Delhi 2008)
22. Current Ratio of a company is 3 : 1. State with reason, whether the payment of dividend would improve, reduce or not change the ratio.
23. Current Ratio of a company is 2 : 1. State with reason, whether office equipment sold for ₹ 4,000 (book value ₹ 5,000) would improve, reduce or not change the ratio.
24. State **two** Current Assets, which are not considered to be Liquid Assets.
25. Out of Current Ratio and Liquid Ratio, which ratio is better indicator of liquidity position of a firm? (Delhi 2016)
26. What is meant by 'Solvency of Business'?
27. List **any three** important Solvency Ratios. (Delhi 2010)
28. How the solvency of a business is assessed by Financial Statement Analysis? (Sample Paper II, 2009)
29. Assuming that the Debt to Equity Ratio is 1 : 2, state giving reason, whether the ratio will improve, decline or will have no change in case Equity Shares are issued for cash. (Foreign 2006)
30. Debt to Equity Ratio of X Ltd. is 1 : 2. What is the effect of conversion of debenture into Preference Shares on this ratio? (AI 2008)
31. Debt to Equity Ratio of a company is 0.8 : 1. State whether the long-term loan obtained by the company will improve, decrease or not change the ratio.
32. What is the objective of computing Total Assets to Debt Ratio?
33. What is meant by Long-term Debts?
34. What does Proprietary Ratio indicate?
35. What does a low Proprietary Ratio mean?

36. Proprietary Ratio of a company is 0.7 : 1. State whether long-term loan obtained by the company will improve, decrease or not change the ratio. (AI 2016)
37. What is meant by 'Activity Ratios'?
38. What does a low Trade Receivables Turnover Ratio indicate?
39. What does a low Working Capital Turnover Ratio indicate?
40. How is Inventory Turnover Ratio computed?
41. How is Average Inventory computed?
42. Inventory or Stock Turnover Ratio of a company is 3 times. State giving reason, whether the ratio improves, declines or does not change because of increase in the value of closing stock by ₹ 5,000. (AI 2009)
43. Trade Receivables or Debtors' Turnover Ratio of a company is 6 times. State with reason, whether the ratio will improve, decrease or not change due to increase in the value of closing stock by ₹ 50,000. (Foreign 2009)
44. What is meant by 'Profitability of Business'?
45. How can the profitability of a firm be measured? (Delhi 2016)
46. State **two** Profitability Ratios based on sales.
47. What is Gross Profit?
48. What is Operating Profit?
49. What does Gross Profit Ratio indicate?
50. Gross Profit Ratio of a company is 50%. State with reason, whether the decrease in rent received by ₹ 15,000 will increase, decrease or not change the ratio. (Delhi 2009)
51. What is Operating Cost?
52. Name the ratio which shows the relationship between Operating Profit and Net Sales.
53. What is the objective of computing Operating Profit Ratio?
54. What is meant by Operating Expenses?
55. What will be the Operating Profit Ratio, if Operating Ratio is 88.94%? (Delhi 2009)
56. Name the Profitability Ratio based on investment.
57. What is the meaning of 'Investment' for the purpose of 'Return on Investment' ratio?
58. How is 'Capital Employed' calculated?
59. What does 'Return on Investment' ratio indicate?
60. A company has earned ₹ 5,00,000 as profit before interest and tax. Its Return on Investment is 20%. State the Capital Employed in the company.

Short Answer Type Questions

1. What do you mean by Accounting Ratio? How are they useful?
2. What are the main objects of computation of Accounting Ratio?
3. What are the various types of ratios?
4. Explain **any two** limitations of Ratio Analysis. (NCERT)
5. Give **any three** advantages of Ratio Analysis. (AI 2016)
6. "Accounting Ratios ignore qualitative factors and are also not comparable if different firms follow different policies." Comment.