

SEBI Grade A 2020 Live Quiz

EXAMS Today
Ratio Analysis

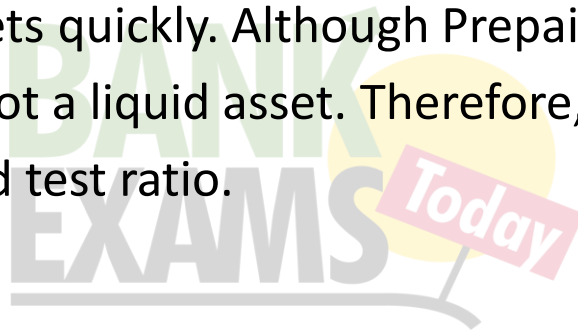
Ques 1. Which of the following items is not included in calculating the acid test ratio

- a) 6-month treasury bill
- b) Accounts Receivable
- c) 60-day Certificate of Deposit
- d) Prepaid Insurance



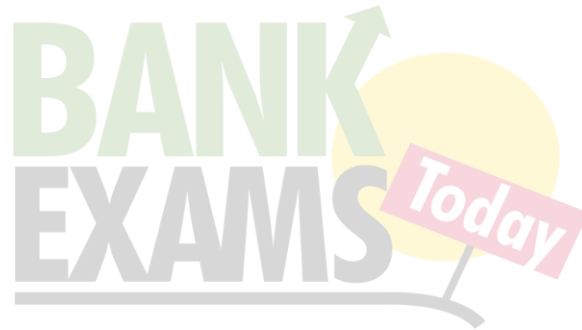
Answer: (D) Prepaid Insurance

Explanation: Acid Test Ratio= Quick Assets (Marketable Securities, Cash, etc.)/
Current Liabilities Quick Assets include all the current assets that can be converted into liquid assets quickly. Although Prepaid Insurance is a short term current asset, it is not a liquid asset. Therefore, it will not be included in the calculation of the acid test ratio.



Ques 2. Calculate the Operating Ratio. Operating Expense= Rs. 50,000, Sales= Rs. 9,00,000, Sales Return= Rs. 60,000, Cost of Goods Sold= 5,00,000

- a) 65.48%
- b) 70.00%
- c) 62.54%
- d) 68.20%



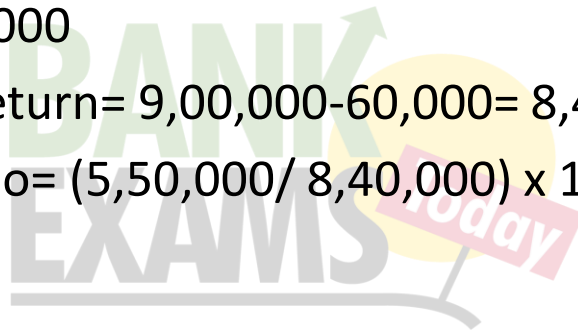
Answer: (A) 65.48%

Explanation: Operating Ratio= (Operating Expenses/ Net Sales) x 100

Total Operating Expense= Operating Expense + Cost of Goods Sold=
50,000+5,00,000= 5,50,5000

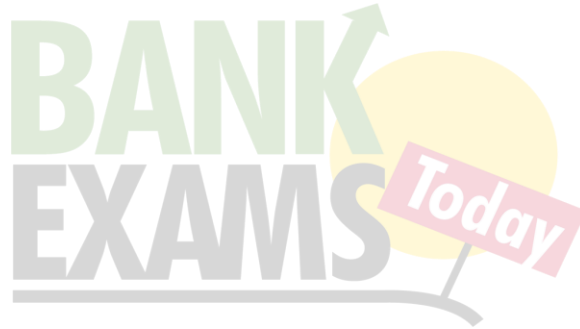
Net Sales= Sales- Sales Return= 9,00,000-60,000= 8,40,000

Therefore, Operating Ratio= (5,50,000/ 8,40,000) x 100= 65.48%



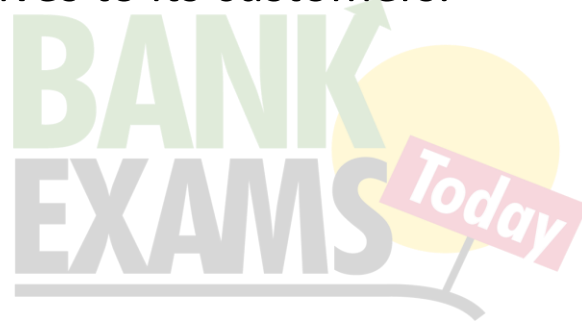
Ques 3. Debtors Turnover Ratio is also called

- i. Receivables Turnover Ratio
- ii. Stock Velocity
- iii. Payable Turnover Ratio
- iv. Debtors Velocity
 - a) 1. and 4.
 - b) 2. and 3.
 - c) 3. and 4.
 - d) 1. and 3.



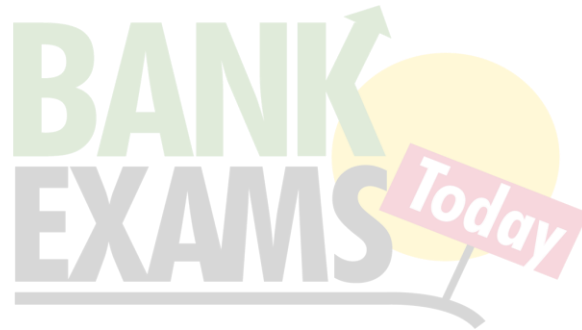
Answer: (A) 1. and 4.

Explanation: Debtors Turnover Ratio measures how fast credit sales turn into cash and it also provides an estimate of a company's efficiency in managing the credit the company gives to its customers.



Ques 4. Calculate the working capital turnover ratio: Current Assets= Rs. 2,50,000, Current Liabilities= Rs. 2,00,000, Cost of Goods Sold= Rs. 5,00,000

- a) 11 times
- b) 8 times
- c) 10 times
- d) 5 times



Answer: (C) 10 times

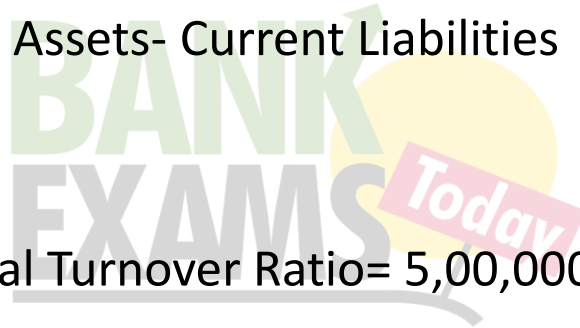
Explanation: Working Capital Turnover Ratio= Cost of Goods Sold/ Working Capital

Working Capital= Current Assets- Current Liabilities

= 2,50,000 - 2,00,000

= 50,000

Therefore, Working Capital Turnover Ratio= 5,00,000/ 50,000= 10 times



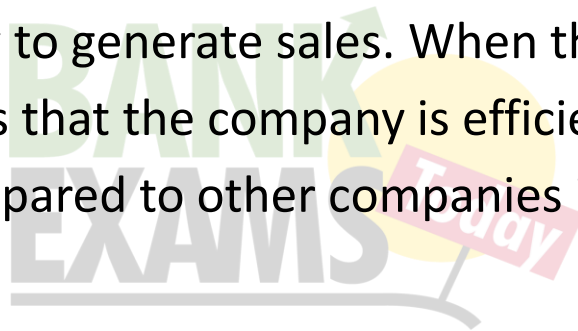
Ques 5. A higher asset turnover ratio than the industry average means that

- a) The company is efficiently utilising its assets better than all other companies in the industry
- b) The P/E ratio of the company is better than all other companies in the industry
- c) The profits of the company are better than all other companies in the industry
- d) The company has the highest spending on fixed assets than all other companies in the industry



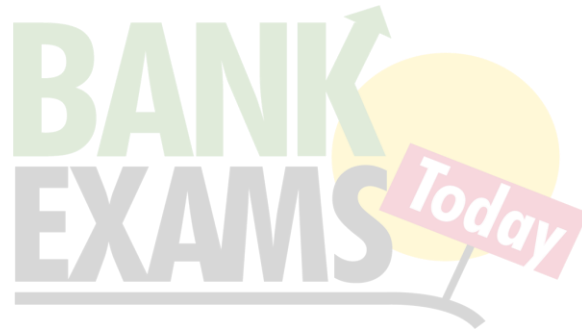
Answer: (A) The company is efficiently utilising its assets better than all other companies in the industry

Explanation: Asset Turnover Ratio basically tells us that company is utilising its assets more efficiently to generate sales. When the ratio is higher than the industry average it means that the company is efficiently utilising its assets to generate sales when compared to other companies in the same industry.



Ques 6. Calculate Gross Profit Ratio, Total Sales= Rs. 3,60,000, Cost of Goods Sold= Rs. 3,00,000, Sales Return= Rs. 20,000

- a) 13.87%
- b) 12.00%
- c) 14.52%
- d) 11.76%



Answer: (D) 11.76%

Explanation: Net Sales= 3,60,000- 20,000= 3,40,000

Gross Profit= Net Sales- Cost of Goods Sold

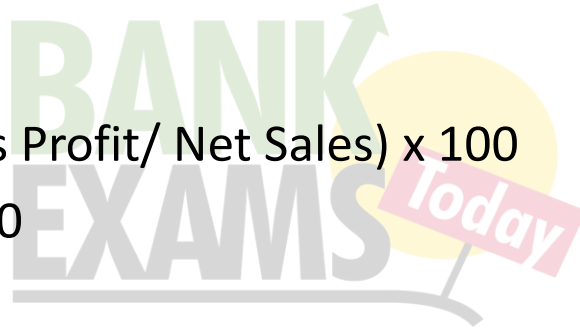
= 3,40,000- 3,00,000

= 40,000

Gross Profit Ratio= (Gross Profit/ Net Sales) x 100

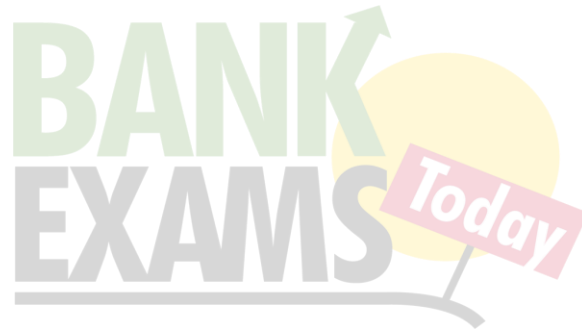
= (40,000/ 3,40,000) x 100

= 11.76%



Ques 7. Calculate Inventory Turnover Ratio, Opening Stock= Rs. 40,000, Closing Stock= Rs. 20,000, Sales= Rs. 4,00,000, Gross Profit Ratio= 25% on sales.

- a) 6 times
- b) 10 times
- c) 8 times
- d) 7 times



Answer: (B) 10 times

Explanation: Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory

Gross Profit on sales = 25%. Therefore, Gross Profit = 1,00,000

Cost of Goods Sold = Sales - Gross Profit

= 4,00,000 - 1,00,000

= 3,00,000

Average Inventory = (Opening + Closing Stock) / 2

= (40,000 + 20,000) / 2

= 30,000

Inventory Turnover Ratio = 3,00,000 / 30,000

= 10 times

