

1. What is the primary purpose of financial analysis?

- a) To prepare the financial statements of a company
 - b) To assess the company's financial performance and position
 - c) To calculate income tax liabilities
 - d) To distribute profits among stakeholders
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2. Which of the following ratios is used to measure the liquidity position of a company?

- a) Current ratio
 - b) Return on equity
 - c) Debt-to-equity ratio
 - d) Earnings per share
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3. What is the purpose of preparing a common-size statement?

- a) To compare the financial performance of different companies
 - b) To determine the cost of goods sold
 - c) To convert financial figures into percentage terms for easier comparison
 - d) To prepare a company's tax returns
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4. Which of the following ratios is used to measure the solvency of a company?

- a) Return on investment
- b) Debt-to-equity ratio

- c) Current ratio
 - d) Gross profit ratio
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5. What does the term “activity ratios” refer to in financial analysis?

- a) Ratios that measure profitability
 - b) Ratios that measure operational efficiency
 - c) Ratios that measure the company’s leverage
 - d) Ratios that measure liquidity
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6. Which of the following is a limitation of financial analysis?

- a) It provides real-time data
 - b) It accounts for the impact of inflation
 - c) It relies on historical data
 - d) It reflects the current market value of assets
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7. Which of the following ratios is classified under profitability ratios?

- a) Operating ratio
 - b) Return on assets
 - c) Gross profit ratio
 - d) All of the above
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8. What is the significance of preparing comparative statements in financial analysis?

- a) It helps assess the company's market value
 - b) It allows comparison of financial data over multiple periods
 - c) It determines a company's profit-sharing ratio
 - d) It evaluates a company's stock price performance
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9. How is the "liquidity ratio" different from the "current ratio"?

- a) The liquidity ratio is a measure of short-term financial stability, while the current ratio is a measure of long-term solvency
 - b) The liquidity ratio is calculated by dividing current assets by current liabilities, while the current ratio includes cash and marketable securities
 - c) The liquidity ratio excludes inventory and receivables, while the current ratio includes all current assets
 - d) There is no difference; both are calculated the same way
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10. What does the earnings per share (EPS) ratio indicate?

- a) The proportion of profits available to the company's creditors
 - b) The return on equity for shareholders
 - c) The amount of profit allocated to each outstanding share of common stock
 - d) The efficiency of the company in utilizing its assets
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11. What is the formula to calculate the "current ratio"?

- a) Current Assets / Current Liabilities

- b) Current Liabilities / Current Assets
- c) Total Liabilities / Total Assets
- d) Net Profit / Shareholders' Equity

12. Which of the following is an example of a solvency ratio?

- a) Inventory turnover ratio
 - b) Debt to equity ratio
 - c) Return on assets ratio
 - d) Gross profit ratio
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13. What is the formula for calculating the "inventory turnover ratio"?

- a) Cost of Goods Sold / Average Inventory
 - b) Sales / Average Inventory
 - c) Average Inventory / Cost of Goods Sold
 - d) Average Inventory / Sales
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14. What is a key limitation of financial ratios in analysis?

- a) They always reflect the market value of assets
 - b) They account for inflation and external economic factors
 - c) They are purely based on historical data and may not represent current market conditions
 - d) They are always easy to interpret across industries
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15. Which of the following would be included in the current assets when calculating the current ratio?

- a) Goodwill
 - b) Long-term debt
 - c) Cash and cash equivalents
 - d) Plant and machinery
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16. Which of the following financial ratios indicates the company's efficiency in managing its debts?

- a) Return on equity
 - b) Debt-to-equity ratio
 - c) Gross profit margin
 - d) Current ratio
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17. Which of the following is a limitation of common-size statements?

- a) They make it difficult to compare financial data over time
 - b) They only present data in percentage terms
 - c) They ignore the impact of inflation
 - d) They do not consider the company's size
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18. How does the gross profit ratio help in financial analysis?

- a) It measures the company's ability to manage its inventory
- b) It shows the efficiency of a company in generating revenue from its operations

- c) It reflects how effectively the company is managing its expenses
 - d) It calculates the company's liquidity position
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19. What does a very high current ratio indicate about a company?

- a) The company is effectively managing its liquidity
 - b) The company may be inefficiently using its resources
 - c) The company is facing solvency issues
 - d) The company is making profitable investments
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20. Which of the following ratios is primarily used to measure the profitability of a company?

- a) Return on assets
- b) Debt-to-equity ratio
- c) Quick ratio
- d) Working capital turnover

21. What does the term "liquidity ratios" refer to in financial analysis?

- a) Ratios that measure the company's ability to generate profits
 - b) Ratios that assess the company's long-term solvency
 - c) Ratios that evaluate the company's ability to meet short-term obligations
 - d) Ratios that determine the company's market performance
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22. Which of the following is a key purpose of financial analysis?

- a) To determine the profit-sharing ratio
 - b) To evaluate the company's financial performance and position
 - c) To calculate tax liabilities
 - d) To assess the company's market share
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23. Which of the following ratios would help in determining a company's ability to pay off its long-term debts?

- a) Liquidity ratio
 - b) Solvency ratio
 - c) Activity ratio
 - d) Profitability ratio
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24. What is the primary objective of preparing comparative financial statements?

- a) To provide a detailed tax report
 - b) To show the financial position for one accounting period
 - c) To evaluate performance by comparing figures over different periods
 - d) To highlight the company's market share
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25. Which of the following ratios is used to measure the company's profitability in relation to its total assets?

- a) Return on assets (ROA)
- b) Current ratio
- c) Debt to equity ratio

- d) Inventory turnover ratio
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26. What is the purpose of the "operating ratio" in financial analysis?

- a) To assess the company's efficiency in generating profits from its sales
 - b) To determine the financial structure of the company
 - c) To measure the cost of goods sold in relation to sales
 - d) To calculate the dividend payout ratio
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27. Which of the following financial ratios is most effective in assessing the liquidity position of a company?

- a) Debt-to-equity ratio
 - b) Quick ratio
 - c) Return on equity
 - d) Inventory turnover ratio
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28. Which of the following ratios would most likely help an investor assess the company's risk level?

- a) Liquidity ratio
 - b) Solvency ratio
 - c) Gross profit ratio
 - d) Operating ratio
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29. Which of the following is a limitation of financial ratio analysis?

- a) It can be done quickly

- b) It compares financial performance over time
 - c) It may not account for non-financial factors affecting performance
 - d) It uses both current and historical data
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30. What is the significance of calculating the debt-to-equity ratio?

- a) To measure the company's liquidity
- b) To assess the company's ability to repay short-term obligations
- c) To evaluate the company's financial leverage and risk
- d) To analyze the company's profitability

31. Which of the following ratios is used to assess the company's ability to generate profits relative to its sales?

- a) Return on Assets (ROA)
 - b) Gross Profit Ratio
 - c) Debt to Equity Ratio
 - d) Return on Equity (ROE)
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32. What is the key purpose of preparing common-size financial statements?

- a) To calculate the company's total liabilities
- b) To show financial data as percentages of a common figure for comparison
- c) To highlight the company's dividends
- d) To compare profit margins with competitors

33. What is the main objective of profitability ratios?

- a) To assess the company's financial health
- b) To measure the company's ability to meet its short-term obligations
- c) To evaluate the company's ability to generate profits
- d) To assess the company's operating efficiency

34. Which of the following ratios is commonly used to evaluate the company's ability to manage its inventory?

- a) Current Ratio
- b) Return on Assets
- c) Inventory Turnover Ratio
- d) Operating Ratio

35. What is the primary focus of the liquidity ratio?

- a) Assess the company's long-term profitability
- b) Measure the company's short-term financial health
- c) Evaluate the company's operational efficiency
- d) Assess the level of debt in the company's capital structure

36. What does the debt-to-equity ratio measure in terms of financial structure?

- a) The company's ability to pay off its short-term debts
 - b) The company's reliance on equity financing over debt financing
 - c) The company's ability to generate profits
 - d) The efficiency of the company's operations
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37. What is the key purpose of calculating the return on equity (ROE)?

- a) To determine the company's ability to meet short-term obligations
 - b) To measure the profitability of the company from its investments in assets
 - c) To assess the profitability of the company from the shareholders' perspective
 - d) To analyze the efficiency of the company's use of debt financing
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38. Which of the following would be included in the calculation of the current ratio?

- a) Fixed assets
 - b) Long-term investments
 - c) Current liabilities
 - d) Shareholders' equity
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39. Which financial statement provides information about the company's profitability over a specific period?

- a) Balance Sheet
- b) Income Statement

- c) Cash Flow Statement
 - d) Statement of Changes in Equity
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40. Which of the following ratios is used to evaluate the efficiency of a company's use of its assets?

- a) Debt-to-equity ratio
- b) Return on Assets (ROA)
- c) Gross profit margin
- d) Operating ratio

41. Which of the following is considered a solvency ratio?

- a) Current Ratio
 - b) Quick Ratio
 - c) Debt to Equity Ratio
 - d) Gross Profit Ratio
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42. What does the working capital turnover ratio indicate?

- a) The profitability of the company
 - b) The efficiency in using working capital
 - c) The proportion of debt in the capital structure
 - d) The return generated on shareholders' equity
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43. Which of the following ratios is most relevant for assessing a company's short-term liquidity?

- a) Net Profit Ratio

- b) Inventory Turnover Ratio
 - c) Current Ratio
 - d) Return on Investment
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44. Which of the following is a profitability ratio?

- a) Earnings per Share (EPS)
 - b) Inventory Turnover Ratio
 - c) Current Ratio
 - d) Proprietary Ratio
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45. Which financial statement provides a snapshot of a company's financial position at a specific point in time?

- a) Income Statement
 - b) Cash Flow Statement
 - c) Balance Sheet
 - d) Statement of Retained Earnings
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46. What does the Proprietary Ratio indicate?

- a) The profitability of a company
- b) The proportion of shareholders' funds in total assets
- c) The efficiency of asset utilization

- d) The company's market capitalization
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47. Which ratio measures the efficiency of credit collection from debtors?

- a) Current Ratio
 - b) Debt to Equity Ratio
 - c) Debtors Turnover Ratio
 - d) Gross Profit Ratio
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48. Which of the following ratios measures the profitability of a company relative to its net sales?

- a) Return on Assets (ROA)
 - b) Net Profit Ratio
 - c) Proprietary Ratio
 - d) Debt to Equity Ratio
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49. What is the purpose of Comparative Financial Statements?

- a) To present financial data in a common-size format
 - b) To compare financial performance across different periods
 - c) To analyze cash flows
 - d) To determine tax liabilities
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50. Which ratio measures the proportion of total assets financed by debt?

- a) Current Ratio

- b) Debt to Total Assets Ratio
- c) Net Profit Ratio
- d) Inventory Turnover Ratio