

TELANGANA UNIVERSITY
S.S.R. DEGREE COLLEGE, NIZAMABAD (C.C:5029)
II SEMESTER INTERNAL ASSESSMENT II EXAMINATIONS
FINANCIAL ACCOUNTING QUESTION BANK

I. Multiple choice questions.

1. Profitability ratios are based on [c]
(a) Sales (b) Investment (c) Both (a) and (d) Purchases
2. According to modus operandi, analysis are divided into [d]
(a) Horizontal analysis (b) Vertical analysis (c) Internal analysis (d) Both (a) and (b)
3. Following are the methods used in analyzing financial statements are [d]
(a) Trend ratios (b) Ratio analysis (c) Comparative analysis (b) All the above
4. Ratio analysis is useful to [b]
(a) Management (b) Both (a) and (c) (c) Government (d) Students.
5. The ratio which measures the relationship between operating cost and net sales is [a]
(a) Operating ratio (b) Gross profit ratio (c) Net profit ratio (d) Operating profit ratio
6. Dividend coverage ratio = [c]
(a) PBIT / Interest (b) PAT / Interest (c) PAT / Dividend (d) PBIT / Dividend
7. The ratio which establishes relationship between net sales and working capital [a]
(a) Working capital turnover ratio (b) Debtors turnover ratio
(c) Stock turnover ratio (d) None
8. Return on investment can be calculated by using [d]
(a) Return on total asset (b) Return on shareholder's fund
(c) Return on capital employed (d) All the above
9. Standard or Thumb rule of a current ratio is [b]
(a) 1:1 (b) 2:1 (c) 2:4 (d) 1:3
10. The statement which shows the percentage of net sales that are absorbed by each individual item representing cost or expense is [d]
(a) Common size balance sheet (b) Comparative income statement
(c) Trend ratios (d) Common size Income statement
11. Accounting standards are like a _____ [d]
(a) guide (b) dictator (c) service provider (d) all of the above
12. _____ written statements consisting of rules and guidelines, issued by the accounting institution [c]
(a) accounting principles (b) accounting policies
(c) accounting standards (d) all of the above
13. The ASB was established by ICAI on _____ [c]
(a) 1-4-1979 (b) 1-6-1985 (c) 21-4-1977 (d) 22-4-1977

14. Accounting standards are intended to apply items which are _____ [b]
 (a) material (b) non-material (c) both (d) none of the above
15. With convergence to IFRS, accounting profession can provide [d]
 (a) skills (b) knowledge (c) recommendations (d) all of the above
16. The ICAI has categorized the entities into _____ groups [a]
 (a) 3 (b) 2 (c) 4 (d) 1
17. IASC stands for _____ [d]
 (a) International Accounting Strong Committee (b) International about Standards Committee
 (c) International Accounting Standards community (d) International Accounting Standards Committee
18. The standards formulated by the ASB include paragraphs in [c]
 (a) plain (b) italic (c) both (d) none
19. IFRS are regarded as _____ set of standards [a]
 (a) principle based (b) account based (c) rule based (d) all of the above
20. International Accounting standards committee was started in _____ 1973. [a]
 (a) June (b) September (c) November (d) July

Fill in the Blanks

- Financial statements is a collection of data which is organized according to the logical and consistent accounting procedures.
- Ratio analysis is a major tool used for analyzing the financial statements.
- Liquidity ratio facilitates to identify whether the company has enough capability to meet its short term obligations/requirements.
- Capital turnover ratio = $\frac{\text{Net sales}}{\text{total capital employed}}$
- The ratio which measures the relationship between gross profit and net sales is gross profit ratio
- EBIT Means earning before interest and tax
- The items of the financial statements are presented as percentage of a particular item in common size statements
- Leverage ratios are also known as capital structure ratios
- The ratio which measures the profitability of the firm on per equity share basis is earning per share
- Ratio analysis suffers from lack of consistency
- IFRS stands for International Financial Reporting Standards
- ICAI stands for Institute of Chartered Accountants of India
- GAAP stands for Generally Accepted Accounting Principles
- AS 1 deals with disclosure of accounting policies
- Accounting standards acts as a dictator in the field of accounting
- ASB stands for Accounting Standard Board
- AS 28 deals with Impairment of Assets
- IFRS are considered as principle based
- Non-corporate entities comes under level I
- The entities which are not covered under I,II entities are treated as level – III entities.

III. Short Answers.

- Define Financial statement of Analysis?
- Horizontal Analysis?
- What is liquidity ratio?
- Profitability ratios?
- Limitations of Ratio Analysis?

6. Define Accounting standards?
7. Objectives of Accounting Standards?
8. Indian Accounting Standards?
9. Compare and contrast Accounting standards & Indian Accounting standards?
10. International Financial Reporting standards?