

**MULTIPLE CHOICE QUESTIONS**

**1. Cash Working Capital includes**

- (a) Fixed assets less depreciation
- (b) Cost of inventors/ excluding depreciation
- (c) Cost of inventory including depreciation
- (d) None of the above

**2. Which of the following statements is false ?**

- a) In a trading concern, the operating cycle does not involve items of raw materials and work-in- progress
- b) In a monopolistic concern selling only on cash basis, the operating cycle does not involve the item of debtors.
- c) In a manufacturing concern, the operating cycle does not involve items of opening and closing stock.
- d) Negative working capital indicates lack of liquidity and adverse solvency position of a concern.

**3. The amount of funds invested in current assets is called \_\_\_\_\_.**

- (a) gross working capital
- (b) net working capital
- (c) surplus capital
- (d) none of these

**4. Under the gross working capital concept the working capital is equal to**

- (a) total current liabilities
- (b) surplus current assets
- (c) total current assets
- (d) none of these

**5. The term net working capital refers to**

- (a) the excess of the current assets over current liabilities
- (b) the liquid assets
- (c) the total current assets less provisions
- (d) none of these

**6. \_\_\_\_\_ will ensure high return on investment.**

- (a) adequate working capital
- (b) surplus working capital
- (c) shortage of working capital
- (d) none of these

**7. \_\_\_\_\_ refers to idle funds which earns no return.**

- (a) shortage of working capital
- (b) excess working capital
- (c) variable working capital
- (d) fixed working capital

**8. Shortage of working capital may result in**

- (a) poor credit standing
- (b) more cash discount
- (c) more trade discount
- (d) none of the above

**9. Net Operating cycle can be delayed by**

- (a) Increase in WIP period
- (b) Decrease in raw materials storage period
- (c) Increase in credit payment period
- (d) Both (a) and (c) above

**10. Which of the following is not a factor that affects the composition of the work, capital'**

- (a) Nature of business
- (b) Nature of raw materials used
- (c) Tax structure of the company
- (d) Process technology used

**11. Issue of fully paid Bonus Shares of Rs. 30,000.**

- (a) cash outflow
- (b) cash inflow
- (c) none of the above
- (d) both

**12. Declaration of Final Dividend 10% on share capital of Rs. 1,00,000**

- (a) cash out flow
- (b) cash inflow
- (c) none of the above
- (d) both

**13. Redemption of Debentures by converting them into equity shares Rs. 40,000.**

- (a) cash outflow
- (b) cash inflow
- (c) none of the above
- (d) both

**14. Writing-off of Bad Debts Rs. 5,000 against a Provision for Bad Debts**

- (a) cash out flow
- (b) cash inflow
- (c) none of the above
- (d) both

**15. Fully depreciated equipment costing Rs. 2,000 was discarded and no salvage was \_\_realized.**

- (a) cash out flow
- (b) cash inflow
- (c) none of the above
- (d) both

**16. The principal revenue producing activities of the enterprise**

- (a) Investing Activity
- (b) Operating Activity
- (c) Financing Activity
- (d) Cash outflow from Operating Activity

**17. The acquisition and disposal of long term assets and investments**

- (a) Investing Activity
- (b) Operating Activity
- (c) Financing Activity
- (d) at the date of the cash flow

**18. Refund of income-tax**

- (a) Cash inflow from Investing Activity
- (b) Cash inflow from Financing Activity
- (c) Cash inflow from Operating Activity
- (d) Cash outflow from Operating Activity

**19. What are the primary sources of historical financial information used in Ratio Analysis?**

- (a) Balance sheet
- (b) Income statement
- (c) Income statement and balance sheet
- (d) Audit report

**20. 88. Return On Investment (ROI) and Return On Equity (ROE) are exactly 0.25.**

**This indicates that**

- (a) ROE has been calculated wrongly
- (b) ROI pertains to the previous year
- (c) The firm has no debt in their capital structure
- (d) None of the above

**21. A high inventory turnover ratio**

- (a) Could mean that inventory could have increased even when net sales remained constant
- (b) Is generally an indicator of efficient inventory management
- (c) Could also be an indicator of under trading
- (d) All of the above

**22. The term 'outsiders funds / owed funds' indicates**

- (a) all short-term debts
- (b) all long-term debts
- (c) both short and long-term debts
- (d) none of these

**23. The shareholders fund consists of**

- (a) only preference capital
- (b) only equity capital
- (c) only reserves and surplus
- (d) all of the above

