SmartKalike

CBSE Class 12 · Accountancy

Accounting Ratios

10 most probable questions for Boards 2027

Q1. 0.5 marks · Very short answer

Besides indicating inventory conversion, what aspect of a firm does the Inventory Turnover Ratio also measure?

Answer

The Inventory Turnover Ratio also measures liquidity and indicates how frequently inventory is converted into revenue from operations.

Q2. 1 mark · Multiple choice

Which of the following sets of business aspects can be assessed more deeply through ratio analysis?
(A) Profitability, liquidity, solvency and efficiency
(B) Recruitment, training, advertising and packaging
(C) Production, distribution, purchasing and staffing
(D) Taxation, auditing, bookkeeping and budgeting

Answer

(A) Profitability, liquidity, solvency and efficiency — ratio analysis provides a deeper analysis of these levels in the business.

Q3. 2 marks · Short answer

A business has quick assets of ₹90,000 and current liabilities of ₹1,20,000. Calculate its quick ratio and express it as a proportion.

Answer

Quick Ratio = Quick Assets : Current Liabilities
= ₹90,000 : ₹1,20,000
= 0.75 : 1
∴ Quick ratio = 0.75 : 1 (or 3 : 4)

Q4. 3 marks · Medium answer

State any three objectives of ratio analysis, including how it helps identify areas needing attention and areas with potential for improvement.

Answer

1. Ratio analysis helps identify business areas needing more attention and potential areas that can be improved with effort in the desired direction.
2. It provides a deeper analysis of profitability, liquidity, solvency and efficiency levels in the business.
3. It provides information for cross-sectional analysis by comparing performance with the best

industry standards, and for making future projections and estimates.

Q5. 4 marks · Multiple choice

Select all correct statements about the current ratio. Each correct selection is worth 1 mark, for a maximum of 4 marks.
(A) Short-term borrowings and trade payables are included in current liabilities.
(B) The ratio indicates the extent to which current assets cover current liabilities.
(C) The excess of current assets over current liabilities provides a safety margin against uncertainty in asset realisation and fund flows.
(D) A very high current ratio may reflect excessive investment or improper use of current assets.

Answer

(A) Short-term borrowings and trade payables are included in current liabilities — both are listed as current liabilities.
(B) The ratio indicates the extent to which current assets cover current liabilities — it measures the degree of coverage.
(C) The excess of current assets over current liabilities provides a safety margin against uncertainty in asset realisation and fund flows — this excess measures the available margin of safety.
(D) A very high current ratio may reflect excessive investment or improper use of current assets — a very high ratio reflects under-utilisation or improper utilisation of resources.

Q6. 5 marks · Long answer

Explain why a ratio is useful only when its component figures are meaningfully related. Illustrate your answer by calculating the gross profit ratio when gross profit is ₹10,000 and revenue from operations is ₹1,00,000, and by explaining what an inventory turnover ratio of 6 indicates.

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/accounting-ratios

Q7. 1 mark · Very short answer

On what basis does the traditional classification of accounting ratios group ratios?

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Q8. 2 marks · Short answer

Current assets are ₹1,20,000, inventories are ₹25,000, prepaid expenses are ₹3,000 and advance tax is ₹2,000. Calculate the liquid assets.

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Q9. 3 marks · Medium answer

Distinguish between a statement of profit and loss ratio and a balance sheet ratio. Give one example of each.

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Q10. 4 marks · Long answer

A business has current assets of ₹2,00,000, including inventories of ₹40,000, prepaid expenses of ₹5,000 and advance tax of ₹5,000. Its current liabilities are ₹1,00,000. Calculate its quick assets and quick ratio. State which items are excluded from quick assets and explain why the quick ratio is also called the Acid-Test Ratio and supplements the current ratio.

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