NAAHAR PUBLIC SCHOOL CBSE SENIOR SECOUNDARY
CLASS: XII. DATE : 4.11.2022
SUBJECT : ACCOUNTANCY. MARK: 30
SUBJECT TEACHER: B.SUGANTHI DURATION:

1.. Liquid Ratio is equal to liquid assets divided by ______.
a)Current Liabilities. B)Total Liabilities.c)Contingent Liabilities. D(Non-Current Liabilities.
Answer A) Current Liabilities.
2. The ______ is a measure of liquidity that excludes generally the least liquid asset.
a)Liquid ratio, Accounts receivable. B)Current ratio, inventory.
C)Liquid ratio, inventory. D)Current ratio, Accounts receivable.
Answer C) Liquid ratio, inventory.
3.Two basic measures of liquidity are _____.
a)Current ratio and Quick ratio. B)Gross Profit ratio and Operating ratio.
C)Current ratio and Average collection period. D)Inventory turnover and Current ratio.
Answer A) Current ratio and Quick ratio.
4.The ________ of a business firm is measured by its ability to satisfy its short-term obligations as they become due.
A)Liquidity b)Debt c)Profitability d)Activity
Answer A) Liquidity
5. Equity or Shareholders fund is equal to _____.
a)Equity share capital + Preference share capital.
b)Equity share capital + Revenues and Surplus.
C)Equity share capital + Preference share capital + Revenues and Surplus.
d)None of the options are correct.
Answer C) Equity share capital + Preference share capital + Revenues and Surplus.
6. A transaction involving decrease in both Current Ratio and Quick Ratio is
(a) Sale of Non-current Asset for casis. (b) Sale of Stock-in-Trade at loss.
© Cash payment of a Current Liability.d) Purchase of Stock-in-Trade on credit.
Ans.d
ANSWER THE FOLLOWING:8×3=24
7.Working Capital is 10,00,000; Total Debts are 45,00,000, Non-current Liabilities are Rs. 40,00,000. Calculate Current Ratio.
Solution:
Current Ratio -Current Assets,/Current Liabilities
15,00,000/5,00,000,=3:1
Current Liabilities= Total Debts - Non-current Liabilities
=45,00,000-40,00,000-75,00,000.
Current Assets = Working Capital + Current Liabilities
10,00,000+ 5,00,000 =15,00,000.
Note: Total Debts = Non-current Liabilities + Current Liabilities.
8.Calculate Liquid Ratio/Quick Ratio/Acid Test Ratio from the following: Working Capital ? 1,80,000; Total Outside Liabilities 3,90,000; Long-term Debts 3,00,000; Inventories 90,000.
Solution:
Solution:
Liquid/Quick Ratio Liquid/Quick Assets/Current Liabilities
1,80,000/ 90,000 -2:1.
Current Liabilities =Total Outside Liabilities – Long-term Debts –
=3,90,000-3,00,000= 90,000.
Current Assets =Working Capital + Current Liabilities
= 1,80,000+ 90,000 =2,70,000
Liquid/Quick Assets Current Assets – Inventories
=2,70,000 -90,000= 1,80,000.
9.Calculate Debt to Equity Ratio from the following information: 1
Total Assets. Rs. 1,25,000
Total External Liabilities. Rs. 1,00,000
Current Liabilities. Rs. 50,000

Solution:
Debt (Long-term Debts)/Equity (Shareholders' Funds)
=50,000/25,000 -2:1
Debt (Long-term Debts) =- Total External Liabilities - Current Liabilities
=1,00,000- 50,000 50,000.
Equity (Shareholders' Funds) = Total Assets - Total Debts or Liabilities
=1,25,000-1,00,000-25,000.
10.Shareholders' Funds 14,00,000, Total Liabilities 18,00,000; Current Liabilities 2,00,000
Calculate Total Assets to Debt Ratio,
Solution:
Total Assets to Debt Ratio = Total Assets/Debt Long term debts
32,00,000/16,00,000 =2:1
Debt (Long-term Debts) =Total Liabilities - Current Liabilities
=18,00,000-2,00,000= 16,00,000.
Total Assets Shareholders' Funds + Total Liabilities
=14,00,000+ 18,00,000-32,00,000.
11.Prakash Ltd. has a term-loan of 10,00,000. Interest on the loan for the year 1,25,000 and its Net Profit before Interest and Tax is 5,00,000. Calculate Interest Coverage Ratio.
Solution: Interest Coverage Ratio =Net Profit before Interest and Tax /interest on long term debt
5,00,000/1,25,000=4 times.
12.From the following data, calculate Current Ratio:
Liquid Assets 37,500; Inventories 10,000; Prepaid Expenses 2,500; Working Capital 30,000.
Solution: Current Ratio = Current Assets/Current Liabilities
=50,000/20,000=2.5:1.
Current Assets = Liquid Assets+ Inventories + Prepaid Expenses
=37,500+ 10,000+ 2,500 50,000.
Working Capital =Current Assets - Current Liabilities
Current Liabilities =Current Assets - Working Capital
-=50,000 30,000-20,000.
13.Quick Ratio 1.5; Current Assets 1,00,000; Current Liabilities? 40,000.
CalculateInventories (Stock).
Solution:
Quick Ratio =QAssets/ Current Liabilities
= Quick Assets/40,000 =1.5 =60,000.
Inventories =Current Assets - Quick Assets
=1,00,000-60,000= 40,000.
14.Difference between current Ratio and liquid Ratio?
Ans:It establishes relationship between Current Assets and Current Liabilities.
2.It assesses the ability of an entity to meet its Current Liabilities within 12 months or within the period of Operating Cycle from the date of Balance Sheet.
2:1 is considered to be an ideal ratio.
It is not considered to be better than Liquid/Quick Ratio to measure short-term financial position.
It is more suitable when goods are fast moving.
Liquid/Quick Ratio
Is It establishes relationship between Liquid orQuick Assets and Current Liabilities.
It assesses the ability of an entity to meet itst of current liabilities immediately.
1:1 is considered to be an ideal ratio.
It is considered to be better than Current Ratio to measure short-term financial position
. It is more suitable when goods are slow moving.