UNIT-V: Financial Analysis through Ratios, Fund Flow and Cash Flow Analysis

Part A: Fill in the Blanks (10)

1. __________ analysis is used to evaluate the financial performance of a business.
   Answer: Ratio
2. The __________ ratio measures the short-term liquidity position of a business.
   Answer: Current
3. Inventory Turnover Ratio is an example of a __________ ratio.
   Answer: Turnover
4. The __________ Ratio measures the profitability of a business in relation to sales.
   Answer: Net Profit
5. The Proprietary Ratio indicates the relationship between shareholders' funds and __________.
   Answer: Total Assets
6. The __________ Ratio measures the ability of a business to meet its long-term obligations.
   Answer: Solvency
7. The Debt-Equity Ratio is a type of __________ ratio.
   Answer: Leverage
8. __________ Flow Analysis shows the movement of working capital between two balance sheet dates.
   Answer: Fund
9. __________ Flow Analysis records the inflow and outflow of cash during an accounting period.
   Answer: Cash
10. Ratio analysis helps in __________ decision-making.
    Answer: Financial

Part B: Multiple Choice Questions (10)

1. Ratio Analysis is mainly used to:
   a) Prepare journal entries
   b) Analyze financial performance
   c) Record transactions
   d) Prepare vouchers

   Answer: b) Analyze financial performance

2. Which ratio measures the liquidity of a business?
   a) Current Ratio
   b) Debt-Equity Ratio
   c) Net Profit Ratio
   d) Inventory Turnover Ratio

   Answer: a) Current Ratio

3. Which of the following is a turnover ratio?
   a) Current Ratio
   b) Inventory Turnover Ratio
   c) Debt-Equity Ratio
   d) Proprietary Ratio

   Answer: b) Inventory Turnover Ratio

4. Which ratio measures the earning capacity of a business?
   a) Liquidity Ratio
   b) Profitability Ratio
   c) Solvency Ratio
   d) Leverage Ratio

   Answer: b) Profitability Ratio

5. The Proprietary Ratio shows the relationship between:
   a) Sales and Profit
   b) Shareholders' Funds and Total Assets
   c) Current Assets and Current Liabilities
   d) Debt and Equity

   Answer: b) Shareholders' Funds and Total Assets

6. Which ratio is used to measure long-term financial stability?
   a) Solvency Ratio
   b) Inventory Ratio
   c) Gross Profit Ratio
   d) Current Ratio

   Answer: a) Solvency Ratio

7. The Debt-Equity Ratio is classified as a:
   a) Liquidity Ratio
   b) Turnover Ratio
   c) Leverage Ratio
   d) Profitability Ratio

   Answer: c) Leverage Ratio

8. Fund Flow Analysis primarily deals with:
   a) Changes in working capital

b) Changes in sales
c) Changes in production
d) Changes in inventory only

Answer: a) Changes in working capital

9. Cash Flow Analysis shows:
a) Profit earned
b) Inflow and outflow of cash
c) Sales turnover
d) Cost of production

Answer: b) Inflow and outflow of cash

10. Which financial statement helps in understanding cash receipts and cash payments?
a) Trial Balance
b) Cash Flow Statement
c) Ledger
d) Journal

Answer: b) Cash Flow Statement