Kendriya Vidyalaya Sangathan BHOPAL REGION CBT ACCOUNTANCY CLASS XII

1. If the Current Ratio is less than 1, it indicates:
   A. High liquidity
   B. Insufficient liquidity
   C. Strong profitability
   D. Low debt levels
   Ans. B. Insufficient liquidity
2. Which ratio measures a company's ability to meet short-term obligations with its short-term assets?
   A. Current Ratio
   B. Debt Equity Ratio
   C. Return on Equity
   D. Gross Profit Ratio
   Ans. A. Current ratio
3. The Quick Ratio excludes which of the following from current assets?
   A. Inventory
   B. Prepaid Expenses
   C. Accounts Receivable
   D. Cash
   Ans. C. Accounts Received
4. Which ratio measures the relationship between net profit and sales?
   A. Return on Investment (ROI)
   B. Operating Profit Margin
   C. Gross Profit Ratio
   D. Debt Equity Ratio
   Ans. B. Operating Profit Margin
5. The current ratio of a company is 2:1. If the current liabilities are Rs50,000, what is the value of current assets?
   A. Rs25,000
   B. Rs50,000
   C. Rs50,000
   D. Rs75,000
   Ans. D. RS.75,000
6. The gross profit of a company is 4. The gross profit of a company is $80,000, and the net sales are $200,000. Calculate the gross profit ratio.
   A. 40%
   B. 30%

C. 20%

D. 50%

Ans. A. 40%

7. The formula for the Debt Equity Ratio is:

A. Total Debt / Total Equity

B. Total Equity / Total Debt

C. Net Profit / Total Equity

D. Total Assets / Net Profit

Ans. A. Total Debt / Total Equity

8. Company XYZ has a debt equity ratio of 0.75. If the equity is $120,000, what is the value of debt?

A. $60,000

B. $90,000

C. $120,000

D. $45,000

Ans. B. $90,000

9. Assertion (A): Gross Profit Ratio helps in assessing the efficiency of production and cost management.

Reason ®: Gross Profit Ratio is the ratio of gross profit to net sales.

A. Both A and R are true, and R is the correct explanation of A.

B. Both A and R are true, but R is not the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

Ans. A. Both A and R are true, and R is the correct explanation of A.

10. Assertion (A): Debt Equity Ratio is a measure of a company's financial leverage.

Reason ®: A higher Debt Equity Ratio indicates lower financial risk for the company.

A. Both A and R are true, and R is the correct explanation of A.

B. Both A and R are true, but R is not the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

Ans. B. Both A and R are true, but R is not the correct explanation of A.