Unit - II

Module - II

Financial Statement Analysis

Multiple Choice Questions (MCQ)

1. The term financial statement refers to…
   a) Income statement　　b) Cash flow and Fund Flow
   c) Balance sheet　　**d) All**

2. Which of the following is the main objective of a financial statement?
   a) to know the solvency　　b) to know the debt capacity
   c) to know the earning capacity　　**d) All**

3. In financial statements, the fixed assets are shown at …
   a) Market price　　b) Cost price
   c) Replacement price　　d) None

4. What is followed while preparing the financial statements?
   a) Accounting conventions　　b) Accounting principles
   c) Accounting concepts　　**d) All**

5. In financial statement the stock is valued at cost or market price whichever is less on the basis of…
   a) Accounting concepts　　**b) Accounting conventions**
   c) Accounting principles　　d) None

6. Which of the following statement is true?
   Statement A: Financial statements are prepared on the basis of accounting principles.
   Statement B: Any changes in the accounting principles or method will affect the utility of the financial statements.
   a) A is true but not B　　b) B is true but not A
   c) Both are true　　d) Both are false

7. The balance sheet shows …
   a) the source of working capital　　b) the change in working capital
   c) Both　　**d) None**

8. The analysis and interpretations of the financial statement will reveal …
   a) the financial position　　b) the profitability
   c) None　　**d) Both**

9. The process of explaining the meaning, significance and relationship between two financial factors is called …

   a) Summarisation   b) Analysis
   c) Interpretation   d) None

10. The process of comparing various financial factors of a company over a period of time is known as …

   a) Inter-firm comparison   b) Ratio Analysis
   c) Intra-firm comparison   d) Inter-industry comparison

11. Which of the following is technique of financial statement analysis?

   a) Common-size statement   b) Comparative statement
   c) Trend analysis   **d) All**

12. Which technique used for figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons?

   a) Comparative statement   b) Common-size statement
   c) Trend Analysis   d) None