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FOUNDATIONS OF FINANCE

QUIZ 3 (variant A)

Time: 25 minutes

Max. Marks 13

Instructions for students:

1. In Qs 1 each blank is of 1 mark.
2. MCQs have only 1 correct option. Each MCQ is of 2 marks

1. Complete the balance sheet and sales information using the data given (all fig in Rs) **(9marks)**

Debt to assets ratio = 50%	$(Total\ Debt)/(Total\ Assets)$
Current Ratio = 1.8	$(Current\ Assets)/(Current\ Liabilities)$
Total Asset turnover = 1.5	$(Sales/Total\ assets)$
Days sales outstanding = 36.5 days (assuming 365-day year) (365/sales turnover)	Sales turnover = $(Sales/accts\ receivable)$
Gross Profit Margin = 25%	$(Gross\ Profit/Sales)$
Inventory Turnover ratio = 5	$(sales/inventories)$

Cash		Accounts payable	
Accounts Receivable		Long term debt	120,000
Inventories		Common stock	
Fixed Assets		Retained Earnings	195,000
Total Assets		Total liabilities and equity	600,000
Sales		Cost of Goods sold	

2. During a period of falling price levels, the financial statements of a company using FIFO (First in First out) instead of LIFO (Last in first out) for inventory accounting would show:
- a. lower total assets and lower net income.
 - b. lower total assets and higher net income.
 - c. higher total assets and lower net income.
 - d. higher total assets and higher net income.
- Ans:
3. A company accrued wages of Rs. 3,000 and collected accounts receivable of Rs15,000. Which of the following *best* describes the effect of these two transactions on the company?
- a. Current ratio will decrease
 - b. Net income will increase
 - c. Cash from operations will decrease
 - d. Net income will remain same
- Ans: