

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## Accounting Ratios H.W

### Short Answer Questions

1. What do you mean by Ratio Analysis?
2. What are various types of ratios?
3. What relationships will be established to study:
  - a. Inventory Turnover
  - b. Debtor Turnover
  - c. Payables Turnover
  - d. Working Capital Turnover.
4. Why would the inventory turnover ratio be more important when Analysing a grocery store than an insurance company?
5. The liquidity of a business firm is measured by its ability to satisfy its long-term obligations as they become due ? Comment.
6. The average age of inventory is viewed as the average length of time inventory is held by the firm or as the average number of day's sales in inventory. Explain.

### B. Long Answer Questions

1. Who are the users of financial ratio analysis? Explain the significance of ratio analysis to them?
2. What are liquidity ratios? Discuss the importance of current and liquid ratio.
3. How would you study the Solvency position of the firm?
4. What are important profitability ratios? How are they worked out?
5. Financial ratio analysis are conducted by four groups of analysts: managers, equity investors, long-term creditors, and short-term creditors. What is the primary emphasis of each of these groups in evaluating ratios?

6. The current ratio provides a better measure of overall liquidity only when a firm's inventory cannot easily be converted into cash. If inventory is liquid, the quick ratio is a preferred measure of overall liquidity. Explain.