ACC501 Solved Quiz No 1 2006

1)The alternative name used for Interest Coverage Ratio is

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Time interest earned

Cash coverage ratio

Profit margin ratio

None of the given option

2) If you want to evaluate the performance of an organization, which one of the
following ratios will be helpful to you in evaluating the performance of an
organization?

Return on short as well as long term investments

Return on equity and return on debt

Return on equity and profit margin

All of the given options

3) Imran Corporation is a firm dealing in hardware industry. It sold 5000 units
of its product to Mr. Younas for a sum of Rs.150, 000 whose cost was Rs.160,
000.What would be the effect of this transaction on current ratio of the
company if the current ratio was 0.80 before this transaction?

Increase

Decrease

Remain unchanged

None of the given option

4)Mehran Corporation is dealing in furniture industry. It has an equity

multiplier of 1.78 times. The debt to equity ratio would be

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?

0.38 times

0.58 times

0.78 times

0.98 times

5)What would be the level of EBIT if Imran Corporation uses both debt as well

as equity financing in its capital structure, it has a cash coverage ratio of 7.5

times, annual interest expense is Rs.1 million and annual depreciation is Rs.3

million?

Rs. 2.5 million

Rs. 3 million

Rs. 3.5 million

Rs.4.5 million

6) Suppose, Neumann Corporation has a debt to equity ratio of 0.45 times. Its
return on equity is 18%.The return on assets would be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

9.414 %

10.414 %

11.412 %

12.414 %

7) Suppose, Ilyas Corporation is one of the dominant firms in electronics equipment industry. Its policy is very clear about dealing with stackholders. It pays out 30% of its income in the form of dividend. If it pays a total sum of Rs.150 millions as a dividend, then what would be the amount transferred to the retained earning balance from current year profit?

Rs.150 millions

Rs.250 millions

Rs.350 millions

Rs.500 millions

8) Sian Corporation is one of the largest firms in the electronics industry covering 70% of the market share. During the current year its performance is analyzed by judging the various indicators. It has return on assets of 12.5% and retention ratio is 3/5. What would be the internal growth rate of the Sian Corporation?

12.29%

14.29%

16.29%

18.92%

9) What would be the sustainable growth rate if the Corporation has a Return

on equity (ROE) of 20% and a retention ratio of 4/6?

25 %

35 %

29%

45%

10) Rehan Corporation is dealing in agriculture products. Its annual gross sales
are Rs.1975 millions. Out of which 34% are on cash basis. Their past collection
experiences show that it has an average collection period of 76 days. What
would be the balance of accounts receivable at the end of the year?

Rs.251.415 millions

Rs.261.415 millions

Rs.271.415 millions

Rs.281.415 millions