



**SIDDARTHA INSTITUTE OF SCIENCE AND TECHNOLOGY:: PUTTUR**  
(AUTONOMOUS)

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**UNIT – I**

1. The statements that contain the word 'ought to' are called [     ]
 

(A) Prescriptive	(B) <b>Normative</b>
(C) Assertive	(D) Negative
2. Managerial Economics is close to [     ]
 

(A) <b>Micro Economics</b>	(B) Macro Economics
(C) Theory of Income and Employment	(D) Theory of wages and Employment
3. Integration of economic theory with business practice is called [     ]
 

(A) <b>Managerial Economics</b>	(B) Economics
(C) Macro Economics	(D) None
4. Which of the following is NOT a problem of business? [     ]
 

(A) Optimization of inputs	(B) Minimization of costs
(C) Maximization of revenue	(D) <b>Increased property tax collections</b>
5. Who said that economics is the study of nature and uses of national wealth? [     ]
 

(A) Paul A Samuelson	(B) Prof.Lionel Robbins
(C) <b>Adam Smith</b>	(D) Alfred Marshal
- 6."Economics is the study of scarce resources and unlimited wants". Who said this? [     ]
 

(A) Paul A Samuelson	(B) <b>Prof.Lionel Robbins</b>
(C) Adam Smith	(D) Alfred Marshal
7. Which of the following cannot be verified by looking at the facts? [     ]
 

(A) Positive statement	(B) Prescriptive actions
(C) <b>Normative statement</b>	(D) Welfare statement
8. Which of the following is not covered by Managerial Economics? [     ]
 

(A) Price-output decision	(B) Profit related decision
(C) Investment decision	(D) <b>Foreign direct investment decision</b>

9. Which one of these is not a recent government measure to strengthen the economy? [ ]  
(A) Globalization (B) Encouraging mergers & acquisitions  
(C) **Strengthening MRTP Act** (D) Restrictive trade practices
10. What is the position of budget line with respect to indifference curve? [ ]  
(A) Below (B) Above  
(C) **Tangential** (D) Intersecting
11. In case of Giffen's goods, the demand curve [ ]  
(A) Slopes downwards (B) **Slopes upwards**  
(C) Intersects supply (D) Meets cost curve
12. The demand is said to be relatively inelastic when the change in demand is what change in the price. [ ]  
(A) More than (B) **Less than**  
(C) Equal to (D) Not related to
13. If the income elasticity is positive and greater than one, it is a [ ]  
(A) Necessity (B) Inferior good  
(C) Normal good (D) **Superior good**
14. When a significant degree of change in price leads to little change in the quantity demanded then the demand is said to be [ ]  
(A) Perfectly elastic (B) Perfectly elastic  
(C) Relatively elastic (D) **Relatively inelastic**
15. If the price rises, the demand [ ]  
(A) Rises (B) **Falls**  
(C) First falls and then rises (D) First rises and then falls
16. Which of the following refers to quantity demanded in response to a given change in price? [ ]  
(A) **Price elasticity** (B) Cross elasticity  
(C) Income elasticity (D) Advertising elasticity
17. Price elasticity is always [ ]  
(A) Positive (B) **Negative**  
(C) Consistent (D) Declining
18. Which of the following does not hold good in case of indifference curve? [ ]  
(A) Sloping downwards (B) **Sloping upwards**  
(C) Convex to the origin (D) Constant slope

19. Elasticity computed at a given point on the demand curve for an infinitesimal change in price is called [      ]  
(A) Unit elasticity (B) Arc elasticity  
(C) **Point elasticity** (D) Arc point elasticit
20. If the price is said to be inelastic, then it means that the proportionate change in the quality Demanded is what proportionate change in the price [      ]  
(A) Equal (B) More  
(C) **Less** (D) Double
21. In short run, firms can adjust their production by changing their [      ]  
(A) Fixed factors (B) **Variable factors**  
(C) Semi-fixed (D) All
22. Which of the following pairs of goods is an example of substitutes? [      ]  
(A) Tea and Sugar (B) **Tea and Coffee**  
(C) Car and Petrol (D) None
23. Which of the following is also called the long term trend? [      ]  
(A) Cycle Trend (B) Seasonal Trend  
(C) **Trend** (D) All
24. Which of the following describes the degree of association between two variables [      ]  
(A) Regression (B) Relation  
(C) **Correlation** (D) Mean
25. Market demand is not affected by [      ]  
(A) Demography (B) Economic  
(C) **Political** (D) Social
26. The features of a good forecasting method is [      ]  
(A) **Demography** (B) Social  
(C) Economic (D) Demand
27. Demand forecasting is not governed by [      ]  
(A) Forecasting level (B) **Market support**  
(C) Firm level (D) Degree of Orientation
28. Survey method is disadvantage because [      ]  
(A) Surveys are cheap (B) **There exist inconsistent buying behavior**  
(C) Sample size is a small (D) Consistent buying behavior

29. The market demand for a given marketing effort is called [     ]  
(A) **Estimated demand** (B) Market potential  
(C) Market structure (D) Law of Demand
30. Which of the following is not a part of Trend Projection Method [     ]  
(A) Least Square Method (B) Moving average method  
(C) **Test Marketing** (D) Exponential smoothing
31. The demand curve slopes [     ]  
(A) Upwards (B) **Downwards**  
(C) Linear (D) None of the above
32. A small change in price may lead to a great change in quantity demanded. In this case, demand is [     ]  
(A) Elastic (B) **Inelastic**  
(C) Cross elastic (D) Relatively elastic
33. Demand changes more than proportionately to a change in price, in this case demand is [     ]  
(A)  $E < 1$  (B)  **$E > 1$**   
(C)  $E = 0$  (D)  $E > 1 < 1$
34. The consumers are contacted personally to know about their plans and preferences regarding the consumption of the product is [     ]  
(A) Test marketing (B) **Consumer survey method**  
(C) Regression (D) Opinion method
35. If a big change in price is followed by a small change in demanded then the demand is [     ]  
(A) Elastic (B) **Inelastic**  
(C) Price elastic (D) Cross elastic
36. The subject of economics is: [     ]  
(A) A physical science (B) A natural Science  
(C) An exact science (D) A social science
37. Cross elasticity between car and tea would be: [     ]  
(A) Positive (B) Negative  
(C) **Unitary** (D) Zero
38. Income elasticity of demand is 'Negative' in case of [     ]  
(A) Superior goods (B) goods  
(C) Normal goods (C) **Inferior goods**
39. Income elasticity of demand for diamonds would be: [     ]

- (A) =1 (B) =0  
(C) >1 (D) <1

40. Elasticity of demand is determined by all the following factors except: [     ]  
 (A) Nature of commodity (B) Proximity of substitutes  
 (C) Time (D) **Government policies**

### UNIT-II

1. Which of the following is the technical relationship that reveals the maximum amount of output capable of being produced by each and every set of inputs? [     ]  
 (A) Cobb-Douglas production function (B) **Production function**  
 (C) Theory of production (D) Economics of scale
2. The Production Function is also known as [     ]  
 (A) Output-costs relationship (B) Input-costs relationship  
 (C) **Input-Output relationship** (D) Output-Input relationship
3. Production function is not a factor of [     ]  
 (A) Land (B) Labour  
 (C) **Cost of capital** (D) Organization
4. The law of returns is also called [     ]  
 (A) Law of Fixed Proportions (B) **Law of Variable Proportions**  
 (C) Law of constant Returns (D) Law of Increasing Returns
5. Isoquants are also called [     ]  
 (A) **Isoproduct curves** (B) Isocost curves  
 (C) Price indifference curve (D) Indifference curve
6. Which of the following is not a feature of an isoquant? [     ]  
 (A) Downward sloping (B) Convex to origin  
 (C) **One intersecting the other isoquant** (D) Do not touch axes
7. If the level of production changes, the total cost changes and thus the isocost curve [     ]  
 (A) Moves downwards (B) **Moves upwards**  
 (C) Moves in a linear fashion (D) Moves in a haphazard manner
8. Where the slopes of isoquant is equal to that of isocost, there lies the [     ]  
 (A) Fixed cost of production (B) **highest point of cost of production**

- (C) **Lowest point of cost of production** (D) decline point of cost of production
9. In Cobb-Douglas production function "K" refers to [ ]  
(A) Land (B) Labour  
(C) **Capital** (D) Organisation
10. The locus of different combinations of inputs, which yield same output is [ ]  
(A) Demand (B) Isocurve  
(C) **Isoquant** (D) Isocost
11. Identify the law which states the volume of output that keeps on increasing with every increase in the inputs. [ ]  
(A) Law of Decreasing Returns to Scale (B) **Law of Increasing Returns to Scale**  
(C) Law of Constant Returns to Scale (D) Law of Marginal Returns to Scale
12. The economies in production costs which occur to the firm alone when it expands its output is called [ ]  
(A) External economies (B) **internal economies**  
(C) Diseconomies (D) marginal economies
13. Which of the following is not a type of internal economies? [ ]  
(A) Managerial economies (B) financial economies  
(C) Technical economies (D) **marginal economies**
14. External economies can't be of this type: [ ]  
(A) Economies of concentration (B) Economies of R&D  
(C) Economies of welfare (D) **Economies of health**
15. In an isoproduct curve, at any given point, the output of given inputs is: [ ]  
(A) Internal economies (B) Returns to scale  
(C) **External economies** (D) Marginal economies
16. Which of the following refers to the expenditure incurred to produce a particular product or service? [ ]  
(A) Profit (B) Price  
(C) Capital (D) **Cost**
17. Which of the following normally includes the cost of raw materials, labour and other expenses? [ ]  
(A) Demand (B) Total revenue  
(C) **Total cost** (D) Capital
18. Long run cost curves are called [ ]

- (A) Operating curves (B) fixed curves  
(C) Variable curves (D) **planning curves**
19. Short run cost curves are called [ ]  
(A) **Operating curves** (B) Fixed curves  
(C) Variable curves (D) Planning curves
20. Which of the following are fixed in the short run? [ ]  
(A) Variable costs (B) Semi variable costs  
(C) **Fixed costs** (D) Semi fixed costs
21. Which of the following is NOT a long run concept? [ ]  
(A) Expansion path (B) Isoquant  
(C) Returns to scale (D) Law of variable proportions
22. An isoquant curve is also known as [ ]  
(A) **Equal product curve** (B) Iso cost  
(C) Product indifference (D) All the above
23. Which of the following is not a feature of an isoquant? [ ]  
(A) Downward slopping (B) Convex to Origin  
(C) Do not touch axes (D) **Upward**
24. Who invested by production function of linear homogenous products [ ]  
(A) Junt Wicksell (B) (C)W. Cobb  
(C) P.H. Dougles (D) **All the above**
25. Break-even chart presents [ ]  
(A) Cost Volume Analysis (B) **BEP**  
(C) Margin of safety (D) Fixed cost
26. The cost of best alternative forgone is [ ]  
(A) **Opportunity cost** (B) Outlay cost  
(C) Future cost (D) Post cost
27. Which cost will be entered in the books of accounting [ ]  
(A) **Fixed** (B) Explicit  
(C) Imputed (D) Post
28. What is the equation of contribution [ ]  
(A) **Sales-variable cost** (B) Sales+Fixed cost  
(C) Fixed/P/V ratio (D) Loss+Fixed
29. There is no profit or no loss is known as [ ]  
(A) BEA (B) Margin of Safety

- (C) **BEP** (D) Cost-Volume-Profit
30. The point where the total revenue line crosses the total cost line is called: [ ]  
 (A) Point of inflection (B) **Breakeven point**  
 (C) Equilibrium point (D) Split off point
31. AVC may be expressed as the ratio of : [ ]  
 (A) TVC and L (B) **TVC and output**  
 (B) W and AFC (D) W and AVP
32. Formula for Margin of safety [ ]  
 (A) **Actual sales – BEP sales** (B) Actual sales + BEP sales  
 (C) P/V ratio + Variable cost (D) None
33. A firm is said to be attain the BEP where [ ]  
 (A)  $TR > TC$  (B)  $TR * TC$   
 (C)  $TR < TC$  (D)  **$TR = TC$**
34. Which of the following represents the ratio between the contribution and sales? [ ]  
 (A) Cost-Volume profit ratio (B) Volume profit ratio  
 (C) Cost-Volume ratio (D) **Profit-Volume ratio**
35. When do the fixed costs vary? [ ]  
 (A) In the short run (B) **In the long run**  
 (C) In two years (D) Less than two years
36. Which of the following varies with the volume of production? [ ]  
 (A) Fixed costs (B) **Variable costs**  
 (C) Semi fixed costs (D) Semi variable costs
37. Which of the following do not involve payment of cash as they are not actually incurred? [ ]  
 (A) Explicit costs (B) **Implicit costs**  
 (C) Book costs (D) Incremental costs
38. Which of the following refers to the additional cost incurred for producing one more additional unit? [ ]  
 (A) Long run costs (B) Standard costs  
 (C) **Marginal costs** (D) Outlay costs
39. The difference between the total revenue and total cost is called [ ]  
 (A) Cost of production (B) Cost of capital  
 (B) **Profit** (D) Capital



40. Which of the following refers to the returns enjoyed by the firm as a result of change in all the inputs? [ ]

- (A) Returns to business (B) **Returns to scale**  
(C) Increasing returns to scale (D) Decreasing returns to scale

### UNIT – III

1. Based on the number of sellers, imperfect markets are categorized as [ ]

- A) Monopsony B) Duopsony C) Oligopsony **D) Monopolistic**

2. Based on the number of Buyers, imperfect markets are categorized as [ ]

- A) Monopoly B) Duopoly **C) Oligopoly** D) Monopolistic

3. CAG means [ ]

- A) Controller & Auditing General B) Controller & Auditor General  
C) Comptroller & Auditing General **D) Comptroller & Auditing General**

4. A monopolist can either control the price or..... but not both [ ]

- A) Cost **B) output** C) input D) profit

5. The nature of demand curve in monopoly [ ]

- A) Perfect elastic B) unit elasticity **C) inelastic** D) none

6. Price in the long run is called [ ]

- A) Standard price B) retail price C) market price **D) Normal price**

7. The basis of price discrimination is not due to [ ]

- A) Purchasing power B) quality bought C) customers from different conditions  
**D) quality sold**

8. The average revenue curve for a firm under monopoly is [ ]

- A) Upward sloping B) linear **C) downward sloping** D) parabola

9. The economic crisis in India in 1991 was a result of [ ]

- A) Reduction in oil price    B) increasing exports    C) high foreign exchange reserves  
**D) Excessive fiscal deficit**
10. Schedule A of industrial policy resolution reserved industries in the public sector as many as [    ]  
A) 8    B) 3    **C) 17**    D) 21
11. Which of the following means at the enterprise level and at the country level [    ]  
A) Macro, micro    **B) micro, macro**    C) ultra macro, ultra micro    D) ultra micro, macro
12. Privatization means ----- the role of market forces [    ]  
A) Reducing    B) declining    C) decreasing    **D) increasing**
13. Which of the following has subsidiaries? [    ]  
A) Private company    B) public company    **C) holding company**  
D) Contracting company
14. India has full convertibility on the [    ]  
A) Fixed account    B) variable account    **C) current account**    D) deposits account
15. Globalization is characterized by [    ]  
A) **Reduction of trade barriers**    B) reduction of performance barriers    C) ineffective environment  
D) dispersed flow technology
16. monopolies are done away with [    ]  
A) taxation policy    **B) deregulation policy**    C) monetary policy    D) fiscal policy
17. privatization is a form of [    ]  
A) liberalization    B) globalization    **C) deregulation**    D) divestment
18. inequalities in income and wealth are narrowed down through [    ]  
A) deregulation policy    **B) fiscal policy**    C) monetary policy    d) taxation policy

19. The period in which the supply is more or less fixed the price determined in this period is known as [      ]  
 (A) **Market price** (B) Secular price  
 (C) Short period (D) Long
20. In monopoly, mono and poly refers to [      ]  
 A) Seller & Large (B) **Single & Selling**  
 (C) Two & Buying (D) None
21. In a market one person purchased a product and finally used that product is known as  
 (A) **Customer** (B) Producer  
 (C) Consumer (D) Manufacturer [      ]
22. Which of the following is not a feature of Monopoly [      ]  
 A) single firm (B) no Close substitutes  
 (C) **products with elastic demands** (D) All
23. Where the buyer and seller meet & exchange goods and services are offered is known as  
 (A) **Market** (B) Share Market  
 (C) Fish Market (D) Manufacture [      ]
24. Perfect competition is based on [      ]  
 (A) Few sellers & buyers (B) One seller & large no. of buyers  
 (C) Two sellers & few buyers (D) **perfect mobility of factors of production**
25. Skimming price is deals with [      ]  
 (A) **Low to high** (B) High to Low  
 (C) Constant (D) Limited
26. Secular price also known as [      ]  
 (A) Market price (B) Short run  
 (C) Long run (D) **Very long run**
27. Imperfect knowledge about the product leads to [      ]  
 (A) Monopoly (B) Oligopoly  
 (C) **Monopolistic competition** (D) Duopoly
28. Under perfect competition, the price is equal to [      ]  
 (A) **AR=MR** (B) AR>MR  
 (C) MR>AR (D) MR not equal to AR
29. Price discrimination is also called as [      ]

- A) Standard pricing (B) Preferential pricing  
(C) **Differential pricing** (D) None
30. The nature of demand curve in monopoly is [ ]  
A) **Perfect elastic** (B) unit elasticity  
(C) Inelastic (D) None
31. Price in the long run is called [ ]  
(A) Standard price (B) Retail price  
(C) Market price (D) **Normal price**
32. In which year, the Govt. of India established disinvestment commission [ ]  
A) 1991 (B) **1996**  
(C) 1956 (D) 1986
33. The written agreement among partners is [ ]  
A) Trading deed (B) Demand draft  
(C) **Partnership deed** (D) Bill of exchange
34. The kinds of partner include the following [ ]  
A) Normal partner (B) Sleeping partner  
(C) Partner by estoppels (D) **all**
35. The minimum paid up capital in a public company is [ ]  
A) RS.2 lakhs and higher (B) RS.10lakhs and higher  
(C) RS.24 lakhs and higher (D) **RS.5 lakhs and higher**
38. Which of the following integrates economy of a country with the world economy? [ ]  
(A) Privatization (B) Liberalization  
(C) **Globalization** (D) Stabilization
39. Liberalization measures can be grouped under [ ]  
(A) Tax reforms (B) Company reforms  
(C) Private enterprise reform (D) **Financial sector reform**
40. The minimum number of persons required to form a partnership firm is [ ]  
(A) Three (B) Four  
(C) **Two** (D) One

**UNIT - IV**

1. Internal Rate of Return (IRR) is the rate at which the difference between the present value of cash inflows and the original cost is [      ]  
 (A) greater than one (B) less than one  
 (C) **equal to one** (D) **equal to zero.**
2. If the -----is more than the cost of capital, the project is profitable [      ]  
 (A) ARR (B) payback period  
 (C) **IRR** (D) working capital.
3. Where there are two projects with different IRRs, the project with ----- IRR is selected [      ]  
 (A) lower (B) **higher**  
 (C) zero (D) negative.
4. The flow of money in the business is called? [      ]  
 (A) Capital formation (B) Cost cycle  
 (C) **Working capital cycle** (D) Capital cycle.
5. Which of the following are expected to be realized in cash or consumed during business operations? [      ]  
 (A) tangible fixed assets (B) intangible fixed assets  
 (C) fixed assets (D) current assets.
6. The difference between assets and liabilities is called [      ]  
 (A) overdraft (B) **capital**  
 (C) net purchases (D) sales.
7. Which of the following shows the firms planned operations or resource allocation for a given period in future [      ]  
 (A) Operating budgets (B) **Capital budgets**  
 (C) Accounting rate of return (D) Internal rate of return.
8. Where cash flows are -----computation of IRR is more by trial and error with respect to the discount factor [      ]  
 (A) even (B) **uneven**  
 (C) zero (D) negative
9. Net present value refers to the ----- of present value of future cash inflows over and above the cost of original investment [      ]  
 (A) less (B) **excess**

- (C) minimum value (D) maximum value.
10. Select always projects with [ ]  
 (A) lower NPV (B) negative NPV  
 (C) zero NPV (D) **higher NPV.**
11. NPV formula [ ]  
 (A) **cash inflow –cash outflow** (B) cash flow  
 (C) cash inflow (D) none
12. Profitability index 1= [ ]  
 (A) **break even** (B) profit  
 (C) loss (D) none
13. Average investment formula [ ]  
 (A) **investment /2** (B) investment \*2  
 (C) cash/2 (D) none
14. For the profitable projects, the profitability index is [ ]  
 (A) less than 1 (B) **Greater than 1**  
 (C) equals to 0 (D) none of the above
15. The main idea of providing is to raise enough funds for replacement when the asset is exhausted [ ]  
 (A) Dividend (B) **depreciation**  
 (C) reserves (D) pricing.
16. The letter issued by the company under its common seal acknowledging the receipt of loan is called [ ]  
 (A) Loan document (B) **Debenture**  
 (C) Secured debentures (D) Redeemable debentures.
17. Which of the following includes offering the shareholding in public institutions to employees and general public? [ ]  
 (A) Investment (B) **Divestment**  
 (C) Mutual funds (D) Policy
18. The circulating capital is also called [ ]  
 (A) Fixed capital (B) **Working capital**  
 (C) Tangible fixed capital (D) None of the above.
19. Which of the following is not a current asset? [ ]  
 (A) Cash (B) **Creditors**  
 (C) Prepaid expenses (D) Stock of raw materials

20. Which one of the following is not a form of long-term finance? [     ]  
(A) Own capital (B) Share capital  
(C) **Hand loans** (D) Debentures.
21. Which concept is used to compare cash inflows occurring at different points time with the corresponding cash flows [     ]  
(A) IRR (B) Accounting Rate of Return  
(C) **Time value of money** (D) Net Present Value
22. If the rate of return is more than the cost of capital, then the project is [     ]  
(A) **Accept** (B) Reject  
(C) Denied (D) Postponed
23. Cash inflows refer to [     ]  
(A) **Cash incomes** (B) Future incomes  
(C) Past incomes (D) **Cash receipts**
24. The diminution or reduction in the values of asset due to wear and tear is called [     ]  
(A) Appreciation (B) Paid up capital  
(C) **Depreciation** (D) Capital budgeting
25. The difference between the present value future cash inflows and the original investment is called [     ]  
(A) **NPV** (B) IRR  
(C) ARR (D) PI
26. A unit of capital is called as [     ]  
(A) Profit (B) **Share**  
(C) Dividend (D) All of the above
27. The circulating capital is also called [     ]  
(A) Fixed capital (B) **Working capital**  
(C) Tangible fixed capital (D) None
28. The excess of current assets over current liabilities are called [     ]  
(A) Fixed capital (B) **Working capital**  
(C) Lon-term capital (D) All of the above
29. Hire purchase is the \_\_\_\_\_ source of finance [     ]  
(A) Long-term (B) Short-term  
(C) **Medium term** (D) Very short term

30. In leasing, the company, who owns asset is called [     ]  
(A) Lessee (B) **Lesser**  
(C) Banker (D) Owner
31. Present value factor is also called [     ]  
(A) Time value of money (B) **Discount factor**  
(C) Liquidity factor (D) None of these
32. It is good to select always the projects wit [     ]  
(A) Lower NPV (B) Negative NPV  
(C) Zero NPV (D) **Higher NPV**
33. Which one of the following should not be more than the rate of return? [     ]  
(A) accounting period (B) **cost of capital**  
(C) paid-up capital (D) reserves
34. If NPV\_\_\_\_then the project earns less than the discount rate [     ]  
(A) > 1 (B) = 1  
(C) < 1 (D) = 0
35. For the profitable projects, the profitability index is [     ]  
(A) Less than one (B) **Greater than one**  
(C) Equals to 0 (D) None
36. The Working capital is also called [     ]  
(A) Fixed capital (B) **circulating capital**  
(C) Tangible fixed capital (D) None
37. Leasing is the\_\_\_\_\_source of finance [     ]  
(A) Long-term (B) Short-term  
(C) **Medium term** (D) Very short term
38. Cash outflows refer to [     ]  
(A) Cash incomes (B) Future incomes  
(C) Past incomes (D) **Cash receipts**
39. Which one of the following is not a form of short-term finance? [     ]  
(A) Own capital (B) Cash credit  
(C) **Hand loans** (D) Banks
40. From the following methods, which are traditional methods? [     ]  
(A) NPV (B) P.I  
(C) **ARR** (D) IRR







19. Operating expenses = [ ]  
 A) **Cost of goods sold+Admn Exp.+S&D exp** B) Gross profit – Sale  
 C) Cost of goods sold+Indirect expenses D) All of the above
20. To test the liquidity of a concern/firm, which of the following ratios are useful [ ]  
 A) **Acid test ratio** B) Capital turnover ratio  
 C) Bad debt ratio D) Inventory turnover ratio
21. On the basis of balances shown by ledger accounts, which of the following is prepared?[ ]  
 A) Balance sheet **B) Trial Balance**  
 C) Journal D) Final accounts
22. The difference between assets and liabilities called [ ]  
 A) Over draft **B) Capital**  
 C) Sales D) Net Purchases
23. Patent account is [ ]  
 A) **Real account** B) Personal account  
 C) Nominal account D) None of the above
24. Building is an example for [ ]  
 A) Revenue account **B) Expense account**  
 C) Capital expenditure D) Liability account
25. The trading and profit and loss account is also called as [ ]  
 A) Account statement **B) Income statement**  
 C) Balance statement D) Cost statement
26. It refers to the firm's position to meet its long-term commitments such as repayment of long- term loans and so on. [ ]  
 A) Profitability B) Liquidity  
 C) **Solvency** D) None
27. The current ratio is also called as [ ]  
 A) Acid test ratio **B) Working capital ratio**  
 C) Gross profit ratio D) Quick ratio
28. Quick assets = [ ]  
 A) **Current assets – (Stock + Prepaid expenses)** B) Current assets- (Stock-Prepaid expenses)  
 C) Current assets – Current liabilities D) Current assets / Current liabilities
29. It is the ration between gross profit to sales [ ]  
 A) **Gross profit ratio** B) Cost of goods sold  
 C) Net profit ration D) Operating ratio

