

ACC501 SOLVED FINALTERM

QUIZ NO-4 Fall 2014

_____ is the market in which already issued securities are traded among investors.

- a. Primary market
- b. **Secondary market**
- c. Financial market
- d. Capital market

_____ is a grant of authority by a shareholder to someone else to vote the shareholder's share.

- 1. Cumulative voting
- 2. Straight voting
- 3. **Proxy voting**
- 4. None of the given options

----- refers to the extent to which fixed-income securities (debt and preferred stock) are used in a firm's capital structure.

- 1. **Financial risk**
- 2. Portfolio risk
- 3. Operating risk
- 4. Market risk

If SNT Corporation pays out 30% of net income to its shareholders as dividends. What would be the Retention Ratio for SNT Corporation?

- a) 90 %
- b) 30
- c) 50 %
- d) **70 %**

You can determine the number of periods (n) in a present value calculation, if you know:

- a) Future amount
- b) Present value
- c) Interest rate
- d) **All of the given options**

_____ involves the sale of used securities from one investor to

- a) Primary Market
- b) **Secondary Market**
- c) Tertiary Market
- d) None of the given options

The process of planning and managing a firm's long-term investments is called:

- a) Planning Process
- b) Capital Structure
- c) **Capital Budgeting**
- d) Managing Process

The process of planning and managing a firm's long-term investments is called:

Select correct option:

- a) Planning Process
- b) Capital Structure
- c) **Capital Budgeting**
- d) Managing Process

Which of the following is subcategory (ies) of finance department?

Select correct option:

- a) Accounting department only
- b) Treasury department only
- c) **Accounting department and Treasury department**
- d) None of the given options

The preferred stock of a company currently sells for Rs. 25 per share. The annual dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate of return on this stock?

Select correct option:

- a) 5.00 percent
- b) 7.00 percent
- c) 8.45 percent

d) 10.0 percent

An investment should be accepted if the Net Present Value (NPV) is _____ and rejected if it is _____.

Select correct option:

- a) Positive; positive
- b) Positive; negative**
- c) Negative; negative
- d) Negative; positive

One would be indifferent between taking and not taking the investment when:

Select correct option:

- a) NPV is greater than Zero
- b) NPV is equal to Zero**
- c) NPV is less than Zero
- d) All of the given options

A portion of profits, which a company distributes among its shareholders, is known as:

Select correct option:

Dividends

Retained Earnings

Capital Gain

None of the given options

1. The relationship between real and nominal returns is described by the:

Select correct option:

M&M Proposition

Capital Asset Pricing Model

Fisher's Effect

BCG Matrix

2. Which of the following ratios are intended to address the firm's financial leverage?

Select correct option:

Liquidity Ratios

Long-term Solvency Ratios

Asset Management Ratios

Profitability Ratios

3. An investment should be accepted if the Net Present Value (NPV) is _____ and

Rejected if it is _____.

Select correct option:

Positive; positive

Positive; negative

Negative; negative

Negative; positive

4. In which of the following procedure of voting for a company's directors, each Shareholder is entitled to one vote per share?

Select correct option:

Straight Voting

Proportional Voting

Cumulative Voting

None of the given options

5. The preferred stock of a company currently sells for Rs. 25 per share. The annual dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate of return on this stock?

Select correct option:

5.00 percent

7.00 percent

8.45 percent

10.0 percent

6. Which of the following form of business organization is least regulated?

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership

Corporation

7. Which of the following cash flow activities are reported in the Cash Flow Statement and Income Statement?

Select correct option:

Operating Activities

Investing Activities

Financing Activities

All of the given options

8. A given rate is quoted as 9 percent APR, but the EAR is 9.38 percent. What is the compounding period?

Select correct option:

Semiannually

Quarterly

Monthly

Daily

9. Mr. Aslam owns 100 shares of a company and there are four directors to be elected.

How much votes Mr. Aslam would have as per cumulative voting procedure?

Select correct option:

100 votes

200 votes

300 votes

400 votes

10. Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the given options

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1. Which of the following financial statement shows both dollars and percentages in the report?

Select correct option:

Balance Sheet

Common-Size Statement

Income Statement

Relative Statement of Equity

2. A _____ is an agent who arranges security transactions among investors.

Select correct option:

Broker

Dealer

Member

Specialist

3. In which type of the market, securities are originally sold to the investors?

Select correct option:

Primary Market

Secondary Market

Tertiary Market

None of the given options

4. Which of the following item(s) is(are) not included while calculating Operating Cash Flows?

Select correct option:

Depreciation

Interest

Expenses related to firm's financing of its assets

All of the given options

5. Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?

Select correct option:

1.01

1.26

1.39

1.52

6. SNT Corporation has policy of paying a Rs. 6 per share dividend every year. If this policy is to continue indefinitely, what will be the value of a share of stock at a 15% required rate of return?

Select correct option:

Rs. 30

Rs. 40

Rs. 50

Rs. 60

7. If a firm uses cash to purchase inventory, its quick ratio will:

Select correct option:

Increase

Decrease

Remain unaffected

Become zero

8. A firm has paid out Rs. 150,000 as dividends from its net income of Rs. 250,000. What is the retention ratio for the firm?

Select correct option:

12 %

25 %

40 %

60 %

9. If the dividend for a share is growing at a steady rate then which of the following formula(s) can be used to find the dividend in two periods?

Select correct option:

$$D_2 = D_1 \times (1 + g)$$

$$D_2 = D_0 \times (1 + g)^2$$

$$D_2 = [D_0 \times (1 + g)] \times (1 + g)$$

All of the given options

10. One would be indifferent between taking and not taking the investment when:

Select correct option:

NPV is greater than Zero

NPV is equal to Zero (doubt)

NPV is less than Zero

All of the given options