### SCDL- PGDBA- II Semester Finance Management Paper Code -108

### LIST OF ATTEMPTED QUESTIONS AND ANSWERS

#### True/False

Question One of the basic objectives of cash management is to

maintain the optimum cash balance

Correct Answer True Your Answer True

**Multiple Choice Single Answer** 

Question In financial terms, Profit after tax can be referred as

Correct Answer Earning after tax
Your Answer Gain after tax

**Multiple Choice Single Answer** 

Question Financing consists of the raising, providing, managing of all

the money, capital or funds of any kind to be used in

connection with the business' is defined by

Correct Answer Bonneville and Dewey
Your Answer Bonneville and Dewey

Select The Blank

Question in liabilities involves inflow of funds

Correct Answer Increase Your Answer Deficit

**Multiple Choice Single Answer** 

Question Current assets are also referred to as

Correct Answer Working Capital Your Answer Working Capital

**Multiple Choice Multiple Answer** 

Question Goods Stolen (Sale price Rs. 1000/- Cost Rs. 800/-);

Which of the accounts will be affected by this transaction

Correct Answer Purchases Account, Loss by theft Account

Your Answer Stock Account, Loss by theft Account

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#### Select The Blank

Question \_\_\_\_\_ is calculated on the basis of current profits and

not on the basis of retained profits

Correct Answer Earnings per share Your Answer Earnings per share

**Multiple Choice Single Answer** 

Question The time required by the company to process the received

cheque and deposit the same in the bank is called

Correct Answer Deposit float Your Answer Deposit float

**Multiple Choice Multiple Answer** 

Question Limitations of credit rating are

Correct Answer Credit rating is based upon the evaluation made by the

agencies which may vary depending upon the experience, knowledge and individual opinion of the rators which may be biased in some cases, Credit rating is primarily based upon the past performance whereas the future prospects should be given more importance while deciding the credit rating, Multiplicity of the rating agencies can be considered to be

the limitation of the credit rating

Your Answer Credit rating is based upon the evaluation made by the

agencies which may vary depending upon the experience, knowledge and individual opinion of the rators which may be biased in some cases, Credit rating is primarily based upon the past performance whereas the future prospects should be given more importance while deciding the credit rating, Multiplicity of the rating agencies can be considered to be the limitation of the credit rating, It only considers equity

shares

**Multiple Choice Single Answer** 

Question The motive of the company to hold inventory to guard

against the risk of unpredictable changes in demand and

supply forces is known as

Correct Answer Precautionary motive

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Precautionary motive	
When the firm's actual bank balance is greater than the balance shown by the firm's books, the difference is called as 'payment float'	
True	
True	
Economic Order Quantity model is a very useful model of determining the order quantity	
True	
True	

### **Multiple Choice Single Answer**

Question	The Investment decisions are mainly concerned with
Correct Answer	Application of funds
Your Answer	Application of funds

### **Multiple Choice Single Answer**

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Question	The traditional approach to financial management refers		
	only to the procurement of funds by		
Correct Answer	Corporate entity		
Your Answer	Corporate entity		

#### **Multiple Choice Multiple Answer**

Ougation	The Feenenic Order Overtity model is been don the
Question	The Economic Order Quantity model is based on the
	assumption of
Correct Answer	Placing and receiving orders is without any delay, Ordering
	costs and carrying costs associated with the orders are
	variable in nature and they behave exactly opposite to each
	other, The demand for the material concerned is uniform
	throughout the year
Your Answer	Placing and receiving orders is without any delay, Ordering
	costs and carrying costs associated with the orders are

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variable in nature and they behave exactly opposite to each other, The demand for the material concerned is uniform throughout the year

**Multiple Choice Single Answer** 

Question The main function of finance under the traditional approach

comprises of

Correct Answer Procurement of funds
Your Answer Procurement of funds

**Multiple Choice Multiple Answer** 

Question The avenues available to the company to invest the excess

cash balance on short term basis may be in the form of

Correct Answer Commercial paper, inter-corporate bills discounting, Bank

deposits

Your Answer Commercial paper, Capital market, inter-corporate bills

discounting, Bank deposits

**Multiple Choice Multiple Answer** 

Question External sources of funds are

Correct Answer Funds from long term loans, Sale of fixed assets

Your Answer Funds from operations, Funds from long term loans, Sale

of fixed assets

Multiple Choice Single Answer

Question Which of the following assets get generated during course of

operations or get utilized within one year

Correct Answer Current assets
Your Answer Current assets

Multiple Choice Single Answer

Question The Capital Structure decision mainly refers to the decision

of

Correct Answer Financing
Your Answer Investment

True/False

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Question Private limited company can commence business

immediately on incorporation

Correct Answer True Your Answer True

**Multiple Choice Multiple Answer** 

Question Advantages of Debentures from company's point of view are

Correct Answer The specific cost of debt capital represented by debentures

is lower than the cost of preference or equity capital,
Debenture financing does not result in dilution of control

Your Answer The specific cost of debt capital represented by debentures

is lower than the cost of preference or equity capital,
Debenture financing does not result in dilution of control,
Debenture prices are vulnerable to increase in interest rates

**Multiple Choice Multiple Answer** 

Question The causes of undercapitalisation are

Correct Answer Company following too conservative policy for paying the

dividends, Future earnings may be underestimated

Your Answer The company might have spent huge amounts during its

formation stage, Company following too conservative policy for paying the dividends, Purchasing of asssets during

inflationary situations

**Multiple Choice Multiple Answer** 

Question The functions of a Finance Controller are:

Correct Answer Budgeting, Record Keeping, Annual Reporting

Your Answer Banking Relations, Budgeting, Record Keeping, Annual

Reporting

**Multiple Choice Single Answer** 

Question The deposit receipt should contain

Correct Answer Amount of deposit Your Answer Amount of deposit

Select The Blank

Question is one of the current assets that takes the longest

time to get converted into cash

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Correct Answer Stock
Your Answer Debtors

#### Select The Blank

Question The analytical method of inventory control which aims at

concentrating efforts in those areas where attention is

required most is termed as

Correct Answer ABC Analysis Your Answer ABC Analysis

### **Multiple Choice Single Answer**

Question The most reliable source of getting the information about the

creditworthiness of the customer who is dealing with the

company presently is

Correct Answer Past experience of the customer

Your Answer Bank Reference

#### Select The Blank

Question The fixed assets are expressed at \_\_\_\_\_

Correct Answer Cost - Depreciation
Your Answer Cost - Depreciation

#### Multiple Choice Multiple Answer

Question Importance of capital budgeting decisions

Correct Answer They represent the true earning assets of the firm, they are

irreversible, they require assessment of future events which

are uncertain

Your Answer they are irreversible , they require assessment of future

events which are uncertain

#### **Multiple Choice Single Answer**

Question Equity Warrants are

Correct Answer where the holders are entitled to purchase the equity shares

at a specific price during the specified period

Your Answer where the holders are entitled to purchase the equity shares

at a specific price during the specified period

#### **Multiple Choice Single Answer**

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Question Gross Working Capital means

Correct Answer Current assets
Your Answer Current assets

True/False

Question Economic order quantity is based on the assumption that the

demand for the material concerned is uniform throughout a

year

Correct Answer True Your Answer True

True/False

Question The basic objective behind fixation of the levels is to avoid

overstocking and understocking

Correct Answer True Your Answer True

Multiple Choice Multiple Answer

Question Packing credit facility can take the following form

Correct Answer Pre-shipment Packing credit, Post-shipment Packing

Revocable Packing credit

True/False

Question Loans from financial corporations etc. are sources of cash

Correct Answer True Your Answer True

Select The Blank

Question Investment of the venture capitalist does not exceed

so that the effective control of the project remains

with the entrepreneur

Correct Answer 0.49 Your Answer 0.49

Select The Blank

Question The amount of profit earned after recovering the interest on

long term sources of capital is referred to as

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Correct Answer Profit before taxes
Your Answer Profit before taxes

### **Match The Following**

Question	Correct Answer	Your Answer
Net Profit ratio	Indicates that portion of	Indicates that portion of
	sales available to the	sales available to the
	owners after	owners after consideration
	consideration of all types	of all types of expenses
	of expenses and cost	and cost
Undue increase in Gross	Over-valuation of closing	Over-valuation of closing
Profit ratio	stock	stock
Undue decrease in Gros	s Under-valuation of closing	gUnder-valuation of closing
Profit ratio	stock	stock
Gross Profit ratio	Indicates the relation	Indicates the relation
	· · · · · · · · · · · · · · · · · · ·	between production cost
	and Sales	and Sales

### **Multiple Choice Single Answer**

Question	The weighted average cost of capital is referred to as
Correct Answer	Average cost
Your Answer	Average cost

### **Multiple Choice Multiple Answer**

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Question	If Profit maximization is accepted as the only goal of finance
	function, it is criticised on the following grounds
Correct Answer	Ignores risk factor, Does not consider social obligation,
	Ignores quality aspect of benefits associated with a financial
	course of action
Your Answer	Does take into consideration time value of money, Ignores
	risk factor, Does not consider social obligation

#### **Select The Blank**

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Question The payment of Dividend in the form of Bonus shares

involves

Correct Answer only transfer of retained earnings to share capital Your Answer only transfer of retained earnings to share capital

**Select The Blank** 

Question The mathematical expression of is Value of

material consumed / Average inventory held

Correct Answer Inventory turnover Your Answer Inventory turnover

**Multiple Choice Single Answer** 

Question Irregular Dividend Policy refers to

Correct Answer Dividend per share varying according to the level of earnings Your Answer Dividend per share varying according to the level of earnings

**Multiple Choice Multiple Answer** 

Question The sources of cash are

Correct Answer Long term loans, cash from other sources
Your Answer Long term loans, cash from other sources

**Multiple Choice Multiple Answer** 

Question The advantages of ratio analysis are

Correct Answer It helps in planning and forecasting, It makes possible

comparison of the performance of the different divisions of

the firm, It simplifies the comprehension of financial

statements

Your Answer It helps in planning and forecasting, It makes possible

comparison of the performance of the different divisions of

the firm, It simplifies the comprehension of financial statements, It takes into consideration only monetary

transactions

Match The Following

Question Correct Answer Your Answer

Safety Stock below which the actual below which the actual stock should not be stock should not be

ock should not be stock should not

allowed to fall allowed to fall

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ABC Analysis	Vital few Trivial Many	Vital few Trivial Many
Bill of Materials	Details of the necessary	Details of the necessary
	materials as well as	materials as well as
	quantity of each item	quantity of each item
Perpetual Inventory	Maintenance of Bin Card	sMaintenance of Bin Cards
System	and Stores ledger in orde	erand Stores ledger in order
	to know about the stock i	nto know about the stock in
	quantity and value at any	quantity and value at any
	given point of time	given point of time

#### LIST OF ATTEMPTED QUESTIONS AND ANSWERS

True/	Fal	se
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Question The redemption of preference shares if they carry too high

rate of dividend is the remedy to overcome the situation of

overcapitalisation

Correct Answer True Your Answer True

#### **Select The Blank**

Question When a company issues bonus shares \_\_\_\_\_ of the

company get reduced

Correct Answer Reserves
Your Answer Reserves

### **Multiple Choice Single Answer**

Question Current assets is in the form of

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Correct Answer Receivables
Your Answer Investments

**Multiple Choice Single Answer** 

Question The rate of return which computes the average annual yield

on the net investment in the project is known as

Correct Answer Accounting rate of return
Your Answer Accounting rate of return

**Select The Blank** 

Question Turnover ratios measures how efficiently the are

employed by the firm

Correct Answer Assets Your Answer Profits

**Multiple Choice Multiple Answer** 

Question Debt Service coverage ratio may be considered to be one of

the most important ratios calculated by the

Correct Answer Bankers , Financial Institutions
Your Answer Bankers , Financial Institutions

**Multiple Choice Multiple Answer** 

Question Advantages of cash flow statement are

Correct Answer Helps in efficient cash management, Discloses the

movements of cash, Discloses the success or failure of

cash planning

Your Answer Helps in efficient cash management, Discloses the

movements of cash, Discloses the success or failure of

cash planning, Represents real liquid position

True/False

Question Debt Service Coverage Ratio is one of the most important

ratios calculated by the bankers of financial institutions

giving long term finance to the organisation

Correct Answer True

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Your Answer True

**Multiple Choice Single Answer** 

The period that indicates the period within which the Question

discounted cash inflows equal to the discounted cash

outflows involved in the project is termed as

**Correct Answer** Discounted Pay back period

Pay Back period Your Answer

**Multiple Choice Single Answer** 

Question Which important accounting ratios would be used by a

> shareholder who is examining his portfolio and who is to decide whether he should hold or sell his shares in the

company

Correct Answer Earning per share

Your Answer Liquid ratio

**Multiple Choice Single Answer** 

Question The main function of finance under the traditional approach

comprises of

Correct Answer Procurement of funds Procurement of funds Your Answer

**Multiple Choice Single Answer** 

The cost which remains constant upto a certain sales Question

revenue and increases if the sales revenue increases

beyond a certain point is termed as

Semi-variable cost Correct Answer Your Answer Semi-variable cost

**Multiple Choice Single Answer** 

Financing consists of the raising, providing, managing of all Question

the money, capital or funds of any kind to be used in

connection with the business' is defined by

**Bonneville and Dewey** Correct Answer Your Answer **Bonneville and Dewey** 

#### **Multiple Choice Multiple Answer**

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Question The sources of cash are

Cash from operations, sale of machinery, Issue of new Correct Answer

shares

Your Answer Cash from operations, Issue of new shares

True/False

Question Credit rating does not create any legal relationship between

the rating agency and the investor

True Correct Answer True Your Answer

**Multiple Choice Single Answer** 

For the calculation of Operating Profit / Loss, Goodwill Question

written off should be

Correct Answer added to the Net Profit as per Profit and loss account

Your Answer ignored

**Multiple Choice Single Answer** 

The traditional approach to financial management refers Question

only to the procurement of funds by

Correct Answer Corporate entity Your Answer Corporate entity

True/False

Question Loans from financial corporations etc. are sources of cash

Correct Answer True True Your Answer

True/False

According to Net Operating Income Approach there exists a Question

direct relationship between the capital structure and

valuation of the firm and the cost of capital

Correct Answer **False** Your Answer True

**Select The Blank** 

If the project is accepted, Internal Rate of return resulting Question

> from the same should be than cost of capital

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Correct Answer more
Your Answer more

#### Select The Blank

Question Redemtion of shares/debentures is categorised under

Correct Answer Non-operating cash outflow Your Answer Non-operating cash inflow

**Multiple Choice Single Answer** 

Question Shortcoming of term loans from company's point of view Correct Answer The interest and capital repayment are obligatory payments

Your Answer Term loans represent unsecured lending

**Multiple Choice Single Answer** 

Question Discounted Payback period is an improvement over the pay

back period method as it considers

Correct Answer time value of money Your Answer time value of money

True/False

Question A systematic maintenance of perpetual inventory system

enables to locate slow and non-moving items and to take

remedial action for the same

Correct Answer True Your Answer True

**Multiple Choice Multiple Answer** 

Question Limitations of credit rating are

Correct Answer Credit rating is based upon the evaluation made by the

agencies which may vary depending upon the experience, knowledge and individual opinion of the rators which may be biased in some cases, Credit rating is primarily based upon the past performance whereas the future prospects should be given more importance while deciding the credit rating, Multiplicity of the rating agencies can be considered to be

the limitation of the credit rating

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Your Answer	Credit rating is based u	ipon the evaluation	n made by the

agencies which may vary depending upon the experience, knowledge and individual opinion of the rators which may be biased in some cases, Credit rating is primarily based upon the past performance whereas the future prospects should be given more importance while deciding the credit rating. Multiplicity of the rating agencies can be considered to be the limitation of the credit rating, It only considers equity shares

#### True/False

Question The lessor is the nominal owner of the asset as the

possession and economic use of the asset rests with the

lessee

Correct Answer True Your Answer True

#### True/False

Question The operating profit is computed as Sales Revenue Less

Variable Operating Cost Less Fixed Operating cost

Correct Answer True True Your Answer

#### **Multiple Choice Multiple Answer**

Question The patterns of Dividend policy are

Stable Dividend policy, Irregular Dividend policy, No Correct Answer

immediate Dividend policy

Stable Dividend policy, Irregular Dividend policy, No. Your Answer

immediate Dividend policy

#### **Multiple Choice Multiple Answer**

Advantages of letter of credit to the Importer Question

Correct Answer the importer can bargain for better trading terms, he is

assured to get proper supply of the goods

the importer can bargain for better trading terms, he is Your Answer

assured to get proper supply of the goods

#### Select The Blank

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Question The has been empowered to order the company

that fails to repay any deposit to make the repayment of

such deposits

Company Law board Correct Answer Your Answer Company Law board

**Multiple Choice Multiple Answer** 

Question Shortcomings of Debentures from company's point of view Correct Answer The debenture interest and capital repayment are obligatory

payments, Debenture financing enhances the financial risk

associated with the firm

The debenture interest and capital repayment are obligatory Your Answer

> payments, Debenture financing enhances the financial risk associated with the firm, They have lowest priority in the

event of liquidation

**Select The Blank** 

Break even point is that level of sales revenue at which Question

there is

no profit no loss Correct Answer Your Answer no profit no loss

**Multiple Choice Multiple Answer** 

Question The characteristics of assets are

They are acquired for use for long periods, They are Correct Answer

ordinarily not meant for resale

They are acquired for use for long periods Your Answer

**Multiple Choice Single Answer** 

A secured instrument usually secured by a charge on the Question

> immovable properties of the company where there is a promise to pay interest and repay principal at a stipulated

period of time is known as

**Debentures** Correct Answer

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Your Answer **Debentures** 

Match The Following

Correct Answer Question Your Answer

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Retained earnings	Residue left behind from earnings available to equity shareholders after the payment of annual dividend	Residue left behind from earnings available to equity shareholders after the payment of annual dividend
Term loan	represents a source of debt finance which is generally repayable in more than one year but less than ten years	instruments to raise long term debt capital
Lessee	Not able to claim depreciation on asset	Not able to claim depreciation on asset
Hirer	Claims the depreciation on the asset	Claims the depreciation on the asset

### **Select The Blank**

Question	Preparation of Financial plan at the time of company		
	promotion is duty of the finance executive		
Correct Answer	Non-recurring		
Your Answer	Non-recurring		

#### **Multiple Choice Multiple Answer**

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Question	If Profit maximization is accepted as the only goal of finance
	function, it is criticised on the following grounds
Correct Answe	er Ignores risk factor, Does not consider social obligation,
	Ignores quality aspect of benefits associated with a financial
	course of action
Your Answer	Does take into consideration time value of money, Ignores
	risk factor, Does not consider social obligation

### **Multiple Choice Multiple Answer**

Question	The effects of undercapitalisation are
Correct Answer	Increase tax liability of the company, Demand of the
	employees to increase wages

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\_\_\_\_\_

Your Answer Increase tax liability of the company, Credit standing of the

company in the market falls down and difficulty in raising

futher capital, Shares become non-transferable

**Select The Blank** 

Question Retained earnings is a source of finance

Correct Answer Internal Your Answer Internal

**Select The Blank** 

Question Private limited company and Public limited company are the

companies based on the classification of

Correct Answer Number of members Your Answer Number of members

**Multiple Choice Multiple Answer** 

Question Fixation of Inventory levels are based on the following

propositions

Correct Answer There has to be a constant watch on the actual stock level of

various kinds of materials so that proper action can be taken . The various levels fixed are not fixed on a permanent basis

and are subject to revision regularly

Your Answer Ordering cost and carrying cost are directly related to each

other, There has to be a constant watch on the actual stock level of various kinds of materials so that proper action can be taken, The various levels fixed are not fixed on a permanent basis and are subject to revision regularly,

Minimum level indicate the level above which the actual stock should not exceed

**Multiple Choice Multiple Answer** 

Question Objective of perpetual inventory system are

Correct Answer Maintenance of Bin Cards and Stores ledger in order to

know about the stock in quantity and value at any given point of time, Continuous verification of physical stock to ensure that the physical balance and the book balance

tallies

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\_\_\_\_\_

Your Answer A close and strict control is facilitated on the most important

items, Maintenance of Bin Cards and Stores ledger in order to know about the stock in quantity and value at any given point of time, Continuous verification of physical stock to ensure that the physical balance and the book balance tallies, It may serve as a base for the Production department for placing the material requisition slips

**Multiple Choice Single Answer** 

Question The motive of the company to hold the inventories in order

to facilitate the smooth and uninterrupted production and

sales operations is known as

Correct Answer Transaction motive Your Answer Transaction motive

**Select The Blank** 

Question Factoring indicates the relationship between \_\_\_\_\_ and

a business organisation

Correct Answer Financial institutions
Your Answer Financial institutions

**Multiple Choice Single Answer** 

Question According to the Irrelevance approach of dividend policy, the

value of the company

Correct Answer remains unaffected by the dividend policy of the company remains unaffected by the dividend policy of the company

True/False

Question Turnover ratios indicate the efficiency of the organisation to

use the various kinds of assets by converting them in the

form of Sales

Correct Answer True Your Answer True

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