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

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

Your Answer	Precautionary motive

True/False

Question	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'
Correct Answer	True
Your Answer	True

True/False

Question	Economic Order Quantity model is a very useful model of determining the order quantity
Correct Answer	True
Your Answer	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

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

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

	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

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

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

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 credit
Your Answer	Pre-shipment Packing credit , Post-shipment Packing credit , 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 _________

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 sales available to the owners after consideration of all types of expenses and cost	Indicates that portion of sales available to the owners after consideration of all types of expenses and cost
Undue increase in Gross Profit ratio	Over-valuation of closing stock	Over-valuation of closing stock
Undue decrease in Gross Profit ratio	Under-valuation of closing stock	Under-valuation of closing stock
Gross Profit ratio	Indicates the relation between production cost and Sales	Indicates the relation between production cost 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

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

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 stock should not be allowed to fall	below which the actual stock should not be allowed to fall

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

LIST OF ATTEMPTED QUESTIONS AND ANSWERS

True/False

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

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

Your Answer	True

Multiple Choice Single Answer

Question	The period that indicates the period within which the discounted cash inflows equal to the discounted cash outflows involved in the project is termed as
Correct Answer	Discounted Pay back period
Your Answer	Pay Back period

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
Your Answer	Procurement of funds

Multiple Choice Single Answer

Question	The cost which remains constant upto a certain sales revenue and increases if the sales revenue increases beyond a certain point is termed as
Correct Answer	Semi-variable cost
Your Answer	Semi-variable cost

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

Multiple Choice Multiple Answer

Question	The sources of cash are
Correct Answer	Cash from operations , sale of machinery , Issue of new 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
Correct Answer	True
Your Answer	True

Multiple Choice Single Answer

Question	For the calculation of Operating Profit / Loss , Goodwill written off should be
Correct Answer	added to the Net Profit as per Profit and loss account
Your Answer	ignored

Multiple Choice Single Answer

Question	The traditional approach to financial management refers 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
Your Answer	True

True/False

Question	According to Net Operating Income Approach there exists a 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

Question	If the project is accepted, Internal Rate of return resulting from the same should be _________ than cost of capital

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

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

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
Your Answer	True

Multiple Choice Multiple Answer

Question	The patterns of Dividend policy are
Correct Answer	Stable Dividend policy , Irregular Dividend policy , No immediate Dividend policy
Your Answer	Stable Dividend policy , Irregular Dividend policy , No immediate Dividend policy

Multiple Choice Multiple Answer

Question	Advantages of letter of credit to the Importer
Correct Answer	the importer can bargain for better trading terms , he is assured to get proper supply of the goods
Your Answer	the importer can bargain for better trading terms , he is assured to get proper supply of the goods

Select The Blank

Question	The ________ has been empowered to order the company that fails to repay any deposit to make the repayment of such deposits
Correct Answer	Company Law board
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
Your Answer	The debenture interest and capital repayment are obligatory payments , Debenture financing enhances the financial risk associated with the firm , They have lowest priority in the event of liquidation

Select The Blank

Question	Break even point is that level of sales revenue at which there is ________
Correct Answer	no profit no loss
Your Answer	no profit no loss

Multiple Choice Multiple Answer

Question	The characteristics of assets are
Correct Answer	They are acquired for use for long periods , They are ordinarily not meant for resale
Your Answer	They are acquired for use for long periods

Multiple Choice Single Answer

Question	A secured instrument usually secured by a charge on the 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
Correct Answer	Debentures
Your Answer	Debentures

Match The Following

Question	Correct Answer	Your Answer

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

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

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

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

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
Your Answer	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