Q=QUESTION	question_description	question_explanation	question_type	question_difficulty
A=ANSWER	answer_description	answer_explanation	answer_isright	answer_position
Module 1				
Q	__________________are a long-term promissory notes with maturities ranging from 5 to 30 years.			1
A	Notes		0	1
A	Shares		0	2
A	Bonds		1	3
A	Commercial Papers		0	4
Q	The focal point of financial management in a firm is			1
A	The number and types of products or services provided by the firm		0	1
A	The minimization of the amount of taxes paid by the firm		0	2
A	The creation of value for shareholders		1	3
A	The profits earned by the firm in Rs		0	4
Q	________________ and ________________ are the two versions of goals of the financial management of the firm.			1

A	Profit maximisation, Wealth maximization		1	1
A	Value maximisation, Wealth maximisation		0	2
A	Sales maximisation, Profit maximization		0	3
A	Production maximisation, Sales maximisation		0	4
Q	Which of the following is a not money market security			1
A	National Savings Certificates		1	1
A	Treasury bill		0	2
A	Certificate of deposit		0	3
A	Commercial paper		0	4
Q	Which of the following is not considered as capital market security?			1
A	equity share		0	1
A	preferential share		0	2
A	corporate bond		0	3

A	6-month treasury bill		1	4
Q	Which of the following statements is not true with regard to Call money? Select correct one			1
A	It is short-term finance repayable on demand		0	1
A	There is a direct relationship between call rates and other short-term money market instruments.		1	2
A	Its maturity period ranges from one day to fifteen days		0	3
A	It is used for inter-bank transactions		0	4
Q	Equity market is the financial market for			1
A	Residual claim		1	1
A	Fixed claim		0	2
A	Variable Claim		0	3
A	1 and 2		0	4
Q	Classification of financial markets by the maturity of claims are			1

A	Money market and capital market		1	1
A	Primary and secondary market		0	2
A	Forward and future market		0	3
A	option 2 and 3		0	4
Q	An important financial institution that assists in the initial sale of securities in the primary market is the			1
A	Investment bank.		1	1
A	Co-operative bank		0	2
A	IRDA		0	3
A	RBI		0	4
Q	Which of the following are long-term financial instruments? \			1
A	A negotiable certificate of deposit		0	1
A	A banker’s acceptance		0	2
A	A U.S. Treasury bond		1	3

A	A U.S. Treasury bill		0	4
Q	Intermediaries who link buyers and sellers by buying and selling securities at stated prices are called			1
A	investment bankers		0	1
A	traders		0	2
A	brokers		0	3
A	dealers		0	4
Q	Financial institutions expect that			1
A	moral hazard will occur, as the least desirable credit risks will be the ones most likely to seek out loans		0	1
A	opportunistic behavior will occur, as the least desirable credit risks will be the ones most likely to seek out loans		1	2
A	borrowers will commit moral hazard by taking on too much risk, and this is what drives financial institutions to take steps to limit moral hazard		0	3
A	Option 1 and 3		0	4
Q	Which of the following statements about financial markets and securities are false?			1

A	Few common stocks are traded over-the-counter, although the over-the-counter markets have grown in recent years		0	1
A	A corporation acquires new funds only when its securities are sold in the primary market		1	2
A	Capital market securities are usually more widely traded than longer term securities and so tend to be more liquid		0	3
A	Financial Markets and securities are not standardised and not regulated		0	4
Q	Exchange Traded Funds are part of			1
A	Private Placement		0	1
A	Secondary Market		0	2
A	Domestic Market		0	3
A	Derivatives Market		1	4
Q	Bonds that are sold in a foreign country and are denominated in that country's currency are known as			1
A	foreign bonds		1	1
A	Eurobonds		0	2
A	Eurocurrencies		0	3

A	Eurodollars		0	4
Q	The long-run objective of financial management is to		M	1
A	Maximize earnings per share		0	1
A	Maximize the value of the firm's common stock		0	2
A	Maximize return on investment		1	3
A	Maximize market share		0	4
Module 2				
Q	Ali purchased a stock for Rs. 6,000. At the end of the year the stock is worth Rs. 7,500. Ali was paid dividends of Rs. 260. Calculate the		M	1
A	0.043		0	1
A	0.293		1	2
A	0.25		0	3
A	0.1		0	4

Q	Beta Represents the:		M	1
A	Unsystematic risk		0	1
A	Systemic Risk		1	2
A	Systemic as well as unsystemic risks		0	3
A	Foreign Exchange Risk		0	4
Q	You bought a share for Rs. 100 and sold it for Rs. 120 after one year. You received share dividend Rs.10 during the holding period. What was the rate of holding period return?		M	1
A	0.1		0	1
A	0.2		0	2
A	0.3		1	3
A	0.5		0	4
Q	How many years a given sum of money must earn at a given compound annual interest rate in order to double that initial amount is given by the (Roughly estimate) Rule ______________		M	1

A	Rule of 415		0	1
A	Rule of 72		1	2
A	Rule of 78		0	3
A	Rule of 144		0	4
Q	Future value interest factor takes		M	1
A	compound rate		1	1
A	deflation rate		0	2
A	discounting rate		0	3
A	inflation rate		0	4
Q	Given an investment of Rs. 10,000 for a period of one year, it is better to invest in a scheme that pays:			
A	12% interest compounded daily		1	
A	12% interest compounded monthly		0	
A	12% interest compounded annually		0	

A	12% interest compounded quarterly		0	
Q	A deposit of Rs 2,000 per year at the beginning of the year in a bank for 5 years with interest rate of 10 percent pa compounded annually. What will be the value of this series of deposits at the end of 5 years in Rs?			
A	13431		1	
A	13000		0	
A	14000		0	
A	12341		0	
Q	Diversifiable risk is caused by			
A	Success of marketing programs, winning or losing a major contract		1	
A	War, inflation		0	
A	Recessions		0	
A	floods		0	
Q	Deposit Rs.1,000 annually in a bank for 5 years with compound interest rate of 10 percent pa. What will be the value of this series of deposits (an annuity) at the end of 5 years?			

A	6000		0	
A	6105		1	
A	6205		0	
A	6250		0	
Q	A borrower offers 16 per cent nominal rate of interest with quarterly compounding. What is the effective rate of interest ?			
A	16		0	
A	17		1	
A	18		0	
A	20		0	
Q	Calculate the return for a stock that earned a Rs. 27 profit per share based on a sale price of Rs104 per share.			
A	3.8519		0	
A	1		0	

A	0.0319		0	
A	0.3506		1	
Q	A series of fixed receipts or payments starting at the beginning of each period for a specified number of period is called			
A	Hire purchase		0	
A	Perpetuity		0	
A	Lease		0	
A	Annuity due		1	
Q	In order to find out the present value of a sum of Rs. 10,000 to be received at the end of each year for the next 5 years at 10% rate, we use:			
A	Future value formula		0	
A	Present value formula		0	
A	Present value of annuity formula		1	
A	Future value of annuity formula		0	

Q	What is the present value of a Rs. 1,000 ordinary annuity that earns 8% annually for a period of 10 years?			
A	Rs. 6500		0	
A	Rs. 6710		1	
A	Rs. 6750		0	
A	Rs. 6170		0	
Q	The process of calculating future values of cash flows is called			
A	Discounting		1	
A	Compounding		0	
A	Capital recovery		0	
A	Perpetuity		0	
Module 3				
Q	PBIT stands for ____________		M	1

A	Profit before Income taxes		0	1
A	Profit before interest and taxes		1	2
A	Payment before Income taxes		0	3
A	Paid Interest because of Income tax.		0	4
Q	Which is the popular method of calculation depreciation?		M	1
A	Units of Production Depreciation		0	1
A	Straight line Depreciation		1	2
A	Sum of the Year’s Depreciation		0	3
A	Declining balance depreciation		0	4
Q	What is the period of Financial statement in india?		M	1
A	1st January to 31st December in the same year		0	1
A	1st July in the first year to 30th June in the next year		0	2
A	1st April in the first year to 31st March in the next year		1	3

A	Any period during the same year		0	4
Q	Which is the following option fall under Intangible Asset?		M	1
A	Goodwill		1	1
A	Land		0	2
A	Machinery		0	3
A	Computer		0	4
Q	Working Capital is also known as ___________		M	1
A	Cash		0	1
A	Current assets		1	2
A	Invested Capital		0	3
A	Assets		0	4
Q	Which financial statements include the flow of cash during the financial period?		M	1
A	Cash flow statements		1	1

A	Balance Sheet		0	2
A	Income statements		0	3
A	Statement of changes in equity		0	4
Q	Which are the following options does not generate cash?		M	1
A	Issue of security		0	1
A	Redeem security		1	2
A	Raises a bank loan		0	3
A	Payment from firms customers		0	4
Q	NOPAT stands for		M	1
A	Net Operating Profit after Taxes		1	1
A	No operation on Project after Termination		0	2
A	No Operating Profit after Taxes		0	3
A	No Operating Profit after Termination		0	4

Q	What does liquidity refer?		M	1
A	The ability of a firm to meet its obligation in one week.		0	1
A	The ability of a firm to meet its obligation in one month.		0	2
A	The ability of a firm to meet its obligation in one year.		1	3
A	The ability of a firm to meet its obligation in ten Years.		0	4
Q	Acid test ratio is also known as __________		M	1
A	Current ratio		0	1
A	Net profit ratio		0	2
A	Net sales ratio		0	3
A	Quick ratio		1	4
Q	What is the riskier source of finance?		M	1
A	Equity capital		0	1
A	Debt capital		1	2

A	Term loan		0	3
A	Tangible asset redemption		0	4
Q	What is the definition of Gross Profit Margin Ratio?		M	1
A	difference of net sales and cost of goods sold , divided by Net sales		1	1
A	Operating profit divided net sales		0	2
A	Net Profit / Net sales		0	3
A	Profit after Tax / Average Total assets		0	4
Q	Why deferred tax liability arrises?		M	1
A	The difference between cash and profit.		0	1
A	The temporary differences between taxable income and accounting profit.		1	2
A	The difference sales and profit.		0	3
A	The difference cost of goods sold and profit.		0	4
Q	Which of the following option is considered as current liabilities?		M	1

A	Bills recievables		0	1
A	Sundry creditors		0	2
A	Advance payments		0	3
A	Sundry debtors		1	4
Q	What is meant by Assets?		M	1
A	Assets are Firm's own equity Shares.		0	1
A	Assets are resources which are expected to provide a firm with future economic benefit.		0	2
A	Assets represent obligations that are expected to mature within year.		1	3
A	Assets are the differences between taxable income and accounting profit.		0	4
Q	Net sales are generally defined as ____________		M	1
A	Sales-Sales return -Excise duty		1	1
A	Sales and gross profit		0	2
A	Cost of goods sold		0	3

A	Cost of goods sold		0	4
Q	The costs of goods sold is also called ________		M	1
A	Cost of sales		1	1
A	Cost of goods produced during accounting period.		0	2
A	Direct material cost		0	3
A	Direct labour cost		0	4
Q	What is Gross Profit?		M	1
A	Profit before interest and Tax.		0	1
A	Difference between Net sales and the cost of goods sold.		1	2
A	It represents profit from operations after considering the cost of goods sold and operating expenses.		0	3
A	Non operating gains		0	4
Q	Which one of the following asset would not be normally depreciated?		M	1
A	Land		1	1

A	Machinery		0	2
A	Computer		0	3
A	Patent		0	4
Q	What is mean by Investments?		M	1
A	Copyrights		0	1
A	Noncurrent assets		0	2
A	Financial securities owned by the firm.		1	3
A	Net book value		0	4
Q	Accounts receivable is also known as _______		M	1
A	Sundry debtors		1	1
A	Sundry creditors		0	2
A	Net cash		0	3
A	Gross profit		0	4

Q	What the Cash flow statement Portrays?		M	1
A	The financial position of a firm at a given point of time.		0	1
A	The performance of a firm over a period of time		0	2
A	The flow of cash through the business during a given accounting period.		1	3
A	The flow of cash through the business during three months.		0	4
Q	What is the major cash outflow for a firm?		M	1
A	Increase in deferred tax liability		0	1
A	Payment of taxes		1	2
A	Increase in reserves		0	3
A	Increase in term loans		0	3
Q	Leverage ratio refers to _______________		M	4
A	The final result of business operations		0	1
A	As activity ratios or asset management raios, measure efficiently the assets are employed by a firm.		1	2

A	The ability of a firm to meet its obligations in the short run, usually one year		0	3
A	The use of debt finance		0	4
Module 4				
Q	Assume that Project X costs ▯ 2,500 now and is expected to generate year-end cash inflows of ▯ 900, ▯ 800, ▯ 700, ▯ 600 and ▯ 500 in years 1 through 5. The opportunity cost of the capital may be assumed to be 10 per cent. Calculate the NPV?		M	1
A	▯ 250		0	1
A	▯ 225		1	2
A	▯ 325		0	3
A	▯ 275		0	4
Q	Capital Budgeting Decisions are:		M	1
A	Reversible		0	1
A	irreversible		1	2

A	Unimportant		0	3
A	not required		0	4
Q	Capital Budgeting Decisions are based on:		M	1
A	Incremental Profit		0	1
A	Incremental Cash Flows		1	2
A	Incremental Assets		0	3
A	Incremental Capital		0	4
Q	In Sensitivity Analysis, the emphasis is on assessment of sensitivity of		M	1
A	Net Economic Life		0	1
A	Net Present Value		0	2
A	Both (a) and (b)		1	3
A	None of (a) and (b)		0	4
Q	A sound Capital Budgeting technique is based on:		M	1

A	Cash Flows		1	1
A	Accounting Profit		0	2
A	Interest Rate on Borrowings		0	3
A	Last Divide		0	4
Q	There is deterioration in the management of working capital of XYZ Ltd. What does it refer to?		M	1
A	That the Capital Employed has reduced		0	1
A	That the Profitability has gone up		0	2
A	That debtors' collection period has increased		1	3
A	That Sales has decreased.		0	4
Q	Which of the following is not incorporated in Capital Budgeting?		M	1
A	Rate of Cash Discount.		1	1
A	Required Rate of Return.		0	2
A	Time Value of Money.		0	3

A	Tax-Effect.		0	4
Q	Which of the following techniques does not take into account the time value of money?		M	1
A	Internal rate of return method		0	1
A	Discounted cash payback method		0	2
A	Net present value method		0	3
A	Simple cash payback method		1	4
Q	Consider the following data on a proposed investment: Investment required: Rs. 160,000, Annual cash inflows: Rs. 40,000, Life of the investment: 6 years, Salvage value: 0, Discount rate: 10% Based on the above data, what is the payback period of the proposed investment project?		M	1
A	5 years		0	1
A	3 years		0	2
A	4 years		1	3
A	0.25 years		0	4

Q	What is PV of Rs 100 one year hence with discounting factor 25% ?		M	1
A	Rs 125		0	1
A	Rs 25		0	2
A	Rs 250		0	3
A	Rs 80		1	4
Q	The annual demand for a product is 10,000 units. The cost per item is Rs.20 and inventory carrying cost per unit per annum is 5%. If the cost of order is Rs. 200 per order, determine: Economic Order Quantity (EOQ)		M	1
A	1000		0	1
A	1500		0	2
A	2000		1	3
A	5000		0	4
Q	ABC Ltd is considering undertaking a project that would yield average annual profits (after depreciation) of Rs. 68,000 for 5 years. The initial outlay of the project would be Rs. 800,000. What would be the accounting rate of return for this project?		M	1

A	17%		1	1
A	8.50%		0	2
A	8.00%		0	3
A	9.10%		0	4
Q	Which of the following is not a part of Non-discounted cash flow criteria –		M	1
A	Payback		0	1
A	Discounted payback		1	2
A	Accounting rate of return		0	3
A	Net Present Value		0	4
Q	When current assets are less than current liabilities, then the net working capital is:		M	1
A	Positive		0	1
A	Negative		1	2
A	Zero		0	3

A	Can’t be calculated		0	4
Q	Which among the following is a current asset?		M	1
A	Patents		0	1
A	Plants & Equipment		0	2
A	Goodwill		0	3
A	Cash Balance		1	4
Q	While taking into consideration the trade-off between profitability and risk, a firm with low net working capital will have:		M	1
A	Low Risk and Low Profitability		0	1
A	Low Risk and High Profitability		0	2
A	High Risk and Low Profitability		0	3
A	High Risk and High Profitability		1	4
Q	EOQ is a company’s ________ order quantity that minimizes its total inventory costs.		M	1

A	Minimum		0	1
A	Maximum		0	2
A	Optimal		1	3
A	Not optimal		0	4
Q	____________________ of a firm refers to the composition of its long-term funds and its capital structure.		M	1
A	Capitalisation		1	1
A	Over-capitalisation		0	2
A	Under-capitalisation		0	3
A	Market capitalization		0	4
Q	_____________ is the length of time between the firm's actual cash expenditure and its own cash receipt.		M	1
A	Net operating cycle		1	1
A	Cash conversion cycle		0	2
A	Working capital cycle		0	3

A	Gross operating cycle		0	4
Q	____________________ and __________________________ are the two versions of goals of the financial management of the firm		M	1
A	Profit maximisation, Wealth maximization		1	1
A	Production maximisation, Sales maximisation		0	2
A	Sales maximisation, Profit maximization		0	3
A	Value maximisation, Wealth maximisation		0	4
Q	The gross profit margin is unchanged, but the net profit margin declined over the same period. This could have happened if		M	1
A	cost of goods sold increased relative to sales.		0	1
A	sales increased relative to expenses		0	2
A	Govt. increased the tax rate		1	3
A	dividends were decreased.		0	4

Q	Which of the following would be considered a application of funds?		M	1
A	a decrease in accounts receivable		0	1
A	a decrease in cash.		0	2
A	an increase in account payable		0	3
A	an increase in cash		1	4
Q	A capital investment is one that		M	1
A	has the prospect of long-term benefits		1	1
A	has the prospect of short-term benefits		0	2
A	is only undertaken by large corporations		0	3
A	applies only to investment in fixed assets		0	4
Q	Which of the following would be consistent with a more aggressive approach to inancing working capital?		M	1
A	Financing short-term needs with short-term funds		0	1
A	Financing permanent inventory buildup with long-term debt		0	2

A	Financing seasonal needs with short-term funds		0	3
A	Financing some long-term needs with short-term funds		1	4
Q	Which of the following would not be financed from working capital?		M	1
A	Cash float		0	1
A	Accounts receivable		0	2
A	Credit sales		0	3
A	A new personal computer for the office		1	4
Module 5				
Q	What is the weighted average cost of capital for a firm?		M	1
A	Discount rate which the firm should apply to all of the projects it undertakes.		0	1
A	Maximum rate which the firm should require on any projects it undertakes		0	2
A	Overall rate which the firm must earn on its existing assets to maintain the value of its stock		1	3

A	Rate the firm should expect to pay on its next bond issue		0	4
Q	Funds required for purchasing current assets is an example of		M	1
A	Fixed capital requirement		0	1
A	Ploughing back of profits		0	2
A	Working capital requirement		1	3
A	Lease financing		0	4
Q	Equity shareholders are called		M	1
A	Owners of the company		1	1
A	Partners of the company		0	2
A	Executives of the company		0	3
A	Guardian of the company		0	4
Q	Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to Modigliani and Miller (M&M) approach		M	1

A	this will not continue because arbitrage will eventually cause the firms to sell at the same value.		1	1
A	one will be at greater risk of bankruptcy		0	2
A	the firm with greater financial leverage will have the higher value		0	3
A	this proves that markets cannot be efficient.		0	4
Q	The capital structure that maximizes the value of a firm also:		M	1
A	Minimizes financial distress costs		0	1
A	Minimizes the cost of capital		1	2
A	Maximizes the present value of the tax shield on debt		0	3
A	Maximizes the value of the debt		0	4
Q	To compute the required rate of return for equity in a company using the CAPM, it is necessary to know all of the following EXCEPT:		M	1
A	The risk-free rate		0	1
A	The beta for the firm		0	2

A	The earnings for the next time period		1	3
A	The market return expected for the time period		0	4
Q	Which of the following is not true about the long term finance purpose		M	1
A	To finance fixed assets		0	1
A	To finance the inventory		1	2
A	Expansion of companies		0	3
A	Increasing facilities		0	4
Q	A quick approximation of the typical firm's cost of equity may be calculated by		M	1
A	Adding a 5 percent risk premium to the firm's before-tax cost of debt.		1	1
A	Adding a 5 percent risk premium to the firm's after-tax cost of debt.		0	2
A	Subtracting a 5 percent risk discount from the firm's before-tax cost of debt.		0	3
A	Subtracting a 5 percent risk discount from the firm's after-tax cost of debt.		0	4

Q	Honeywell International Inc has a market debt-equity ratio of 0.5. Assume its current debt cost of capital is 6.5%, and its equity cost of capital is 14%. What is weighted average cost of capital (WACC)?		M	1
A	15%		0	1
A	10%		0	2
A	14%		0	3
A	12%		1	4
Q	Which of the following is not an assumption in the Miller & Modigliani approach?		M	1
A	There are no transaction costs		0	1
A	Securities are infinitely divisible		0	2
A	All the firms pay tax on their income at the same rate		1	3
A	Investors have homogeneous expectations		0	4
Q	Which of the following is not true about Line of credit		M	1
A	The firm can borrow up to that amount of money without asking, since it is pre-approved		0	1

A	Usually informal agreement and may change over time		0	2
A	More often, it is in the form of a lost discount that would be given to firms who pay earlier		1	3
A	Usually covers peak demand times, growth spurts		0	4
Q	The concept of homemade leverage is most associated with:		M	1
A	MM Proposition I with no tax.		1	1
A	MM Proposition II with no tax.		0	2
A	MM Proposition I with tax.		0	3
A	MM Proposition II with tax.		0	4
Q	Which one of the following statements is correct concerning the weighted average cost of capital (WACC)?		M	1
A	The WACC may decrease as a firm's debt-equity ratio increases.		1	1
A	When computing the WACC, the weight assigned to the preferred stock is based on the coupon rate multiplied by the par value of the stock.		0	2
A	A firm's WACC will decrease as the corporate tax rate decreases.		0	3

A	The weight of the common stock used in the computation of the WACC is based on the number of shares outstanding multiplied by the book value per share.		0	4
Module 6				
Q	Modigliani and Miller suggest that the value of the firm is not affected by the firm’s dividend policy, due to		M	1
A	the relevance of dividends		0	1
A	the clientele effect		1	2
A	the informational content		0	3
A	the optimal capital structure		0	4
Q	Which of the following techniques does not reward shareholders for investing in a company?		M	1
A	Repurchasing company shares		0	1
A	Offering non-pecuniary benefits		0	2
A	Making a rights issue		1	3

A	Paying a final dividend		0	4
Q	Which of the following statements lends most support to the theory that dividend payments are irrelevant to the value of ordinary shares?		M	1
A	Shareholders making homemade dividends face dealing costs		0	1
A	Shareholders are concerned with total earnings rather than with the split between distributed and retained earnings.		0	2
A	Investors' discount rates increase with time due to uncertainty.		1	3
A	Firms have particular clienteles due to their dividend policy		0	4
Q	Which of the following is true for MM Model?		M	1
A	Share price goes up if dividend is paid		1	1
A	Share price goes down if dividend is paid		0	2
A	Market value is unaffected by Dividend policy		0	3
A	Share price goes up if dividend is not paid		0	4
Q	The view that under a perfect market situation , the dividend policy of a firm is irrelevant, as it does not affect the value of the firm, is held by		M	1

A	The bird-in-the-hand argument		0	1
A	Gordon’s model		0	2
A	Miller and Modigliani’s hypothesis		1	3
A	Walter’s model		0	4
Q	According to the residual theory of dividends, if the firm’s equity need exceeds the amount of retained earnings, the firm would		M	1
A	borrow to pay the cash dividend		0	1
A	sell additional stock to pay the cash dividend		0	2
A	pay no cash dividends.		1	3
A	not need to consider its dividend policy		0	4
Q	The problem with a constant payout ratio dividend policy from the shareholder’s perspective is that		M	1
A	it bores the shareholders		0	1
A	if the firm’s earnings drop, so does the dividend payment		1	2

A	there is no informational content		0	3
A	even when earnings are low, the company must pay a fixed dividend		0	4