

1. ----- is the backbone of every business.
A) Marketing
B) Management
C) Economics
D) Finance
2. ----- is broadly concerned with the acquisition and use of funds by a business firm.
A) Financial mgmt.
B) Marketing mgmt
C) Human resource mgmt
D) Project mgmt
3. "An understanding of what finance does is the foundation of financial knowledge"
A) Henry Ford
B) G.L.Jones
C) Van Homes
D) None of these
4. Which of the following is not one of the "A" of financial mgmt?
A) Anticipating financial needs
B) Arranging funds
C) Allocating funds
D) Acquiring financial resources
5. Which of the following is the importance of financial mgmt?
A) Smooth running
B) Earning capacity
C) Assets expansion
D) Project generation
6. Financial mgmt. is considered as a yardstick to measure the ----- of the firm.
A) Smoothness
B) Performance
C) Maximization
D) Efficiency
7. Traditional approach is evolved during-----.
A) 1920-30
B) 1925-30
C) 1930-35
D) 1935-40
8. The main task of finance manager under traditional approach is
A) Allocation of funds
B) Procurement of funds
C) Acquisition of funds
D) Anticipation of funds
9. Which of the following is not the content of the modern approach?
A) How should the funds required be financed?
B) What specific assets should an enterprise acquire?
C) How does the cost vary with the mixture of financing methods used?
D) What is the total volume of funds an enterprise should commit?

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10. According to modern approach which of the following is not the Decision area of finance manager?

- A) Investment decision
- B) Dividend policy decision
- C) Funds requirement decision
- D) Forecasting decision

11. Which of the following is the factors taken into consideration while Ascertaining profitability?

- A) Measuring cost of capital
- B) Raising funds
- C) Mgmt. of long term funds
- D) Mgmt. of short term funds

12. Which of the following is not the functional area of financial mgmt.?

- A) Corporate taxation
- B) Optimal capital structure
- C) Cost volume profit analysis
- D) Forecasting future profits

13. Which of the following is the function of treasurer?

- A) Profit planning
- B) Investment decision
- C) Credit and collection
- D) Budgeting

14. The decision to raise additional long term loans is

- A) Strategic financing decision
- B) Strategic investment decision
- C) Strategic dividend decision
- D) Strategic planning decision

15. Investment of funds in current assets ----- the profitability of the firm.

- A) Increase
- B) Decrease
- C) does not effect
- D) none of these

16. ----- is a term which denotes the maximum profits to be earned by an organization in a given time period.

- A) Profit maximization
- B) Profit minimization
- C) Loss
- D) none of these

17. Which of the following is not the merit of profit maximization?

- A) Time factor
- B) Maximum social welfare
- C) Efficient allocation of resources
- D) Decision making

18. Wealth maximization is also known as-----

- A) Net maximization
- B) Profit maximization
- C) Value maximization
- D) none of these

19. Profitability Index is a method of

- A) Cost of equity
- B) Trading on equity
- C) Abc analysis
- D) Capital budgeting

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20. ----- is the reward for risk and uncertainty bearing.

- A) Loss
- B) Profit
- C) Optimization
- D) none of these

21. The formula for compounding of interest is

- A) $A = 1(P+i)_n$
- B) $A = P(1+i)_n$
- C) $A = (P+i)_n$
- D) $A = (1+i)_n$

22. Calculate the compounded value when Rs 1000 is invested for 4 years and the interest on it is compounded at 10% p.a. semi annually.

- A) Rs. 1340
- B) Rs.2350
- C) Rs. 1430
- D) Rs.1477

23. Mr. Rakesh deposits Rs.1000 at the end of every year for 5 years in his saving account paying 5% interest compounded annually. Determine how much sum of money he will have at the end of the 5th year.

0 1 2 3 4

1 1.050 1.103 1.158 1.216

- A) Rs.11054
- B) Rs.5527
- C) Rs. 5257
- D) Rs.5572

24. $S_n = IF * A$

What does S_n represent in above equation?

- A) Present value of an annuity
- B) Compound sum of an annuity
- C) Value of annuity
- D) Appropriate factor

25. If Mr. X , depositor, expects to get Rs.100 after one year at the rate of 10%, the amount he will to invest at present is

- A) Rs.90.90
- B) Rs.90
- C) Rs. 89.90
- D) Rs.100

26. The value of bonds or debentures is determined through the technique known as-----

- A) Annuity technique
- B) Compound value technique
- C) Capitalization technique
- D) Both A & B

27. Which of the following is the formula for determining the present value of the bond or debenture?

- A) $V = I / K_d$
- B) $V = K_d / I$
- C) $K_d = V / I$
- D) $I = K_d / V$

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28. ABC company issued 8% irredeemable preference shares of Rs.100 each. The capitalization rate is 6%. Compute the present value of a preference share.

- A) 132
- B) 133.33
- C) 134.33
- D) 138.33

29. A company has a share capital of Rs. 500000. The company has the policy of retaining 60% of its earnings. Calculate the growth rate in dividend if company earns 10% on its capital employed.

- A) 5%
- B) 6%
- C) 8%
- D) 9%

30. ----- refers to the total process of generating, evaluating, selecting and following up on capital expenditure alternatives.

- A) Cost of capital
- B) Capital budgeting
- C) Capital project planning
- D) Working capital mgmt.

31. Which of the following is not the capital budgeting decision?

- A) Replacing & modernizing a process
- B) Mechanization of process
- C) Choice between alternative machines
- D) Economic analysis

32. The correct sequence of capital budgeting process is

- a) Project execution
- b) Project evaluation
- c) Project generation
- d) Project selection

- A) c, b, d, a
- B) b, c, a, d
- C) c, b, a, d
- D) a, d, b, c

33. Match set I with set II

Set I

- 1) Mutually exclusive investment proposals
- 2) Contingent investment proposal
- 3) Independent investment proposal
- 4) Replacements

Set II

- a) Performing different tasks in the organization
- b) Representing alternative methods of doing the same job
- c) Replacing the old & antiquated equipment
- d) Depend upon acceptance of others

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- A) (1-c) (2- d) (3-c) (4-a)
- B) (1-b) (2-d) (3-a) (4-c)
- C) (1-d) (2-b) (3-c) (4-a)
- D) (1-b) (2-d) (3- c) (4-a)

34. A project requires an initial investment of Rs.120000 & yields annual cash inflow of Rs.12000 for 12b years. Find the payback period.

- A) 11 years
- B) 10 years
- C) 9 years
- D) 12 years

35. The project requires an initial investment of Rs20000 & the annual cash inflow for 5 years are Rs.6000, Rs. 8000, Rs. 5000, Rs. 4000 & Rs.4000 respectively. Find the payback period.

- A) 3 years
- B) 3.25 years
- C) 3.5 years
- D) 5 years

36. Which of the following is not the merit of payback period method?

- A) important guide to investment policy
- B) easy to understand
- C) great emphasis on liquidity
- D) rule of thumb method

37. The ARR is found out by dividing the ----- after taxes by the-----.

- A) income, average investment
- B) average income, investment
- C) average profit, average investment
- D) average income, average investment

38. The formula for average investment is

- A) Original investment – scrap value/ 2
- B) Average income- scraps value / 2
- C) Investment / 2
- D) None of these

39. The working result of two machines are given below:

Machine X(Rs) Machine Y(Rs)

Cost 45000 45000

Sales per year 100000 80000

Total cost per year

(excluding
depreciation)

36000 30000

Expected life 2 years 3years

Which of the two should be preferred?

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- A) Machine X
- B) Machine Y
- C) data inadequate
- D) both Machine X & Y

40. A choice is to be made between the two competing proposals which require an equal investment of Rs 50000 and are expected to generate net cash flows as under:

Years Project A Project B

- 1. 25000 10000
- 2. 15000 12000
- 3. 10000 18000
- 4. - 25000
- 5. 12000 8000
- 6. 6000 4000

Cost of the capital of the company is 10%. The following are present value factors at 10% p.a.

Year 1 2 3 4 5 6

p.v.

factor at

10%

0.909 0.826 0.751 0.683 0.621 0.564

Which proposal should be selected using NPV method?

- A) Project A
- B) Project B
- C) None of these
- D) data inadequate

41. While evaluating two or more projects, project giving a ----- IRR would be preferred.

- A) Lower
- B) higher
- C) Equal
- D) less than equal

42. A company has to select one of the following projects:

Project X Project Y

COST Rs 11000 Rs. 10000

Cash inflows

- 1 year 6000 1000
- 2 year 2000 1000
- 3 year 1000 2000
- 4 year 5000 10000

using IRR method suggest which project is preferable?

- A) Project X
- B) Project Y
- C) Neither project X nor Y
- D) Both

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43. Present value method always provides for correct ranking of mutually exclusive investment projects, whereas----- methods sometimes does not.

- A) Profitability index
- B) IRR
- C) Payback period
- D) Net present value

44. Which concepts represent excess of current assets over current liabilities?

- A) Working capital
- B) Gross working capital
- C) Net working capital
- D) Going concern concept

45. ----- working capital represents current assets required on a continuous basis over the entire year.

- A) Gross
- B) Permanent
- C) Variable
- D) Net

46. Tandon committee has referred which of the following working capital as core current assets.

- A) Regular
- B) Net
- C) Temporary
- D) Gross

47. When current liabilities exceed current assets----- working capital emerges.

- A) Positive
- B) Cash
- C) Negative
- D) Balance sheet

48. Which of the following is the process of life cycle of working capital of trading firm?

- A) Conversion of cash into raw materials
- B) Conversion of debtors into cash
- C) Cash into inventories
- D) Conversion of work in progress

49. Which of the following is not the internal factor of determining working capital?

- A) Profit margin & dividend policy
- B) Access to money market
- C) Firm's credit policy
- D) Technological developments

50. Where production & distribution activities are----- pressure on working capital will be-----.

- A) minimized, co-ordination
- B) co-ordination, minimized
- C) maximized, co-ordination
- D) co-ordination, maximized

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51. Business expands during the period of ----- & declines during the period of-----
A) inflation, depression
B) prosperity, depression
C) depression, prosperity
D) deflation, inflation
52. Just in time approach is developed in-----
A) China
B) India
C) Japan
D) Australia
53. Throughput time= Processing time = ----- + Conveyance time + Waiting time.
A) Factory time
B) Perfect time
C) Inspection time
D) Lead time
54. The major sources of spontaneous financing are----- & -----
A) trade credit, outstanding expenses
B) short term bank loans, commercial papers
C) trade credit, commercial papers
D) debentures, trade credits
55. LIFO stands for
A) Leave in first out
B) Last in first out
C) Lead in first out
D) Last in first operation
56. Which of the following is a not determinant of inventory of finished goods?
A) Change in economic conditions
B) Durability & style of product
C) Business cycle
D) Attitude of mgmt.
57. -----should be followed while financing different components of working capital.
A) Principle of optimization
B) Principle of investment in working capital
C) Principle of optimization of profit
D) Principle of suitability
58. According to----- approach all requirements of funds should be met from long term sources.
A) Matching
B) Conservative
C) Aggressive
D) Suitability

59. Determine the amount locked up in finished goods from the following data.

Units manufactured during the year- 18000

Cost per unit- Rs 10

Elements of cost:

Direct material 50%

Direct wage 40%

Direct overhead 10%

Finished goods are to stay in the warehouse for 2 months on an average before being sent to the customers.

A) Rs 40000

B) Rs 30000

C) Rs 12500

D) Rs 35000

60. The return that must be paid to the suppliers of capital is known as-----

A) Interests

B) Capital

C) Cost of capital

D) Dividend

61. Which of the following is not the name of cost of capital?

A) Barrier rate

B) Minimum attractive rate of return

C) Cost of funds

D) Discount rate

62. ----- cost of capital is also known as opportunity cost of capital.

A) Explicit

B) Implicit

C) Opportunity

D) Historical

63. ----- cost of capital is the cost of capital of sources of finance that will be raised in the future.

A) Historical

B) Explicit

C) Future

D) Average

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64. TATA issues 4 years 12% debentures of Rs. 100/- each for Rs. 105/-. The debentures are redeemable at par. The company has spent Rs.5 per debentures as floatation cost.

- A) 13%
- B) 12%
- C) 11%
- D) 10%

65. Dividend on ordinary shares cannot be paid if----- is not paid.

- A) Dividend on preference share
- B) Interest on debentures
- C) Tax
- D) None of these

66. According to bond yield plus risk premium approach cost of equity can be calculated as

- A) yield on the bond
- B) Risk premium
- C) Yield on the bond + debenture interest
- D) Yield on the bond + risk premium

67. If EPS = Rs 10, Price per share = Rs 100 Then cost of equity is

- A) 100%
- B) 10%
- C) data inadequate
- D) 1%

68. The earnings before interest and taxes are also known as ----- profits.

- A) Net
- B) Gross
- C) Operating
- D) Manufacturing

69. "The employment of an assets or funds for which the firms pays a fixed cost of fixed return"

- | | |
|----------------|---------------|
| A) James bob | B) James hone |
| C) James Horne | D) James bond |

70. ----- the fixed cost, ----- will be the variation of operating profits to given rise or fall in sales.

- | | |
|------------------|-------------------|
| A) higher, lower | B) lower, higher |
| C) lower, lower | D) higher, higher |

71. The following is the formula of contribution

- | | |
|-----------------------------|--------------------------|
| A) Sales – fixed cost | B) Sales – variable cost |
| C) Sales – opportunity cost | D) Sales – sunk cost |

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72. ----- cost does not change with the change in the output.
A) Variable B) Sunk
C) Fixed D) Material
73. ----- leverage involves the use of fixed cost source of finance like debt and preference capital.
A) Operating B) Favorable
C) Financial D) Unfavorable
74. ABC has an EBIT of Rs 600000 at 5000 level of production. The company has 500000 equity shares of Rs.10/- each, 15% debentures of Rs. 500000 & 10% preference capital of Rs. 500000. Calculate degree of financial leverage.
A) 1.49 B) 1.41
C) 1.70 D) 1.25
75. ----- leverage represents the effect of a given change in the sales revenue on the earning per share.
A) Financial B) Operating
C) Combined D) Favorable
76. ----- refers to the mix of or proportion of a firm's permanent long term financing represented by debt, preference capital and equity capital.
A) Cost of capital B) Capital structure
C) Value of the firm D) Dividends
77. Particular mix of debt & equity which maximizes the value of the firm is known as-----
A) Capital B) Capital structure
C) Optimum capital structure D) maximization
78. Which of the following is not the assumption of capital structure theories?
A) Only two sources of funds
B) EBIT are expected to grow
C) Corporate tax does not exist
D) Company has infinite life
79. $V = \text{EBIT} / K_o$, What does "V" represent in this formula?
A) Value of firm
B) Value of equity
C) Value of cost
D) Value of competitors
80. Net Income Approach has been suggested by
A) Devid Durand B) David Durand
C) David Darand D) David F Durand

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81. A company's expected net operating income is Rs. 100000. The company has issued Rs.500000, 10% debentures of Rs 100 each. The cost of equity is 12.5%, assuming no taxes find out overall cost of capital and the value of the firm according to NI approach.

- A) 11.50%
- B) 11.10%
- C) 11%^b
- D) 11.25%

82. According to ----- approach, the value of the firm can be increased or cost of capital can be reduced by a judicious mix of debt and equity capital.

- A) Net income
- B) NOI
- C) Traditional
- D) MM

83. A company issues 1000 shares of Rs. 10 each and 10% of 5000 debentures of Rs. 10 each. It earns Rs. 30000 as operating profit. Calculate return on equity.

- A) 225%
- B) 250%
- C) 275%
- D) 200%

84. ----- costs are incurred when the funds are raised externally.

- A) Brokerage
- B) Floatation
- C) Sunk
- D) Opportunity

85. ----- is that portion of net profits which is distributed among the shareholders.

- A) Interest
- B) Tax
- C) Dividend
- D) Both A & B

86. $R > K$ is the situation of which firm?

- A) Constant firm
- B) Declining firm
- C) Normal firm
- D) Growth firms

87. (i) The optimum payout ratio for a growth firm is zero

(ii) No optimum ratio for a normal firm

(iii) Optimum payout ratio for a declining firm is 100%

Which of the above equation is true?

- A) Only (i)
- B) Only (i) & (ii)
- C) All
- D) Only (ii) & (iii)

88. ----- issue bonds free of cost to the existing shareholders.

- A) Property dividend
- B) Bonus shares
- C) Cash dividend
- D) Bond dividend

89. A ----- is a method to increase the number of outstanding shares through a proportional reduction in the par value of shares.

- A) Stock splits
- B) Bonus shares
- C) Reverse split
- D) Bond dividend

90. A----- is said to be occur when two or more companies combine into one company.

- A) Absorption
- B) Merger
- C) Amalgamation
- D) Combination

91. Set A

- a) Constant dividend per share
- b) Constant percentage of net earnings
- c) Small constant dividend per share plus extra dividend
- d) Dividend as a fixed percentage of MPS

Set B

- i) Constant dividend plus additional funds
 - ii) Certain percentage of the market price per share
 - iii) Policy of constant payout ratio
 - iv) Certain fixed amount per share
- A) (a-iv) (b-ii) (c-iii) (d-i)
 - B) (a-iv) (b-iii) (c-i) (d-ii)
 - C) (a-ii) (b-iii) (c-iv) (d-i)
 - D) (a-iv) (b- i) (c-iii) (d-ii)

92. Set A

- a) Horizontal merger
- b) Vertical merger
- c) Lateral merger
- d) Conglomerate merger
- e) Concentric merger

Set B

- i) segments brought together to carry over specific mgmt. functions
 - ii) two or more firms producing unrelated products
 - iii) firms producing different products related in some way
 - iv) different stages of the production of the same product
 - v) producing same product or doing the same business
- A) (a- i) (b-ii) (c-iii) (d-iv) (e-v)
 - B) (a-ii) (b-i) (c-iv) (d-iii) (e-v)
 - C) (a-v) (b-iv) (c-iii) (d-ii) (e-i)
 - D) (a-iii) (b-iv) (c-iv) (d-ii) (e-i)

93. $2 + 2 = 5$ is the phenomenon known as

- A) Economies of scale
- B) Reverse synergy
- C) Synergy
- D) Divesture

94. ----- represent the sale of a segment of a company to a third party
- A) Restructuring
 - B) Divestiture
 - C) Diversification
 - D) Merger
95. When an existing parent company distribute on a pro rata basis the shares of the new company to the shareholders of the parent company free of cost.
- A) Sell off
 - B) Spin off
 - C) Equity carve out
 - D) Bust ups
96. ESOP stands for
- A) Employers' stock option plan
 - B) Employees' stock option plan
 - C) Employees' share option plan
 - D) Equity stock option plan
97. Agreement which allows the bondholder to demand repayment of the amount in the event of hostile takeover
- A) Poison pills
 - B) Poison out
 - C) White knights
 - D) Green mail
98. Arrange in sequence the steps of financial planning
- i) Laying down the financial procedures
 - ii) Financial planning
 - iii) Formulation of financial policies
 - iv) Setting financial objectives
 - v) Determination of the form of securities to be issued
 - vi) Estimating the capital requirement
- A) i, iv, ii, iii, v, vi
 - B) vi, v, iv, iii, ii, i
 - C) vi, v, iv, iii, i, ii
 - D) iv, v, iii, ii, i, vi
99. ----- means the amount of capital employed or invested in a business.
- A) Cost of capital
 - B) Capital structure
 - C) Equity capital
 - D) Capitalization

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100. When the actual capitalization of a company is more than the proper capitalization?

- A) Under capitalization
- B) Excess capital
- C) Over Capitalization
- D) Inadequate capital

101. ----- means the allocation of the limited funds available for financing the capital projects to only some of the profitable projects in such a manner that the long term returns are maximized.

- A) Capital budgeting
- B) Capitalization
- C) Capital structure
- D) Capital rationing

102. The ----- is the variability between the two returns, the ----- is the risk involved in the project.

- A) greater, greater equal to
- B) greater, lower
- C) greater, more
- D) lower, greater

103. ----- is a way of analyzing the changes in the NPV or IRR of a project to a given change in one variables of capital investment proposal like the estimated cash inflows etc.

- A) Linear programming
- B) Sensitivity analysis
- C) Simplex method
- D) Decision analysis

104. ----- is/ are statistical technique of risk measurement in capital budgeting.

- A) Sensitivity analysis
- B) Standard deviation method
- C) Both A & B
- D) None of these