

Introduction to Business Finance & Financial Management

Multiple Choice Questions (MCQ)

Collected from many sources on Internet. I have tried to eliminate duplicates, check answers; however some work still need to be done.

Please inbox for any correction/improvement

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1. Which of the Following Issue is NOT Covered By 'Investment' Area of Finance?

Best Mixture of Financial Investment

International Aspects of Corporate Finance

Associated Risks and Rewards

Pricing Financial Assets

4. Financial Policy is Evaluated By Which of the Following?

Profit Margin

Total Assets Turnover

Debt-Equity Ratio

None of the Above

5. Cash Flow From Assets Involves Which of the Following Component(s)?

Operating Cash Flow

Capital Spending

Change in Net Working Capital

All of the Above

6. Which of the Following Refers to the Cash Flows that Result From the Firm's Day-Today Activities of Producing and Selling?

Operating Cash Flows

Investing Cash Flows

Financing Cash Flows

All of the Above

7. Finance is Vital for Which of the Following Business Activity (Activities)?

Marketing Research

Product Pricing

Design of Marketing and Distribution Channels

All of the Above

8. Which of the Following Costs are Reported On the Income Statement as the Cost of Goods Sold?

Product Cost

Period Cost

Both Product Cost and Period Cost

Neither Product Cost Nor Period Cost

9. Standard Company had Net Sales of Rs.750,000 Over the Past year. During that Time, Average Receivables were Rs.150,000.

Assuming a 365-Day year, What was the Average Collection Period?

5 Days

36 Days

48 Days

73 Days

10. Which of the Following Terms Refers to the Use of Debt Financing?

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the Above

11. In Which Type of Market, New Securities are Traded?

Primary Market

Secondary Market

Tertiary Market

None of the Above

12. Which of the Following Ratios is Particularly Interesting to Short-Term Creditors?

Liquidity Ratios

Long-Term Solvency Ratios

Profitability Ratios

Market value Ratios

13. _____ Shows the Sources From Which Cash has Been Generated and How it has Been Spent During a Period of Time?

Income Statement

Balance Sheet

Cash Flow Statement

Owner's Equity Statement

15. Quick Ratio is Also Known As:

Current Ratio

Acid-Test Ratio

Cash Ratio

16. _____ Of the Following Statement Measures Performance Over a Specific Period of Time?

Income Statement

Balance Sheet

Cash Flow Statement

Retained Earnings Statement

17. A Portion of Profits, Which a Company Retains Itself for Further Expansion, is Known As:

Dividends

Retained Earnings

Capital Gain

None of the Above

19. Which of the Following Statement Shows Assets, Liabilities, and Net Worth as of a Specific Date?

Income Statement

Balance Sheet

Owner's Equity Statement

Cash Flow Statement

21. Which One of the Following is NOT a Liquidity Ratio?

Current Ratio

Quick Ratio

Cash Coverage Ratio

Cash Ratio

22. Which of the Following Ratio Gives an Idea as to How Efficient Management is At Using Its Assets to Generate Earnings?

Profit Margin

Return On Assets

Return On Equity

Total Assets Turnover

23. Which of the Following is an Example of Capital Spending?

Purchase of Fixed Assets

Decrease in Net Working Capital

Increase in Net Working Capital

None of the Above

24. Which of the Following is Measured By Profit Margin?

Operating Efficiency

Asset Use Efficiency

Financial Policy

Dividend Policy

25. Which of the Following Make a Broader Use of Accounting Information?

Accountants

Financial Analysts

Auditors

Marketers

26. Which of the Following Set of Ratios is Used to Assess a Business's Ability to Generate Earnings as Compared to Its Expenses and Other Relevant Costs Incurred During a Specific Period of Time?

Liquidity Ratios

Leverage Ratios

Profitability Ratios

Market value Ratios

27. A Company Having a Current Ratio of 1 will have _____ Net Working Capital.

Positive

Negative

Zero

None of the Above

28. Which of the Following is Not a Form of Business Organization?

Sole Proprietorship

Partnership

Joint Stock Company

Cooperative Society

29. Which of the Following Ratios are Intended to Address the Firm's Financial Leverage?

Liquidity Ratios

Long-Term Solvency Ratios

Asset Management Ratios

Profitability Ratios

30. The Accounting Definition of Income Is:

Income = Current Assets – Current Liabilities

Income = Fixed Assets – Current Assets

Income = Revenues – Current Liabilities

Income = Revenues – Expenses

31. Which of the Following Item(s) Is (are) Not Included While Calculating Operating Cash Flows?

Depreciation

Interest

Expenses Related to Firm's Financing of Its Assets

All of the Above

35. In Which Type of Market, Used Securities are Traded?

Primary Market

Secondary Market

Tertiary Market

None of the Above

37. Which of the Following is (Are) a Non-Cash Item(s)?

Revenue

Expenses

Depreciation

All of the Above

38. What will Be the Coupon value of a Rs.1,000 Face-Value Bond with a 10% Coupon Rate?

Rs.100

Rs.510

Rs.1,000

Rs.1,100

39. Which of the Following Comes Under the Head of Discounted Cash Flow Criteria for Capital Budgeting Decisions?

Payback Period

Net Present Value

Average Accounting Return

None of the Above

40. Period Costs Include Which of the Following?

Selling Expense

Raw Material

Direct Labor

Manufacturing Overhead

41. The value of Net Working Capital will Be Greater Than Zero When:

Current Assets > Current Liabilities

Current Assets < Current Liabilities

Current Assets = Current Liabilities

None of the Above

42. According to Du Pont Identity, ROE is Affected By Which of the Following?

Operating Efficiency

Asset Use Efficiency

Financial Leverage

All of the Above

43. Balance Sheet for a Company Reports Current Assets of Rs.700,000 and Current Liabilities of Rs.460,000.What Would Be the Quick Ratio for the Company If There is an Inventory Level of Rs.120,000?

1.01

1.26

1.39

1.52

44. Standard Corporation Sold Fully Depreciated Equipment for Rs.5,000. This Transaction will Be Reported On the Cash Flow Statement as a(n):

Operating Activity

Investing Activity

Financing Activity

None of the Above

45. Balance Sheet for a Company Reports Current Assets of Rs.700,000 and Current Liabilities of Rs.460,000.What Would Be the Current Ratio for the Company If There is an Inventory Level of Rs.120,000?

1.01

1.26

1.39

1.52

46. In Which Type of Business, All Owners Share in Gains and Losses and All have Unlimited Liability for All Business Debts?

Sole-Proprietorship

General Partnership

Limited Partnership

Corporation

47. A Firm Uses Cash to Purchase Inventory, Its Current Ratio Will:

Increase

Decrease

Remain Unaffected

Become Zero

49. Which of the Following is an Example of Positive Covenant?

Maintaining Any Collateral Or Security in Good Condition

Limiting the Amount of Dividend According to Some Formula

Restricting Pledging Assets to Other Lenders

Barring Merger with Another Firm

50. Which of the Following Refers to the Difference Between the Sale Price and Cost of Inventory?

Net Loss

Net Worth

Markup

Markdown

51. Which of the Following Allows a Company to Repurchase Part Or All of the Bond Issue At a Stated Price?

Repayment

Seniority

Call Provision

Protective Covenants

53. Which of the Following is a Cash Flow From Financing Activity?

Cash Outflow to the Government for Taxes

Cash Outflow to Shareholders as Dividends

Cash Outflow to Lenders as Interest

Cash Outflow to Purchase Bonds Issued By Another Company

54. Which of the Following Form of Business Organization is Least Regulated?

Sole-Proprietorship

General Partnership

Limited Partnership

Corporation

55. The Principal Amount of a Bond At Issue is Called:

Par Value

Coupon Value

Present value of an Annuity

Present value of a Lump Sum

58. Which of the Following Item Provides the Important Function of Shielding Part of Income From Taxes?

Inventory

Supplies

Machinery

Depreciation

59. A Firm Reports Total Liabilities of Rs.300,000 and Owner's Equity of Rs.500,000.What Would Be the Total Worth of the Firm's Assets?

Rs.300,000

Rs.500,000

Rs.800,000

Rs.1,100,000

60. Which of the Following Forms of Business Organizations is Created as a Distinct Legal Entity Owned By One Or More Individuals Or Entities?

Sole-Proprietorship

General Partnership

Limited Partnership

Corporation

61. In Which Form of Business, Owners have Limited Liability.

Sole Proprietorship

Partnership

Joint Stock Company

None of the Above

62. Which of the Following Equation is Known as Cash Flow (CF) Identity?

CF From Assets = CF to Creditors – CF to Stockholder

CF From Assets = CF to Stockholders – CF to Creditors

CF to Stockholders = CF to Creditors + CF From Assets

CF From Assets = CF to Creditors + CF to Stockholder

63. The Difference Between Current Assets and Current Liabilities is Known As:

Surplus Asset

Short-Term Ratio

Working Capital

Current Ratio

65. Which of the Following Statement is Considered as the Accountant's Snapshot of Firm's Accounting value as of a Particular Date?

Income Statement

Balance Sheet

Cash Flow Statement

Retained Earning Statement

67. Which of the Following Statement About Bond Ratings is TRUE?

Bond Ratings are Typically Paid for By a Company's Bondholders.

Bond Ratings are Based Solely On Information Acquired From Sources Other Than the Bond Issuer.

Bond Ratings Represent an Independent Assessment of the Creditworthiness of Bonds.

None of the Above

68. Which of the Following is the Acronym for GAAP?

Generally Applied Accountability Principles

General Accounting Assessment Principles

Generally Accepted Accounting Principles

General Accepted Assessment Principles

70. A Firm has Paid Out Rs.150,000 as Dividends From Its Net Income of Rs.250,000. What is the Retention Ratio for the Firm?

12 %

25 %

40 %

60 %

71. A Portion of Profits, Which a Company Distributes Among Its Shareholders, is Known As:

Dividends

Retained Earnings

Capital Gain

None of the Above

72. Which of the Following is (are) the Basic Area(s) of Finance?

Financial Institutions

International Finance

Investments

All of the Above

73. Which of the Following Ratios is NOT From the Set of Asset Management Ratios?

Inventory Turnover Ratio

Receivable Turnover

Capital Intensity Ratio

Return On Assets

74. You Just Won a Prize, You Can Either Receive Rs.1000 Today Or Rs.1,050 in One year. Which Option Do You Prefer and Why If You Can Earn 5 % On Your Money?

Rs.1,000 Because it has the Higher Future Value

Rs.1,000 Because You Receive it Sooner

Rs.1,050 Because it is More Money

Either Because Both Options are of Equal Value

76. You Need Rs.10,000 to Buy a New Television. If You have Rs.6,000 to Invest At 5% Compounded Annually, How Long will You have to Wait to Buy the Television?

8.42 years

10.51 years

15.75 years

18.78 years

77. Which of the Following is an Example of Positive Covenant?

Maintaining Firm's Working Capital At Or Above Some Specified Minimum Level

Furnishing Audited Financial Statements Periodically to the Lender

Maintaining Any Collateral Or Security in Good Condition

Restricting Selling Or Leasing Assets

78. Which of the Following is Measured By Retention Ratio?

Operating Efficiency

Asset Use Efficiency

Financial Policy

Dividend Policy

80. Product Costs Include Which of the Following?

Selling Expenses

General Expenses

Manufacturing Overhead

Administrative Expenses

81. an Account was Opened with an Investment of Rs.3,000 Ten years Ago. The Ending Balance in the Account is Rs.4,100. If Interest was Compounded, How Much Compounded Interest was Earned?

Rs.500

Rs.752

Rs.1,052

Rs.1,100

82. What is the Effective Annual rate of 7 % Compounded Monthly?

7.00 %

7.12 %

7.19 %

7.23 %

83. Which of the Following Cash Flow Activities are Reported in the Cash Flow Statement and Income Statement?

Operating Activities

Investing Activities

Financing Activities

All of the Above

84. Which of the Following Term Refers to Establishing a Standard to Follow for Comparison?

Benchmarking

Standardizing

Comparison

Evaluation

86. Rule of 72 for Finding the Number of Periods is Fairly Applicable to Which of the Following Range of Discount Rates?

2% to 8%

4% to 25%

5% to 20%

10% to 50%

87. Which of the Following Refers to a Conflict of Interest Between Principal and Agent?

Management Conflict

Interest Conflict

Agency Problem

None of the Above

88. Which of the Following is a Series of Constant Cash Flows that Occur At the End of Each Period for Some Fixed Number of Periods?

Ordinary Annuity

Annuity Due

Perpetuity

None of the Above

90. Which of the Following is NOT an External Use of Financial Statements Information?

Evaluation of Credit Standing of New Customer

Evaluation of Financial Worth of Supplier

Evaluation of Potential Strength of the Competitor

Evaluation of Performance Through Profit Margin and Return On Equity

92. If a Firm has a ROA of 8 %, Sales of Rs.100,000, and Total Assets of Rs.75,000. What is the Profit Margin?

4.30%

6.00%

10.70%

16.73%

93. Which of the Following is the Process of Planning and Managing a Firm's Long Term Investments?

Capital Structuring

Capital Rationing

Capital Budgeting

Working Capital Management

96. Mr. Y and Mr. Z are Planning to Share Their Capital to Run a Business. They are Going to Employ Which of the Following Type of Business?

Sole-Proprietorship

Partnership

Corporation

None of the Above

97. If You have Rs.30 in Asset A and Rs.120 in Another Asset B, the Weights for Assets a and B will Be ___ and ___ Respectively.

20%; 80%

37%; 63%

63%; 37%

80%; 20%

98. When Corporations Borrow, They Generally Promise To: I. Make Regular Scheduled Interest Payments II. Give the Right of Voting to Bondholders III. Repay the Original Amount Borrowed (Principal) IV. Give an Ownership Interest in the Firm
I and II

I and III

II and IV

I, III, and IV

99. Which of the Following is NOT Included in a Bond Indenture?

The Basic Terms of Bond Issue

The Total Amount of Bonds Issued

A Personal Profile of the Issuer

A Description of the Security

100. What Would Be the Present value of Rs.10,000 to Be Received After 6 years At a Discount rate of 8 %?

Rs.6,302

Rs.9,981

Rs.14,800

Rs.15,869

101. Which of the Following Statement is TRUE Regarding Debt?

Debt is an Ownership Interest in the Firm.

Unpaid Debt Can Result in Bankruptcy Or Financial Failure.

Debt Provides the Voting Rights to the Bondholders.

Corporation's Payment of Interest On Debt is Fully Taxable.

102. The Preferred Stock of a Company Currently Sells for Rs.25 Per Share. The Annual Dividend of Rs.2.50 is Fixed. Assuming a Constant Dividend Forever, What is the rate of Return On this Stock?

5.00 %

7.00 %

8.45 %

10.0 %

106. The Coupon rate of a Floating-Rate Bond is Capped and Upper and Lower Rates are Called:

Float

Collar

Limit

Surplus

108. Which of the Following Strategy Belongs to Restrictive Policy Regarding Size of Investments in Current Assets?

To Maintain a High Ratio of Current Assets to Sales

To Maintain a Low Ratio of Current Assets to Sales

To Less Short-Term Debt and More Long-Term Debt

To More Short-Term Debt and Less Long-Term Debt

112. Which of the Following Terms Refers to the Costs to Store and Finance the Assets?

Carrying Costs

Shortage Costs

Storing Costs

Financing Costs

113. Which One of the Following Statement is INCORRECT Regarding MACRS Depreciation?

Every Asset is Assigned to a Particular Class Which Establishes Asset's Life for Tax Purposes.

Depreciation is Computed for Each year By Multiplying the Cost of the Asset By a Fixed %Age.

Annual Depreciation Remains Constant Every year Even By Using Different Rates.

The Expected Salvage value and the Actual Expected Economic Life are Not Explicitly Considered in Calculation of Depreciation.

114. Which of the Following Statement is CORRECT Regarding Compound Interest?

It is the Most Basic Form of Calculating Interest.

It Earns Profit Not Only On Principal But Also On Interest.

It is Calculated By Multiplying Principal By rate Multiplied By Time.

It Does Not Take into Account the Accumulated Interest for Calculation.

115. Mr. A has Just Recently Started a Business By Investing a Capital of Rs.500,000. He will Be the Only Owner of the Business and Also Enjoy All the Profits of the Business. Which Type of Business is Being Employed By Mr. A?

Sole-Proprietorship

Partnership

Corporation

None of the Above

116. Time value of Money is an Important Finance Concept Because:

It Takes Risk into Account

It Takes Time into Account

It Takes Compound Interest into Account

All of the Above

120. One Would Be Indifferent Between Taking and Not Taking the Investment When:

NPV is Greater Than Zero

NPV is Equal to Zero

NPV is Less Than Zero

All of the Above

122. Which of the Following is NOT a Shortcoming of Payback Rule?

Time value of Money is Ignored

It Fails to Consider Risk Differences

Simple and Easy to Calculate

None of the Above

126. Business Risk Depends On Which of the Following Risk of the Firm's Assets?

Systematic Risk

Diversifiable Risk

Unsystematic Risk

None of the Above

127. Which of the Following Type of Risk Can Be Eliminated By Diversification?

Systematic Risk

Market Risk

Unsystematic Risk

None of the Above

128. Which of the Following Measure Reveals How Much Profit a Company Generates with the Money Shareholders have Invested?

Profit Margin

Return On Assets

Return On Equity

Debt-Equity Ratio

130. Which of the Following is the Return that Firm's Creditors Demand On New Borrowings?

Cost of Debt

Cost of Preferred Stock

Cost of Common Equity

Cost of Retained Earnings

131. Systematic Risk is Also Known As:

Diversifiable Risk

Market Risk

Residual Risk

Asset-Specific Risk

132. ABC Corporation has Two Shareholders; Mr. Aamir with 50 Shares and Mr. Imran with 70 Shares. Both Want to Be Elected as One of the Four Directors But Mr. Imran Doesn't Want Mr. Aamir to Be Director. How Much Votes Would Mr. Aamir Be Able to Cast as Per Cumulative Voting Procedure?

70

120

200

280

133. The Difference Between the Return On a Risky Investment and that On a Risk-Free Investment.

Risk Return

Risk Premium

Risk Factor

None of the Above

134. A Group of Assets Such as Stocks and Bonds Held By an Investor is Called:

Portfolio

Capital Structure

Budget

None of the Above

135. If the Variance Or Standard Deviation is Larger Than the Spread, Returns will Be:

Less

More

Same

None of the Above

136. The Following Risk is Entirely Wiped Out By Diversification.

Systematic Risk

Unsystematic Risk

Portfolio Risk

Total Risk

137. The Objective for Using the Concept of Diversification is To:

Minimize the Risk

Maximize the Return

A & B

None of the Above

138. While Studying the Relationship in Risk and Return, it is Commonly Known That:

Higher the Risk, Lower the Return

Lower the Risk, Higher the Return

Higher the Risk, Higher the Return

None of the Above

139. This Type of Risk Affects Almost All Types of Assets.

Systematic Risk

Unsystematic Risk

Total Risk

Portfolio Risk

Suppose You Bought 1,500 Shares of a Corporation At Rs.25 Each. After a year, You Received Rs.3000 (Rs.2 Per Share) in Dividends. At the End of year the Stock Sells For Rs.30 Each. If You Sell the Stock At the End of the year, Your Total Cash Inflow will Be Rs.48,000 (1500 Shares @ 30 Each = Rs.45000 & Dividend = 3000).

140. According to the Given Data, the Capital Gain will Be:

10,500

7,500

10,000

7,000

141. According to the Given Data, the Dividend Yield will Be:

8.50 %

6.25%

8.00%

6.67%

142. According to the Given Data, Total % Age Returns will Be:

20%

28%

32%

35%

143. Which One of the Given Options Involves the Sale of New Securities From the Issuing Company to General Public?

Secondary Market

Primary Market

Capital Market

Money Market

144. In Financial Statement Analysis, Shareholders Focus will Be On The:

Liquidity of the Firm

Long Term Cash Flow of the Firm

Profitability and Long Term Health of the Firm

Return On Investment

145. The Statement of Cash Flows Helps Users to Assess and Identify All of the Following Except:

The Impact of Buying and Selling Fixed Assets.

The Company's Ability to Pay Debts, Interest and Dividends.

A Company's Need for External Financing.

The Company's Reliance On Capital Leases.

146. Suppose Younas Corporation has Balance of Merchandise of 5000 Units. It Wants to Sell 2000 Units At 90% of Its Cost On Cash. What Would Be the Effect of this Transaction On the Current Ratio?

Fall

Rise

Remain Unchanged

None of the Given Option

147. If the Interest rate is 18% Compounded Quarterly, What Would Be the 8-Year Discount Factor?

1.42215

2.75886

3.75886

4.08998

148. You have a Cash of Rs.150, 000. If a Bank Offers Four Different Compounding Methods for Interest, Which Method Would You Choose to Maximize the value of Your Rs.150, 000?

Compounded Daily

Compounded Quarterly

Compounded Semiannually

Compounded Annually

149. Ali Corporation has a Cash Coverage Ratio of 6.5 Times. Whereas Its Earning Before Interest and Tax is Rs.750 Million and Interest On Long Term Loan is Rs.160 Million. What Would Be the Annual Depreciation for the Current year?

A.Rs.200 Million

B.Rs.240 Million

C.Rs.275 Million

D.Rs.290 Million

150. Suppose RZ Corporation Sales for the year are Rs.150 Million. Out of this 20% of the Sales are On Cash Basis While Remaining Sales are On Credit Basis. The Past Experience Revealed that the Average Collection Period is 45 Days. What Would Be the Receivable Turnover Ratio?

6.12 Times

7.11 Times

8.11 Times

9.11 Times

151. A Bank Offers 20% Compounded Monthly. What Would Be the Effective Annual Rates of Return?

20.00%

20.50%

21.00%

21.99%

152. Nz Corporation Reported Earnings Before Interest and Taxes of Rs.500, 000 for the Current year. it has Taken a Long Term Loan of Rs.2 Million From a Local Bank @ 10% Interest. The Tax is Charged At the rate of 32%.What will Be the Saving in Taxes Due to Presence of Debt Financing in the Capital Structure of the Firm?

Rs.60, 000

Rs.64, 000

Rs.72, 000

Rs.74, 000

153. Ntp Corporation has Decided to Pay Rs.16 Per Share Dividend Every year. If this Policy is to Continue Indefinitely, Then the value of a Share of Stock Would Be -----, If the Required rate of Return is 25%?

A. Rs.60

B. Rs.64

C. Rs.68

D. Rs.74

154. MT Corporation has a Previous year Dividend of Rs.14 Per Share Where as Investors Require a 17% Return On the Similar Stocks.The Company's Dividend Grows By 7%.The Price Per Share in this Case Would Be _____.

A. Rs.149.8

B. Rs.184.9

C. Rs.198.4

D. Rs.229.9

155. RTU Corporation Stock is Selling for Rs.150 Per Share. The Next Dividend is Rs.35 Per Share and it is Expected to Grow 14% More Or Less Indefinitely. What Would Be the Return Does this Stock Offer You If this is Correct?

A. 17%

B. 27%

C. 37%

D. 47%

156. Suppose a Corporation has 3 Shareholders; Mr.Salman with 25 Shares, Mr. Kareem with 35 Shares, and Mr.Amjad with 40 Shares. Each Wants to Be Elected as One of the Six Directors. According to Cumulative Voting Rule Mr.Kareem Would Cast

A. 150 Votes

B. 210 Votes

C. 240 Votes

D. 300 Votes

157. _____ is the Market in Which Already Issued Securities are Traded Among Investors.

A. Primary Market

B. Secondary Market

C. Financial Market

D. Capital Market

158. Suppose Mehran Corporation is Dealing in the Automobile Industry. Based On Projected Costs and Sales, it Expects that the Cash Flows Over the 3-Year Life of the Project will Be Rs.5, 000,000 in First year, Rs.7, 000,000 in the Next year and Rs.8,000,000 in the Last year. This Project Would Cost About Rs.10,000,000. The Net Present value of the Project Would Be _____, If Discount rate is Assumed to Be 25%.

A. Rs.2, 060,800

B. Rs.3, 060,800

C. Rs.1, 576, 000

D. Rs.4, 060,800

159. The Projects Costs are Rs.1 5,000,000. The Payback Period for this Investment Would Be _____.

A. 1.58 years

B. 2.08 years

C. 2.38 years

D. 3.00 years

160. Suppose Z Corporation, has the Present value of Its Future Cash Flows is Rs.450,000 and the Project has a Cost of Rs.300, 000, Then the Profitability Index Would Be _____.

A. 0.667

B. 1.00

C. 1.25

D. 1.50

161. Fee Paid to the Consultant for Evaluating the Project is an Example of _____.

A. Opportunity Cost

B. Sunk Cost

C. Decremental Cost

D. None of the Given Option

162. If the Sales of the AB Corporation is Rs.20, 000,000 Where as Its Cost is Rs.12, 000,000 During the Same Period. Assume the Annual Tax rate is 37%. Its Annual Depreciation is Rs.5, 000, 000.The Operating Cash Flow of the Organization Would Be _____.

A. Rs.3,810,000

B. Rs.4,810,000

C. Rs.5,190,000

D. Rs.6,890,000

163. Treasury Notes and Bonds Are:

Default Free

Taxable

Highly Liquid

All of the Above

164. The Difference Between an Investment's Market value and Its Cost is Called the _____ of the Investment.

Net Present Value

Economic Value

Book Value

Future Value

165. When Real rate is High, All the Interest Rates Tend to Be _____.

Higher

Lower

Constant

None of the Above

166. _____ is a Grant of Authority By a Shareholder to Someone Else to Vote the Shareholder's Share.

Cumulative Voting

Straight Voting

Proxy Voting

None of the Above

167. The Payment of the Dividend is At the Discretion of The:

Chairman

Board of Directors

Shareholders

Stakeholders

168. Based On _____ the Investment is Accepted If the _____ Exceeds the Required Return. it Should Be Rejected Otherwise.

Profitability Index

Payback Period

Internal rate of Return

Net Present Value

169. If Two Investments are Mutually Exclusive, Then Taking One of Them Means That:

We Cannot Take the Other One

The Other is Pending for the Next Period

The Projects are Independent

None of the Above

170. Profitability Index (PI) Rule is to Take an Investment, If the Index Exceeds_____:

-1

0

1

All of the Above

171. Average Accounting Return is a Measure of Accounting Profit Relative To:

Book Value

Intrinsic Value

Cost

Market Value

172. it is Not Unusual for a Project to have Side Or Spillover Effects Both Good and Bad. This Phenomenon is Called:

Erosion

Piracy

Cannibalism

All of the Above

173. The Average Time Between Purchasing Or Acquiring Inventory and Receiving Cash Proceeds From Its Sale is Called -----

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Operating Cycle

Cash Cycle

Receivable Period

Inventory Period

174. Which of the Following Does Not Affect Cash Cycle of a Company?

Inventory Period

Accounts Receivable Period

Accounts Payable Turnover

None of the Given Option

175. Mr.Munir Purchased Goods of Rs.100,000 On June01, 2006 From Zeeshan & Brothers On Credit Terms of 3/10, Net 30. On June 09 Mr. Munir Decided to Make Payment to Zeeshan and Brothers. How Much He Would Pay to Zeeshan & Brothers

100,000

97,000

103,000

50,000

176. A Firm has Cash Cycle of 100 Days. it has an Inventory Turnover of 5 and Receivable Turnover of 2. What Would Be Its Accounts Payable Turn Over?

3.347 Approximately

5.347 Approximately

2.347 Approximately

6.253 Approximately

177. During the Financial year 2005-2006 Ended On June 30, the Cash Cycle of Climax Company was 150 Days, and Its Payable Turnover was 5. What was the Operating Cycle of the Company During 2005-2006?

234 Days

223 Days

245 Days

230 Days

178. Which of the Following is the Cheapest Source of Financing Available to a Firm?

Bank Loan

Commercial Papers

Trade Credit

None of the Above.

179. Which of the Following Illustrates the Use of a Hedging (Or Matching) Approach to Financing?

Short-Term Assets Financed with Long-Term Liabilities.

Permanent Working Capital Financed with Long-Term Liabilities.

Short-Term Assets Financed with Equity.

All Assets Financed with a 50 % Equity, 50 % Long-Term Debt Mixture

180. ----- is an Incentive Offered By a Seller to Encourage a Buyer to Pay Within a Stipulated Time.

Cash Discount

Quantity Discount

Float Discount

All of the Above

181. If a Firm has a Net Float Less Than Zero, Then Which of the Following Statements is True About the Firm.

The Firm's Disbursement Float is Less Than Its Collection Float.

The Firm's Collection Float is Equal to Zero.

The Firm's Collection Float is Less Than Its Disbursement Float.

None of the Above.

182. Financing a Long-Lived Asset with Short-Term Financing Would Be

An Example of 'Moderate Risk -- Moderate (Potential) Profitability' Asset Financing.

An Example of 'Low Risk -- Low (Potential) Profitability' Asset Financing.

An Example of 'High Risk -- High (Potential) Profitability' Asset Financing.

An Example of the 'Hedging Approach' to Financing

183. Suppose Flatiron Corporation has a Debt-To- Equity Ratio of 2/3. You are Analyzing the Capital Structure of this Corporation.

Base On Debt-To- Equity Ratio of the Corporation, How Much Portion of the Capital Structure is Financed Through Equity.

66.67%

33.34%

0%

60%

184. Suppose the Common Stocks of Bonanza Corporation have Book value of 29 Per Share. The Market Price of These Common Stocks is 69.50 Per Share. The Corporation Paid 5.396 Per Share in Dividend Last year and Analysts Estimate that this Dividend will Grow At a rate of 6% Through the Next Three years. Using the Dividend Growth Model, Estimated Cost of Equity of Bonanza Corporation Would Be

11.15%

16.13%

15.80%

13.14%

185. Which Statement is True About the Relationship Between Weighted Average Cost of Capital and value of a Firm in the Eyes of Investors?

They have a Direct Relationship

They have an Indirect Relationship

They have Spontaneous Relationship

None of the Above

186. ----- Refers to the Extent to Which Fixed-Income Securities (Debt and Preferred Stock) are Used in a Firm's Capital Structure.

Financial Risk

Portfolio Risk

Operating Risk

Market Risk

187. Let's Imagine that Sony Corporation Currently Uses No-Debt Financing, it has Decided to Go for Capital Restructuring incorporating One Billion of Debt at 6.6% P.A in Its Capital Structure. Sony Corporation has 30 Million Shares Outstanding and the Price Per Share is 125. If the Restructuring is Expected to Increase EPS, What Would Be the Minimum Level of EBIT that Sony Management Must Be Expecting?

202,200,000

247,500,000

283,500,000

321,250,000

188. A Corporation has WACC of 13.5 % (Excluding Taxes). The Current Borrowing rate in the Market is 9.25%. If the Corporation has a Target Capital Structure of 65% Equity (There is No Preferred Stock in the Capital Structure of the Corporation) And 35% Debt, What Would Be the Cost of Equity of this Corporation?

13.5%

17.75%

15.79%

17.13%

189. Suppose Dux Corporation has Current Assets of 44 Million. Cash is 25% of the Total Current Assets. After One year the Cash Item Increase By 12%. This Increase in Cash Item is A

Source of Cash

Use of Cash

Neither of the Source of Cash Nor a Use of Cash

None of the Given Option

190. During 2005 a Merchandize Sales Company had Cash Sales of 56.25 Million, Which were 15% of the Total Sales. During this Period Accounts Receivables of the Company Were 13% of Total Sales. What was the Average Collection Period of the Company During 2005?

62 Days

18 Days

56 Days

19 Days

191. Suppose that Pearson Corporation has a Capital Structure Which Consists of Both Equity and Debt. It had Issued Two Million Worth of Bonds At 6.5 % P.A. The Tax rate is 40%. Its EBIT is One Million. The Present value of Tax Shield for Pearson Corporation Would Be

Rs.1,000,000

Rs.1,200,000

Rs800,000

Rs.1,400,000

192. The Use of Personal Borrowing to Alter the Degree of Financial Leverage is Called_____.

Homemade Leverage

Financial Leverage

Operating Leverage

None of the Given Option

193. _____ Refers to the Most Valuable Alternative that is Given Up If a Particular Investment is Undertaken.

Sunk Cost

Opportunity Cost

Financing Cost

All of the Above

194. SNT Company Paid a Dividend of Rs.5 Per Share Last year. The Stock's Current Price is Rs.50 Per Share. Assuming that the Dividends are Estimated to Grow Steadily At 8% Per year, the Cost of the Capital for SNT Company will Be?

13.07 %

15.67 %

16.00 %

18.80 %

195. _____ is the Group of Assets Such as Stocks and Bonds Held By an Investor.

Portfolio

Diversification

Stock Bundle

None of the Above

196. Which of the Following Measures the Present value of an Investment Per Rupee Invested?

Net Present value (NPV)

Profitability Index (PI)

Average Accounting Return (AAR)

Internal rate of Return (IRR)

197. If We have Rs.150 in Asset A and Rs.250 in Asset B, Then the %Age of Asset B in the Portfolio will Be:

37.5 %

47.5 %

62.5 %

72.5 %

198. A Risk that Influences a Large Number of Assets is Known As:

Systematic Risk
Market Risk
Non-Diversifiable Risk

All of the Above

199. Which of the Following Risk Can Be Eliminated By Diversification?

Systematic Risk

Unsystematic Risk

A & B

None of the Above

200. Suppose the Initial Investment for a Project is Rs.160,000 and the Cash Flows are Rs.40,000 in the First year and Rs.90,000 in the Second and Rs.50,000 in the Third. The Project will have a Payback Period Of:

2.6 years

3.1 years

3.6 years

4.1 years

201. A Model Which Makes an Assumption About the Future Growth of Dividends is Known As:

Dividend Price Model

Dividend Growth Model

Dividend Policy Model

All of the Above

202. Which of the Following is Not a Quality of IRR?

Most Widely Used

Ideal to Rank the Mutually Exclusive Investments

Easily Communicated and Understood

Can Be Estimated Even Without Knowing the Discount Rate

203. _____ is a Special Case of Annuity, Where the Stream of Cash Flows Continues Forever.

Ordinary Annuity

Perpetuity

Dividend

Interest

204. If a Bank Offers 15% Annual rate of Return Compounded Quarterly, What Would Be the Effective Annual rate (EAR)?

15.00 %

15.34 %

15.87 %

16.42 %

205. A Bond Represents a _____ Made By an Investor to the _____.

Loan; Receiver

Dividend; Issuer

Dividend, Receiver

Loan; Issuer

206. When the Interest Rates Fall, the Bond is Worth _____.

More

Less

Same

All of the Above.

207. If SNT Corporation Pays Out 30% of Net Income to Its Shareholders as Dividends. What Would Be the Retention Ratio for SNT Corporation?

30 %

50 %

70 %

90 %

208. If Sales are to Grow At a rate Higher Than the Sustainable Growth Rate, the Firm Must:

Increase Profit Margin

Increase Total Assets Turnover

Sell New Shares

All of the Above.

209. _____ is the Current value of the Future Cash Flow Discounted At an Appropriate Discount Rate.

Present Value

Future Value

Capital Gain

Net Profit

210. SUMI Inc. has Outstanding Bonds Having a Face value of Rs.500. The Promised Annual Coupon is Rs.50. The Bonds Mature in 30 years and the Market's Required rate On Similar Bonds is 12% P. A. What Would Be the Present value of Each Bond?

Rs.319.45

Rs.390.75

Rs.419.45

Rs.463.75

211. The Sensitivity of Interest rate Risk of a Bond Directly Depends Upon:

Time to Maturity

Coupon Rate

A and B

None of the Above

212. An Insurance Company Offers to Pay You Rs.1000 Per year If You Pay Rs.6,710 Upfront. What Would Be the rate Applicable in this 10-Year Annuity?

8 %

10 %

12 %

14 %

213. In the Formula $K_e = (D_1/P_0) + G$, What Does (D_1/P_0) Represent?

A. The Expected Capital Gains Yield From a Common Stock

B. The Expected Dividend Yield From a Common Stock

C. The Dividend Yield From a Preferred Stock

D. The Interest Payment From a Bond

214. If You Owned 100 Shares of a Company and There are Three Directors to Be Elected. How Much Votes You Would have as Per Cumulative Voting Procedure?

A. 100 Votes

B. 200 Votes

C. 300 Votes

D. 400 Votes

215. SNT Corporation has Policy of Paying a Rs.6 Dividend Per Share Every year. If this Policy is to Continue Indefinitely, What will Be the value of a Share of Stock At a 15% Required rate of Return?

A. Rs.30

B. Rs.40

C. Rs.50

D. Rs.60

216. Which of the Following is NOT a Characteristic of Preferred Stock?

A. Dividends On These Stocks Cannot Be Cumulative

B. These Stocks have Dividend Priority Over Common Stocks

C. These Stocks have Stated Liquidating Value

D. These Bonds Hold Credit Ratings Much Like Bonds

217. A Project has an Initial Investment of Rs.400,000. What Would Be the NPV for the Project If it has a Profitability Index of 1.5?

A. Rs.30,000

B. Rs.40,500

C. Rs.50,000

D. Rs.60,000

219.. Following are the Two Cases:

Case I: Mr. A, as a Financial Consultant, has Prepared a Feasibility Report for a Project for ABC Company that the Company is Planning to Undertake. He has Suggested that the Project is Feasible.

Case II: Mr. A, as a Financial Consultant, has Prepared a Feasibility Report of a Project for XYZ Company that the Company is Planning to Undertake. He has Suggested that the Project is Not Feasible.

The Consultancy Fee Paid to Mr. A will Be Considered As:

A. Sunk Cost in Case I and Opportunity Cost in Case II

B. Opportunity Cost in Case I and Sunk Cost in Case II

C. Sunk Cost in Both Cases I & II

D. Opportunity Cost in Both Cases I & II

220. Suppose You Buy Some Stock for Rs.35 Per Share. At the End of the year, the Price is Rs.43 Per Share. During the year, You Get a Rs.4 Dividend Per Share. What will Be the Total % Age Return?

A. 22.85 %

B. 25.16 %

C. 30.52 %

D. 34.29 %

221. If You have a Portfolio with Rs.10,000 in Asset A and Rs.15,000 in Asset B Then What will Be the Weight of Asset B in Your Portfolio?

A. 0.30

B. 0.40

C. 0.60

D. 0.75

222. Which of the Following Set of Cash Flows Represents the Change in the Firm's Total Cash Flow that Occurs as Direct Result of Accepting the Project?

A. Relevant Cash Flows

B. Incremental Cash Flows

C. Negative Cash Flows

D. All of the Given Option

223. Time value of Money is an Important Finance Concept Because:

A. it Takes Risk into Account

B. it Takes Time into Account

C. it Takes Compound Interest into Account

D. All of the Above

224. The Present value of a Sum of Rs.100 to Be Received in the Future will Be:

A. More Than Rs.100

B. Equal to Rs.100

C. Less Than Rs.100

D. None of the Above

225. You Want to Buy an Ordinary Annuity that will Pay You Rs.3,000 a year for the Next 20 years. You Expect Annual Interest Rates will Be 8 % Over that Time Period. The Maximum Price You Would Be Willing to Pay for the Annuity will Be Closest To:

A. Rs.29,454

B. Rs.34,325

C. Rs.39,272

D. Rs.49,023

226. You have Rs.1,000 that You Want to Save. If Four Different Banks Offer Four Different Compounding Methods for Interest, Which Method Should You Choose to Maximize Your Rs.1,000?

A. Compounding Quarterly

B. Compounding Monthly

C. Compounding Semi-Annually

D. Compounding Annually

227. If a Bond Sells At a High Premium, Then Which of the Following Relationships Hold True?

A. Bond Price < Par value and YTM > Coupon Rate

B. Bond Price > Par value and YTM > Coupon Rate

C. Bond Price > Par value and YTM < Coupon Rate

D. Bond Price < Par value and YTM < Coupon Rate

228. What will Be the value to You of a Rs.2,000 Face-Value Bond with an 8% Coupon rate When Your Required rate of Return is 12% and Time Till Maturity is 5 years?

- A. Rs.1,556
- B. Rs.1,712
- C. Rs.2,082
- D. Rs.2,420

229. Which of the Following Carry the Provision that Within a Stipulated Time Period, the Bond May Be Converted into a Certain Number of Shares of the Issuing Corporation's Common Stock At a Pre-Stated Price?

- A. Convertible Bonds**
- B. Income Bonds
- C. Put Bonds
- D. None of the Above

230. Interest Rates and Bond Prices:

- A. Move in the Same Direction
- B. Move in the Opposite Direction**
- C. Sometimes Move in the Same and Sometimes in the Opposite Direction
- D. Have No Relation with Each Other

231. Long-Term Bonds have _____ Risk of Loss Resulting From Changes in Interest Rates Than Do Short-Term Bonds.

- A. Less
- B. Zero
- C. More**
- D. None of the Above

232. What will Be Real rate If the Nominal rate is 17%, and the Inflation rate is 5%?

- A. 6.639%
- B. 8.251%**
- C. 10.00%
- D. 11.43%

233. The Alternative Name Used for Interest Coverage Ratio is _____.

Time Interest Earned

- Cash Coverage Ratio
- Profit Margin Ratio
- None of the Given Option

234. If You Want to Evaluate the Performance of an Organization, Which One of the Following Ratios will Be Helpful to You in Evaluating the Performance of an Organization?

- Return On Short as Well as Long Term Investments
- Return On Equity and Return On Debt
- Return On Equity and Profit Margin**
- All of the Above

235. Imran Corporation is a Firm Dealing in Hardware Industry. It Sold 5000 Units of Its Product to Mr. Younas for a Sum of Rs.150,000 Whose Cost was Rs.160,000. What Would Be the Effect of this Transaction On Current Ratio of the Company If the Current Ratio was 0.80 Before this Transaction?

- Increase
- Decrease**
- Remains Unchanged
- None of the Given Option

236. Mehran Corporation is Dealing in Furniture Industry. It has an Equity Multiplier of 1.78 Times. The Debt to Equity Ratio Would Be _____?

- 0.38 Times
- 0.58 Times
- 0.78 Times**
- 0.98 Times

237. What Would Be the Level of EBIT If Imran Corporation Uses Both Debt as Well as Equity Financing in Its Capital Structure, it has a Cash Coverage Ratio of 7.5 Times, Annual Interest Expense is Rs.1 Million and Annual Depreciation is Rs.3 Million? Rs.2.5 Million

Rs.3 Million

Rs.3.5 Million

Rs.4.5 Million

238. Suppose, Noman Corporation has a Debt to Equity Ratio of 0.45 Times. Its Return On Equity is 18%.The Return On Assets Would Be _____.

9.414 %

10.414 %

11.412 %

12.414 %

239. Suppose, Ilyas Corporation is One of the Dominant Firms in Electronics Equipment Industry. Its Policy is Very Clear About Dealing with Stockholders. It Pays Out 30% of Its Income in the Form of Dividend. If it Pays a Total Sum of Rs.150 Million as a Dividend, Then What Would Be the Amount Transferred to the Retained Earning Balance From Current year Profit?

Rs.150 Million

Rs.250 Million

Rs.350 Million

Rs.500 Million

240. Sian Corporation is One of the Largest Firms in the Electronics Industry Covering 70% of the Market Share. During the Current year Its Performance is Analysed By Judging the Various Indicators.It has Return On Assets of 12.5% and Retention Ratio is 3/5. What Would Be the Internal Growth rate of the Sian Corporation?

12.29%

14.29%

16.29%

18.92%

241. What Would Be the Sustainable Growth rate If the Corporation has a Return On Equity (ROE) of 20% and a Retention Ratio of 4/5?

15 %

16 %

19%

18%

242. Rehan Corporation is Dealing in Agriculture Products. Its Annual Gross Sales are Rs.1975 Million. Out of Which 34% are On Cash Basis. Their Past Collection Experiences Show that it has an Average Collection Period of 76 Days. What Would Be the Balance of Accounts Receivable At the End of the year?

A. Rs.251.415 Million

B. Rs.261.415 Million

C. Rs.271.415 Million

D. Rs.281.415 Million

243. ROE in Dupont Identity is Affected By:

Operating Efficiency

Asset Usage Efficiency

Financial Leverage

All of the Above

244. A Decrease in the %Age of Net Income Paid Out as a Dividend will Increase The:

Return On Assets Ratio

Retention Ratio

Leverage Ratio

Profit Margin

245. Which of the Following Does Not Change Current Ratio of a Business?

Efficient Usage of Current Assets

Change in the Nature of the Firm

Change in Accounting Method of the Firm

Change in the Management of the Firm

246. Present value Factor Is:

$(1+R)^T$

$(1-R)^T$

$1/(1+R)^T$

$1/(1+R)^{1/T}$

247. Depreciation Expense Is:

Operating Expense

Investing Expense

Financing Expense

All of the Above

248. Internal Growth rate Tell How Rapidly:

The Firm Grows

Sales of the Firm Grows

Profit of the Firm Grows

None of the Above

249. You Can Determine the Number of Periods (N) in a Present value Calculation, If You Know:

Future Amount

Present Value

Interest Rate

All of the Above

250. Which One of the Present value Factor is Larger?

PV of 1 Factor for 10%

PV of 1 Factor for 12%

Both have the Same Effect

It Cannot Be Determined

251. If We Deposit Rs.5,000 Today in an Account Paying 10%, How Long Does it Take to Grow to Rs.10,000?

5.27 years

6.27 years

7.27 years

7.57 years

252. The Future value of First Rs.100 in 2 years At 8% Discount Is:

Rs.116.64

Rs.111.64

Rs.164.64

Rs.164.61

253. Investing Activities Include:

Purchase of Property, Plant and Equipment

Cash Received From the Issuance of Stock Or Equity in the Business.

Purchases of Stock Or Other Securities (Other Than Cash Equivalents)

Both A & C

254. Changes in Cash From Financing are 'Cash In' When:

Capital is Raised

Assets Increased

Liabilities Decreased

Cash Withdrawn

255. Generally, Changes Made in Cash, Accounts Receivable, Depreciation, Inventory and Accounts Payable are Reflected In:

Cash From Operations Activities

Cash From Financing Activities

Cash From Investing Activities

None of the Above

256. _____ Are Short-Term, Temporary Investments that Can Be Readily Converted into Cash.

Marketable Securities

Cash Equivalents

Treasury Bills

All of the Above

257. The Cash Flow Statement Records Your _____ and Expenditure At the End of the 'Forecast' Period.

Actual Cash Income

Unearned Income
Coming year Income
Last year's Income

258. Ratios Look At the Relationships Between Individual Values and Relate Them to How a Company:

Has Performed in the Past

Might Perform in the Future

Both a & B

None of the Above

259. The Current Ratio is Also Known As:

Working Capital Ratio

Leverage Ratio

Turnover Ratio

None of the Above

260. _____ Is Concerned with the Relationship Between the Long Terms Liabilities that a Business has and Its Capital Employed.

Gearing

Acid Test Ratio

Working Capital Management

All of the Above

261. _____ Give a Picture of a Company's Ability to Generate Cash Flow and Pay it Financial Obligations:

Management Ratios

Working Capital Ratios

Net Profit Margin Ratios

Solvency Ratios

262. Balance Sheet Items Expressed as % Age Of:

Net Sales

Total Revenue

Total Assets

Total Liabilities

263. Ann is Interested in Purchasing Ted's Factory. Since Ann is a Poor Negotiator, She Hires Mary to Negotiate a Purchase Price.

Identify the Parties to this Transaction From the Given Options, Keeping in View the Agency Theory:

Ann is the Principal and Mary is the Agent.

Mary is the Principal and Ann is the Agent.

Ted is the Agent and Ann is the Principal.

Mary is the Principal and Ted is the Agent.

264. Which of the Given Options Apply to Auction Markets?

Trading in a Given Auction Exchange Takes Place At a Single Site On the Floor of the Exchange.

Transaction Prices of Shares are Communicated Almost Immediately to the Public.

Listing.

All of the Above

265. Suppose a Corporation has a Taxable Income of 200,000 and the Tax Amount is as Given in the Calculations:

$50,000 \times 15\% = 7,500$, $(75,000 - 50,000) \times 25\% = 6,250$, $(100,000 - 75,000) \times 34\% = 8,500$, $(200,000 - 100,000) \times 39\% = 39,000$

Total Tax is 61,250.

Average Tax rate is $61,250 / 200,000 = 30.625\%$. Marginal Tax rate will Be:

39%

34%

15%

25%

267. According to the Accounting Profession, Which of the Given Options Would Be Considered a Cash-Flow Item From an 'Investing' Activity in a Cash Flow Statement?

Cash Outflow to the Government for Taxes.

Cash Outflow to Shareholders as Dividends.

Cash Outflow to Lenders as Interest.

Cash Outflow to Purchase Bonds Issued By Another Company

268. Which One of the Given Options is Generally Considered the Most Liquid Asset?

Accounts Receivable

Inventory

Net Fixed Assets

Intangible Assets

269. Which of the Given Options is an Advantage of a Corporation that is Not an Advantage as a Limited Partner in a Partnership?

Limited Liability.

Easy Transfer of Ownership Position.

Double Taxation.

All of the Options are Advantages that the Corporation has Over the Limited Partner.

270. In Finance We Refer to the Market for Relatively Long-Term Financial Instruments as the _____ Market.

Money

Capital

Primary

Secondary

271. _____ is Concerned with the Branch of Economics Relating the Behavior of Principals and Their Agents.

Financial Management

Profit Maximization

Agency Theory

Social Responsibility

272. Which of the Expenses in Given Options is Not a Cash Outflow for the Firm?

Depreciation

Dividends

Interest Payments

Taxes

273. A Standardized Financial Statement Presenting All Items of the Statement as a %Age of Total Is:

A Common-Size Statement

An Income Statement

A Cash Flow Statement

A Balance Sheet

274. Ammar is Running a Company 'Ammar & Co'. He has Asked You to Comment On Company's Ability to Pay Its Bills Over the Short Run Without Undue Stress. for this Purpose You will Study Which Category of Ratios of the Company?

Profitability Ratios

Liquidity Ratios

Debt Ratios

Turnover Ratios

275. Which One of the Given Options Describes Desirable Current Ratio for a Business?

0

0.2

0.1

At Least One

276. Interest Coverage Ratios are Also Known As:

Times Interest Earned (TIE) Ratios

Liquidity Ratios

Debt Ratios

Asset Management Ratios

277. The Du Pont Identity Tells Us that Return On Equity is Affected By:

Operating Efficiency (As Measured By Profit Margin)

Asset Use Efficiency (As Measured By Total Assets Turnover)

Financial Leverage (As Measured By Equity Multiplier)

All of the Above (A, B and C)

278. Benchmarking is Used to Establish a Standard to Follow For:

Comparison

Identification

Calculation

Liability

280. Suppose the Total Cost of a College Education will Be 50,000 in 12 years for a Child. The Parents have 5,000 to Invest Today. What rate of Interest Must They Earn On Investment to Cover the Cost of Child's Education?

21.15%

12%

18%

30%

281. If the Bank Loans Out 10,000 for 90 Days At 8% Simple Interest, the PV Is:

9,806.56

9000

10000

9500

282. Suppose, You Deposited an Amount of Rs.1000 in Habib Bank At the Start of year 2016. How Much Interest Amount will You have At the End of the year If the Bank Pays Simple Interest @10% P.A.?

Rs.100

Rs.10

Rs.90

Rs.1000

283. _____ is Considered as Bottom Line in Income Statement?

Total Assets

Total Liabilities

Net Profit

Gross Profit

284. _____ Can Be Considered as a Snapshot of a Company's Financial Position?

Income Statement

Balance Sheet

Cash Flow Statement

Owner's Equity Statement

285. _____ Involves the Sale of Used Securities From One Investor to Another?

Primary Market

Secondary Market

Tertiary Market

None of the Above

286. _____ Ratios Shows a Firm's Ability to Pay Its Bills in Short Term?

Liquidity

Financial Leverage

Profitability

Market Value

287. The Process of Planning and Managing a Firm's Long-Term Investments is Called:

Planning Process

Capital Structure

Capital Budgeting

Managing Process

288. Income Statement for Sumi Inc. Shows the Net Income of Rs.363,000 Whereas the Total Sales are Rs.2,311,000. The Profit Margin for the Sumi Inc. will Be:

6.37 %

8.37 %

15.7 %

12.5 %

289. S&T Company have 35 Thousands Shares Outstanding and the Stock Sold For Rs.99 Per Share At the End of year. Income Statement Reported a Net Income of Rs.385,000. The Price Earning Ratio for S&T Company will Be:

8 Times

9 Times

10 Times

11 Times

290. While Making Common-Size Statement, Balance Sheet Items are shown as a %Age of :

Total Assets

Total Liabilities

Total Capital

Net Profit

291. A Business, Created as a Distinct Legal Entity Owned By One Or More Individuals Or Entities, is Known As:

Sole Proprietorship

Partnership

Corporation

None of the Above

292. Which One of These is Considered as a Non-Cash Item?

Inventory

Accounts Payable

Accounts Receivable

Depreciation

293. Suppose Market value Exceeds Book value By Rs.250,000. What will Be the After-Tax Proceeds If There is a Tax rate of 34 %?

Rs.105,600

Rs.148,500

Rs.165,000

Rs.225,000

298. Which of the Following Process Can Be Defined as the Process of Generating Earnings From Previous Earnings?

Discounting

Compounding

Factorization

None of the Above

300. Which of the Following rate Makes the Net Present value (NPV) Equal to Zero?

Average Accounting Return (AAR)

Internal rate of Return (IRR)

Required rate of Return (RRR)

Weighted Average Cost of Capital (WACC)

305. Which of the Following Relationships Holds TRUE If a Bond Sells At a Discount?

Bond Price < Par value and YTM > Coupon Rate

Bond Price > Par value and YTM > Coupon Rate

Bond Price > Par value and YTM < Coupon Rate

Bond Price < Par value and YTM < Coupon Rate

306. Which of the Following is the Expected rate of Return On a Bond If Bought At Its Current Market Price and Held to Maturity?

Current Yield

Yield to Maturity

Coupon Yield

Capital Gains Yield

310. Head of Treasury Department Reports to Whom?

Financial and Cost Accountant

Chief of Financial Officer

Cash and Credit Manager

Board of Directors

311. The Conflict of Interest Between Stockholders and Management is Known As:

Agency Problem

Interest Conflict

Management Conflict

Agency Cost

313. During the Accounting Period, Sales Revenue is Rs.25,000 and Accounts Receivable Increases By Rs.8,000. What will Be the Amount of Cash Received From Customers for the Period?

Rs.33,000

Rs.25,000

Rs.17,000

Rs.8,000

314. Which of the Following Area of Finance Deals with Stocks and Bonds?

Financial Institutions

International Finance

Investments

All of the Above

315. Which of the Following is Subcategory (ies) of Finance Department?

Accounting Department Only

Treasury Department Only

Accounting Department and Treasury Department

None of the Above

316. A Borrower is Able to Pay Rs.40,000 in 5 years. Given a Discount rate of 12 %, What Amount of Money the Lender Should Lend?

Rs.14,186

Rs.18,256

Rs.22,697

Rs.28,253

318. A Company Issues Bonds with a Rs.1,000 Face Value. What is the Coupon rate If the Coupon Payments of Rs.60 are Paid Every 6 Months?

3 %

6 %

9 %

12 %

319. Which of the followings is Correct?

Financial Asset is a Document Representing a Claim to Income

Real Asset is a Document Representing a Claim to Income

Financial Asset is an Object that Provides a Service

All of the Above

320. The Price of a Rs.1,000-Face value Bond is Rs.910. What will Be the Yield to Maturity If There is a Coupon Payment of Rs.90 for 6 years?

Greater Than 9%

Equal to 9%

Lower Than 9%

Cannot Be Determined Without More Information

321. Decisions About 'How to Raise Money' and 'What to Do with It' are Part of Which of the Following?

Business Finance

Change Management

Costing for Accounting

All of the Above

324. Which of the Following is a Special Case of Annuity, Where the Stream of Cash Flows Continues Forever?

Ordinary Annuity

Special Annuity

Annuity Due

Perpetuity

325. AST Company has a Current Ratio of 4:3. Current Liabilities Reported By the Company are Rs.30,000. What Would Be the Net Working Capital for the Company?

Rs.40,000

(Rs.40,000)

Rs.10,000

(Rs.10,000)

326. Which of the Following Statements is (are) CORRECT Regarding a Bond?

A Bond is an Evidence of Debt Issued By a Corporation Or a Governmental Body.

A Bond Represents a Loan Made By Investors to the Issuer.

When a Corporation Wishes to Borrow From Public On a Long Term Basis, it Does So By Issuing Or Selling Bonds.

All of the Above

327. How many years will it Take to Pay Off a Rs.11,000 Loan with a Rs.1,241.08 Annual Payment and a 5% Interest Rate?

6 years

12 years

24 years

48 years

328. Finance is the Art and Science of Handling _____.

Money

People

Authority

None of the Above

329. In Corporate Form of Business, What is the Objective of Shareholder?

Maximize Current year Income

Delay in Payment to Supplier

Reduce the Expenditure On Inventory Maintenance

Maximization of Shareholder Wealth

331. When a Corporation Wishes to Borrow From Public On a Long-Term Basis, it Does So By Issuing Or Selling:

Debt Securities Or Bonds

Common Stocks

Preferred Stock

All of the Above

332. In 3 years You are to Receive Rs.5,000. If the Interest rate were to Suddenly Decrease, the Present value of that Future Amount to You Would:

Fall

Rise

Remain Same

Cannot Be Determined with the Given Information

333. In How many years, an Amount will Be Doubled At a Discount rate of 8 % ?

3 years

6 years

9 years

Cannot Be Determined Without More Information

334. What will Be the value of a Rs.1,000 Face-Value Bond with an 8% Coupon rate At 8% Required rate of Return?

More Than Its Face Value

Less Than Its Face Value

Equal to Its Face Value

Cannot Be Determined Without More Information

337. Which of the Following Refers to the Difference Between the Sale Price and Cost of Inventory?

Net Loss

Net Worth

Markup

Markdown

339. A Business Owned By a Single Person is Known As:

Sole-Proprietorship

General Partnership

Limited Partnership

Corporation

340. Net Income After Taxation Differs From Net Cash Flow From Operations Because:

Depreciation Expense is shown in the Cash Flow Statement and Not in the Income Statement

Non-Cash Items are Included in the Income Statement, But Not in The Cash Flow Statement

Cash Sales are shown in the Cash Flow Statement But Not in the Income Statement

Cash Expenses are shown in the Cash Flow Statement But Not in the Income Statement

341. The Most Common Application of Term 'Finance' Involves Raising Money to Acquire_____.

Current Asset

Fixed Asset

Intangible Asset

All of the Above

347. The Relationship Between Real and Nominal Returns is Described By The:

M&M Proposition

Capital Asset Pricing Model

Fisher's Effect

BCG Matrix

348. an Investment Should Be Accepted If the Net Present value (NPV) is _____ and Rejected If it is _____.

Positive; Positive

Positive; Negative

Negative; Negative

Negative; Positive

350. In Which of the Following Procedure of Voting for a Company's Directors, Each Shareholder is Entitled to One Vote Per Share?

Straight Voting

Proportional Voting

Cumulative Voting

None of the Above

352. Mr. Aslam Owns 100 Shares of a Company and There are Four Directors to Be Elected. How Much Votes Mr. Aslam Would have as Per Cumulative Voting Procedure?

100 Votes

200 Votes

300 Votes

400 Votes

353. A Given rate is Quoted as 9 % APR, But the EAR is 9.38 %. What is the Compounding Period?

Semiannually

Quarterly

Monthly

Daily

355. Between the Two Identical Bonds Having Different Coupon, the Price of the _____ Bond will Change Less Than that of _____ Bond.

Higher-Coupon; Lower-Coupon

Lower-Coupon; Higher-Coupon

Long-Term; Short-Term

None of the Above

356. Which of the Following Financial Statement Shows Both Rupees and %Ages in the Report?

Balance Sheet

Common-Size Statement

Income Statement

Relative Statement of Equity

357. A _____ is an Agent Who Arranges Security Transactions Among Investors.

Broker

Dealer

Member

Specialist

358. If a Firm Uses Cash to Purchase Inventory, Its Quick Ratio Will:

Increase

Decrease

Remain Unaffected

Become Zero

359. In Which Type of the Market, Securities are Originally Sold to the Investors?

Primary Market

Secondary Market

Tertiary Market

None of the Above

361. Balance Sheet for a Company Reports Current Assets of Rs.700,000 and Current Liabilities of Rs.460,000. What Would Be the Current Ratio for the Company If There is an Inventory Level of Rs.120,000?

1.01

1.26

1.39

1.52

362. How many Rs.190 Annual Payments Must Be Invested At 12% to Accumulate Rs.57,921?

14

28

32

56