

## SAMPLE QUESTIONS

**TYBAF**

**FINANCIAL MANAGEMENT III**

**SEM VI**

### **1. Super profit is**

**a) Excess of average profit over normal profit**

b) Extra profit earned

c) Average profit earned by similar companies

d) Normal profit

### **2. Normal profit is**

a) Average profit earned

**b) Profit earned by similar companies in the same industry**

c) Abnormally earned

d) Super natural profit

### **3. Normal profit depends on**

a) Normal Rate of Return

b) Average capital employed

**c) NRR and Average capital employed**

d) Goodwill

### **4. Goodwill as per purchase of average profit method is equal to**

a) Average Profit

b) Average Profit x Amount of purchases

**c) Average Profit x No. of years purchases**

d) Average Profit x NRR

**5. Normal Rate of Return depends on**

- a) Rate of Interest
- b) Rate of Risk
- c) Rate of Interest and Rate of risk**
- d) Average profit

**6. Any non-trading income included in the profit should be**

- a) Eliminated**
- b) Added
- c) Ignored
- d) Multiplied

**7. Capital employed at the end of the year is Rs. 4,20,000. Profit earned Rs. 40,000. Average capital employed is**

- a) Rs. 4,20,000
- b) Rs. 4,00,000**
- d) Rs. 4,60,000
- c) Rs. 4,40,000

**8. Under net asset method value of a share depends on**

- a) Net assets available to equity shareholders**
- b) Net assets available to debentures holders
- c) Net assets available to preference shareholders
- d) Net assets available to creditors

**9. F.M.P. for yield valuation is**

- a) Future Profit
- b) Profit that would be available to equity shareholders**
- c) Past Profit
- d) Profit that would be available to bond shareholders

**10. A company intending to takeover another company approaches the another company for negotiation and purchase. It is a case of**

- a) Friendly Takeover**
- b) Hostile takeover
- c) Conglomerate
- d) Compulsory takeover

**11. In a \_\_\_\_\_ merger, a firm may either combine with its supplier of input (backward integration and/or with its customers (forward integration)).**

- (a) Horizontal
- (b) Conglomerate
- (c) Reverse
- (d) Vertical**

**12. ABC Ltd. acquired substantial number of equity shares in XYZ Ltd. it is a case of**

- (a) Merger
- (b) Acquisition**
- (c) Amalgamation
- (d) Absorption

**13. By de-merger a corporate body**

- a) **Splits into two or more entities**
- b) Combination of two or more entities
- c) Purchase of one entity
- d) Takeover the another entity

**14. Lease rental**

- a) **Decreases tax liability**
- b) Increases tax liability
- c) Does not affect tax liability
- d) Adversely affect tax liability

**15. Under hire purchase system, depreciation is provided by hire purchaser on**

- a) **Cash price**
- b) H.P.price
- c) Down payment
- d) Installments

**16. Under Full Cash Price method the asset is recorded at**

- a) Hire purchase price
- b) **Cash price**
- c) Down payment
- d) Total Installments paid

**17. Interest in hire purchase transaction is charged on cash price which is**

- a) Full cash price
- b) Outstanding cash price**
- c) Down payment
- d) Installment amount

**18. Under hire purchase system purchaser becomes the owner of goods on payment of**

- a) Down payment
- b) Last installment**
- c) Interest
- d) Cash price

**19. Purchase of machinery without making full payment immediately is called as**

- a) Cash purchase
- b) On line purchase
- c) Hire purchase**
- d) Offline purchase

**20. Cash credit is permitted against**

- a) Pledge
- b) Hypothecation
- c) Mortgage
- d) Pledge and Hypothecation**

**21. MPBF refers to**

- a) **Maximum Permissible Bank finance**
- b) Minimum permissible bank finance
- c) Bank overdraft
- d) Cash credit

**22. Factoring involves**

- a) **Sale of Debtors**
- b) Sale of Creditors
- c) Discounting of B/E
- d) Dishonor of B/E

**24. Factoring involves**

- a) **Management of debtors**
- b) Borrowing from banks
- c) Borrowing against B/E
- d) Lending against B/E

**25. Strategic Alliance involves**

- a) **Joining of two or more businesses**
- b) Joint Venture
- c) De-merger
- d) Merger

26. \_\_\_\_\_ = Market capitalization - invested equity capital.

- (a) EVA
- (b) MVA**
- (c) Book value
- (d) Intrinsic value

27. \_\_\_\_\_ value is used when an investor wants 'true' or 'real' value on the basis of an analysis of fundamentals without considering the prevailing price in the market.

- (a) Intrinsic
- (b) Fundamental
- (C) Economic
- (d) Intrinsic, Fundamental, Economic**

28. \_\_\_\_\_ forms of corporate restructuring.

- (a) Takeovers
- (b) Mergers
- (c) Acquisitions
- (d) Takeovers, Mergers, Acquisitions**

29. Which of the following is a usual method of calculation of share swap ratio?

- (a) Market turnover
- (b) Profit before tax
- (c) EPS**
- (d) Economic value added

**30. Which of the following is a liability of a bank?**

- (a) Treasury Bills
- (b) Commercial Papers
- (c) Certificate of Deposits**
- (d) Junk Bonds

**31. ABC Ltd. acquires hundred percent of preference share capital of PQR Ltd. It would result in**

- (a) Hostile takeover bid
- (b) Vertical merger
- (c) No relationship
- (d) Holding subsidiary relationship**

**32. In India, Commercial Papers are issued as per the guidelines issued by:**

- (a) SEBI
- (b) RBI**
- (c) Forwards Market Commission
- (d) BSE

**33. An acquirer offer to buy shares directly from the shareholder is known as**

- (a) Poison pill
- (b) White Knight
- (c) Tender offer**
- (d) Take over



**34. \_\_\_\_\_ mergers between firms in different stages of industrial production in which a buyer and seller relationship exists.**

- (a) Horizontal
- (b) Conglomerate
- (c) Reverse
- (d) Vertical**

**35. A lease which is generally not cancelable and covers full economic life of the asset is known as:**

- (a) Sale and lease back
- (b) Operating lease
- (c) Finance lease**
- (d) Economic lease

**36. Merger of two companies under BIFR Supervision is known as \_\_\_\_\_**

- (a) Reverse merger
- (b) Negotiated merger
- (c) Offer for sale
- (d) Arranged merger**

**37. \_\_\_\_\_ merger involve mergers of two business companies operating and competing in the same industry**

- (a) Horizontal**
- (b) Vertical
- (c) Horizontal and Vertical
- (d) Conglomerate

**38. Under AS 14, Amalgamation in the nature of merger is a case where \_\_\_\_\_ of shareholders of Transferor Company have agreed to become shareholders of Transferee Company**

- (a) More than 50%
- (b) 100%
- (c) At least 90%**
- (d) 25% or more

**39. Which of the following is a case of spin off?**

- (a) Assets sold in the market
- (b) A division converted into a company**
- (c) Assets transferred to lenders
- (d) Assets Purchased

**40. Shares of A Ltd. and B Ltd. are currently traded at 100 and 25 respectively. The share swap ratio based on market price would be**

- (a) 1
- (b) 2.5**
- (c) 0.40
- (d) 0.80

**41. Under the provisions of AS 19 leases, lease as it is shown in the balance sheet of**

- (a) Manufacturer
- (b) Lessor
- (c) Lessee**
- (d) Financing back

**42. A new company is formed under**

a) Absorption

**b) Amalgamation**

c) Internal Reconstruction

d) Takeover

**43. Using \_\_\_\_\_, company can evaluate the project performance and decide whether to execute the project or not to execute**

(a) Intrinsic value

(b) Fundamental value

**(C) Economic Value Added**

(d) Salvage value

**44. \_\_\_\_\_ means unification of two entities into one acquisition involves one entity buying out another and absorbing the same**

(a) Acquisition

**(b) Merger**

(C) Acquisition and merger

(d) Takeover

**45. Higher EVA implies \_\_\_\_\_ bonuses to employees.**

(a) lower

**(b) higher**

(c) same

(d) different

**46. Which of the following is not a usual type of lease arrangement?**

- (a) Sale and lease back
- (b) Good on approval
- (b) Leverage Lease**
- (d) Direct Lease

**47. Commercial Paper is a type of**

- (a) Fixed Coupon Bond
- (b) Unsecured Short Term Debt**
- (c) Equity Share Capital
- (d) Government Bond

**48. \_\_\_\_\_ involves one entity buying out another and absorbing the same.**

- (a) Acquisition**
- (b) Merger
- (c) Absorption
- (d) Amalgamation

**49. The lessor in operating lease is**

- a) Trader
- b) Manufacturer**
- c) Professional
- d) Creditor

**50. In finance lease, the lessor recovers**

a) Cost

**b) Cost + Profit**

c) Rentals

d) Installment