# SAMPLE QUESTIONS

## TYBAF FINANCIAL MANAGEMENT II SEM V

**1. Cash management strategy is**

**a) To collect cash from debtors fast**

b) To delay collection from debtors

e) Pay expenses in advance

d) Pay suppliers in advance

**2. Process of carrying out a plan in a skillful way is**

a) Management

**b) Strategy**

c) Skill

d) Planning

**3. Plan to achieve a particular purpose is**

**a) Strategic**

b) Strategy

c) Planning

d) Goal

**4. Strategic Financial Management takes into account**

a) Integrated View

b) Holistic View

**c) Integrated and Holistic View**

d) Non-integrated view

**5. Strategic Financial Management Caters to the interest of**

a) All Shareholders

b) All Customers

c) All Suppliers

**d) All Stakeholders**

**6. Strategic Financial Management minimizes**

**a) Risk**

b) ROI

c) Value

d) Profitability

## 7. Allocation of resources is a

**a) Corporate level strategy**

b) Business level strategy

c) Functional level strategy

d) Manager level strategy

## 8. Capital budgeting decisions involve huge amount of risk due to

**a) Time factor**

b) Money factor

c) Human factor

d) Natural Factor

## 9. For capital budgeting decisions

**a) depreciation is to be considered**

b) depreciation is to be ignored

c) depreciation is to be calculated at 20%

d) depreciation is to be calculated at 30%

## 10. N.P.V. method is

a) most traditional

**b) most modern**

c) most complicated

d) most complex

## 11. In accept-reject decisions

**a) NPV and IRR methods produce identical results**

b) NPV and IRR methods produce different results

c) NPV and IRR methods are of no use at all

d) NPV and IRR methods produce confusing results

**12. In determination of cash outflow**

a) increase in working capital is added

b) increase in working capital is deducted

c) increase in working capital is ignored

d) increase in working capital is divided

**13. The method which uses accrual accounting**

a) payback

**b) ARR**

c) NPV

d) IRR

**14. The method which does not consider investments profitability is**

**a) payback**

b) ARR

c) NPV

d) IRR

**15. Under standard deviation method dispersion of cash flow indicates**

**a) The degree of risk**

b) The degree of certainty

c) The degree of uncertainty

d) The degree of profitability

**16. Decision tree is**

a) Tree with branches

b) Pictorial representation in a free form

c) Tree with leaves only

d) Tree with branches and leaves

**17. The factor which is NOT relevant for determination of debt equity mix.**

a) Taxation

b) Nature of Asset base

**C) Industry Norms**

d) Viability of Cashflows

**18. Net Income approach assumes**.

a) No change in risk

b) No corporate taxes

**c) No change in risk and no corporate taxes**

d) Change in risk and corporate taxes

**19. Following is not an assumption of NOI approach.**

**a) Debt capitalisation rate changes**

b) Constant WACC

c) No corporate taxes

d) Split between debt & equity is not important

**20. Capital structure is optimum when**

**a) M.V. of equity share does not change**

b) M.V. of equity share changes

c) Cost of equity increases

d) Cost of equity decreases

**21. Ploughing back of profit means**

a) Declaration of dividend

**b) Retaining profits**

c) Re-investing profits

d) Building reserves

**22. The factor not considered for determination of dividend policy is**

**a) Liquidity**

b) Consistency of Earning

c) Government Policies

d) GDP of the country

**23. The profit which is distributed as dividend is known as**

a) Isolating Profit

**b) Divisible Profit**

c) Net Profit

d) Gross Profit

**24. The organization that manages the investment is known as**

a) Investment company

**b) Asset management company**

c) Management company

d) Debt management company

**25. A closed end fund has a**

**a) Stipulated maturity period**

b) Fluctuating maturity period

c) Fixed maturity period

d) Flexible maturity period

**26. Growth oriented schemes offer**

**a) High source of income**

b) Lower source of income

c) Average source of income

d) Below average source of income

**27. Debt schemes invest in**

a) Equity Shares

b) Preference Shares

**c) Bonds**

d) Bonus share

**28. Hybrid schemes invest in**

a) Equity Shares

b) Debentures

**c) Equity Shares and Debentures**

d) Right Shares

**29. The value calculated to measure net assets**

**a) Net Asset Value**

b) Yield Value

c) Rate of Return

d) Rate of Investment

**30. Mutual fund investments are**

**a) Highly Liquid**

b) Less Liquid

c) Not Liquid

d) More Liquid

**31. Debentures and bonds are**

**a) Debt Instruments**

b) Ownership Instruments

c) Creditor ship Instruments

d) Debtor's instruments

**32. Interest on debentures is always calculated on**

**a) Face Value**

b) Cost

c) Market Value

d) Maturity value

**33. YTM can be calculated using**

**a) IRR**

b) Rate of Return

c) Profitability Index

d) Net Present Value

**34. Credit standard is**

a) Criteria to decide credit

b) Standard

c) Part of credit policy

**d) Criteria to decide credit and part of credit policy**

**35. Following is not an element of credit policy**

a) Credit terms

b) Collection policy

c) Cash discount terms

d) Purchase Price

**36. Following is not a cost of maintaining receivables**

**a) Ordering cost**

b) Collection cost

c) Defaulting cost

d) Financing cost

**37. Ageing of debtors measures**

**a) Debtors outstanding**

b) Debtors defaulting

c) Debtors payment

d) Debtors' discount

**38. Wealth maximisation means**

**a) Maximisation of networth**

b) NPV

c) IRR

d) Profit

**39. M. Ltd. is considering acquiring a plant. The purchase price is Rs. 12,36,100. The company believes that the net cash inflow of Rs. 3,09,025 will be generated every year. The plant will have to be replaced in eight years. The payback period is**

**a) 4 Years**

b) 3 Years

c) 6 Years

d) 2 Years

**40. Cost of project A is as Rs.  2,72,000 and offers eight annual net cash inflows of 60,000. The expected rate of return is 14%. The NPV will be**

**a) 6,340**

b) 7,400

c) 8,590

d) 4,300