

GOKHALE EDUCATION SOCIETY'S
 SHRI BHAUSAHEB VARTAK COLLEGE OF ARTS, COMMERCE AND SCIENCE
 TYBAF (SEMESTER-V)
 Subject : Financial Management II

Sr. No	Question	A	B	C	D	Correct Option
1	Process of carrying out a plan in a skillful way is _____.	Management	Strategy	Skill	Planning	B
2	Wealth maximization means _____.	IRR	Maximizaiton of net worth	NPV	Profit	D
3	Allocation of resources is a _____.	Corporate level strategy	Business level strategy	Functional level strategy	Marketing strategy	A
4	Financial strategy is a _____.	Functional strategy	Business strategy	Corporate strategy	Marketing strategy	A
5	Strategic financial management increases _____.	Profitability	Risk	Threat	Power	A
6	Strategies are _____.	Past oriented	Statics	Dynamic and flexible	Present oriented	C
7	Cash management strategy is _____.	Fast collection of cash from debtors	Pay expenses in advance	Pay suppliers in advance	Delay in collections	A
8	The method which uses accrual accounting is _____.	Payback	ARR	NPV	IRR	B
9	Cost of project A is Rs 2,72,000 and offers 8 annual net cash inflows of Rs 60,000. The expected rate of return is 14%. The NPV will be _____.	7400	8500	4300	6340	D
10	The IRR is the same as _____.	ARR	Hurdle rate	Interest at zero NPV	NPV	C

11	Working capital required is treated as _____.	Cash outflow	Cash inflow	Cost of Capital	Expenses	A
12	In replacement decisions market value of existing assets is considered as _____.	Cash outflow	Scrap value	Cost of capital	Cash inflow	D
13	Payback period is the _____.	Time required to recover the original investment	Time required to depreciate the asset	Time required to pay creditors	Time required to collect dues	A
14	In probability analysis probability is assigned to _____.	Each year's cash inflow	Cash outflow	Economic situation	Working capital	A
15	Decision tree is _____.	Tree with branches only	Tree with leaves only	Pictorial representation in a free form	Tree showing cash flows	C
16	The factor which is not relevant for determination of debt equity mix is _____.	Industry norms	Taxation	Nature of asset base	Viability of cashflows	A
17	If EBIT is less than financial break even point then _____.	No effect on EPS	EPS will be positive	EPS will be negative	Debt will increase	C
18	Following is not an assumption of MM approach _____.	Investors behave rationally	Investors are free to buy and sell securities	There is a transaction cost	Investors can borrow without restriction	C
19	If the expected level of EBIT exceeds the indifference point _____.	Debt financing will be advantageous	Equity financing will be advantageous	EPS will reduce	Interest will increase	A
20	The irrelevance theory of dividend was supported by _____.	Walter	MM	Gorden	Walter and Gorden	B

21	Ploughing back of profit means _____.	Declaration of dividend	Retaining profit	Reinvesting profit	Building reserves	B
22	Relationship between dividend per share and earning per share is known as _____.	Dividend per share	Dividend yield	EPS	Dividend payout	D
23	A closed end fund has a _____.	Stipulated maturity period	Fixed maturity period	Fluctuating maturity period	Flexible maturity period	A
24	Hybrid scheme invest in _____.	Equity shares	Debentures	Borrowed funds	Equity share and debentures	D
25	Mutual fund investments are _____.	Highly liquid	Less liquid	Not liquid	Moderate	A
26	Various measures of portfolio performance include _____.	Jensen's differential measure	MM's approach	Walter's approach	Gorden's model	A
27	The model known as bird in the hand argument _____.	Gordon's model	Walter's model	Fayol model	Henry model	A
28	If a 3 year redeemable bond is purchased and held till maturity, the rate of return earned is called _____.	Coupon rate	Yield to maturity	Required rate of return	Current yield	B
29	Debentures and bonds are _____.	Debt instruments	Ownership instruments	Creditors instruments	Fixed instruments	A
30	Irredeemable debentures are _____.	Redeemable after certain period	Redeemable on liquidation	Never redeemable	Convertible into shares	B
31	YTM can be calculated using _____.	Rate of return	Profitability index	IRR	Face value	C
32	Foreign bonds are subject to _____.	Indian currency risk	Business risk	Interest risk	Foreign currency risk	D

33	Cash term implies _____.	Sale on cash	Sale on credit	Sale on consignment	Advance sale	A
34	Credit standard is _____.	Standard of accounting	Criteria to decide credit	Standard of auditing	Credit policy	B
35	Ageing schedule shows _____.	Age of debtors in years	Goods sold	Amount collected	Age of creditors	A
36	Customers are created by _____.	Cash sales	Credit sales	Consignment sales	Advance sales	B
37	Cash discount increases _____.	Sales	Debtors	Collection period	Creditors	A
38	Which of the following is not a true statement	Liberalised credit standard increased sales	Strict credit standard reduces bad debts	Increase in credit period increases debtors	Increased cash discounts increases collection period	D
39	A company earned Rs 6 per share. Dividend pay out ratio is 30%. What will be the dividend per share?	Rs 18	Rs 1.8	Rs 0.18	Rs 180	B
40	According to Gordon's model, when rate of return is higher than the discount rate, the price per share _____ as the dividend pay out ratio decreases.	Decreases	Does not change	Increases	Changes	C
41	What is the cost of capital if price earning ratio is 12.5	0.08	125	1.5	0.8	A

42	A company has investment of Rs 5514 Cr, debtors 442 Cr, current assets 1286 Cr, outstanding expenses 174 Cr and creditors 780 Cr. Calculate NAV if outstanding units are 300.	20.96	200	2.09	2096	A
43	Which of the following is not the assumption of capital structure theory?	EBIT is not expected to grow	There are no corporate taxes	Business risk does not change	All earnings are not distributed as dividend	D
44	An investment of Rs 40,000 in a machine is expected to produce a cash inflow of Rs 8,000 p.a. Calculate the payback period.	4 years	5.8 years	5 years	10 years	C
45	Calculate the average rate of return if average annual earning after tax is Rs 7,500 and average investment is Rs 50,000.	0.15	0.75	0.25	0.5	A
46	Calculate ARR if average profit after tax is Rs 1,14,000 and average investment is Rs 1,70,000.	0.6705	0.5	0.065	0.067	A
47	Which of the following is not a technique of risk analysis in capital budgeting.	Standard deviation	Internal rate of return method	Co-efficient of variation	Sensitivity analysis	B
48	The project should be accepted if ARR is _____ the cut off rate.	More than	Equal to	Less than	Lower than	A
49	funds among the financially viable projects is known as _____.	Capital budgeting	Capital rationing	Capital structuring	Financing	B

50	Find the market value of equity if EBIT is Rs 4,80,000. Interest on debentures is Rs 80,000 and equity capitalization rate is 20%.	Rs 20,00,000	Rs 2,00,000	Rs 6,00,000	Rs 4,00,000	A
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