

Sample Question Paper

Subject- Advance Financial Management

Subject code 489

Note – This is a sample Question paper for student's exam reference only, might be pattern of paper can be change in actual examination.

Q.1. Which of the following sources of finance would you most likely to omit when calculating a company's cost of capital?

1. Convertible preference shares
2. Overdrafts
3. Medium term bank loans
4. Finance leases

Correct Answer :- Overdrafts

Q.2. An equity share selling at Rs.50 and paying a dividend of Rs.6 per share what is expected to continue. The cost of equity capital is:-

1. 2%
2. 6%
3. 12%
4. 3%

Correct Answer :- 12%

Q.3. The current dividend is Rs.6 per share, the current market price is Rs.150 and the dividend is expected to increase at about 2 per cent per year. The cost of Equity Capital is:-

1. 4%
2. 6%
3. 3%
4. None of these

Correct Answer :- 6%

Q.4 In calculating the proportional amount of equity financing employed by a firm, we should use:-

1. The common stock equity account on firm's balance sheet
2. The sum of common stock and preferred stock on the balance sheet
3. The book value of the firm
4. The current market price per share of common stock times the number of shares outstanding

Correct Answer :-

The current market price per share of common stock times the number of shares outstanding

Q.5. The _____ is the rate of return a firm must earn on its investments in projects in order to maintain the market value of its stock.

1. Cost of capital
2. Net present value
3. Internal rate of return
4. Gross profit margin

Correct Answer :- Cost of capital

Q.6. Cost of capital used in the sense of opportunity cost is implicit cost which arises when funds are used.

1. TRUE
2. FALSE

Correct Answer :- TRUE

Q.7. In Earnings price approach the earning price is equal to the dividend price.

1. TRUE
2. FALSE

Correct Answer :- TRUE

Q.8. In Aggressive Portfolio Management Policy greater emphasis is placed on safety of the principal of money.

1. TRUE

2. FALSE

Correct Answer :- FALSE

Q.9. Which of the following concept is extremely useful in the area of investment where risk is inherent?

1. Going concern
2. Entity
3. Conservatism
4. Materiality

Correct Answer :- Conservatism

Q.10. What limits a Government in supporting its debt?

1. Average tax rates
2. Minimum tax rates
3. Maximum tax rates
4. Depreciation rates as per income tax

Correct Answer :- Maximum tax rates

Q.11 Which of the following securities are exempt for income tax?

1. Ten year saving deposit certificate
2. Post office national defense certificate
3. Post office cash certificate
4. All of these

Correct Answer :- All of these

Q.12. In term loan disclosure of information is made:-

1. To lender
2. To general public
3. Both to lender and general public
4. To government

Correct Answer :- To lender

Q.13. Term loan are the source of financing where repayment is scheduled between following periods?

1. 1 to 3 years
2. More than 20 years
3. 1 years to 7 years
4. 1 month to 3 months

Correct Answer :- 1 years to 7 years

Q.14. Which of the following is not feature of term loans?

1. Drawing power
2. Maturity
3. Repayment
4. Security

Correct Answer :- Drawing power

Q.15. _____ Lease refers to short term lease that is often cancellable. For example, a lease for office space represents this type of lease where lease life is less than useful life of the asset.

1. A financial
2. An operating
3. A net
4. Direct

Correct Answer :- An operating