

Advance Financial Mgmt.

1. Ratios analyse the past data. In the dynamic business conditions, the past trend do not shown any tendency to continue in future. Thus ratios _____.
 - (a) **Tell very little about the future events**
 - (b) Play an important role in forecasting future
 - (c) Are of prime importance to investors
 - (d) None of the above

2. Cover indicates that _____.
 - (a) Money is safe with which it is invested
 - (b) **By how many times the earnings are covering the dividend**
 - (c) Investment is covered from all risks
 - (d) None of the above

3. Comparative financial statements help the management to identify the areas in which it has failed and the reasons for which it has failed.
 - (a) **Yes**
 - (b) No

4. Items appearing on the liability side of the balance sheet represent source of funds from _____.
 1. Shareholders
 2. Lenders
 3. Internal generations
 - (a) **1, 2 and 3**
 - (b) 1 and 2
 - (c) 2 and 3
 - (d) 1 and 3

5. If assets are sold at a profit the total cash realisation including profit cannot be shown as a source.
- (a) True
 - (b) **False**
6. Transactions that generate funds into the business are termed as _____.
- (a) Liabilities
 - (b) Investments
 - (c) **Sources of funds**
 - (d) Application of funds
7. Ratios have to be interpreted properly to get the full benefit of this technique. The methods are _____.
- 1. Interpretation of a single ratio
 - 2. Interpretation of a group ratio
 - 3. Interpretation of a trend ratio
 - 4. Interpreting a ratio through inter firm comparison
 - 5. Interpreting through functional classification
- (a) 1, 2 and 3
 - (b) 2, 3, 4 and 5
 - (c) **1, 2, 3 and 4**
 - (d) 1, 4 and 5
8. The costs are generally classified into groups and ratios are ascertained accordingly.
- 1. Cost of goods sold
 - 2. Administrative costs
 - 3. Sales and distribution costs
 - 4. Finance costs
 - 5. Managing costs
- (a) 1, 2, 4 and 5
 - (b) **1, 2, 3 and 4**
 - (c) 1, 3 and 5
 - (d) 2, 4 and 5

9. The interest on borrowed funds, is a charge against profits, i.e. it must be paid irrespective of profits, while the _____ on preference capital is an appropriation from profits.

- (a) Profit
- (b) Interest
- (c) **Dividend**
- (d) None of the above

10. In case of Time adjusted/discounted cash flow of capital budgeting evaluation technique is/are _____.

- (a) Internal rate of return
- (b) Profitability index
- (c) Net present value
- (d) **All of the above**