1. Trading concerns requires the working capital in: -
   (a) Specific amount
   (b) Small amount
   (c) Large amount
   (d) Moderate amount

2. Normally, accounts receivables have maturities of: -
   (a) 30 days after billing date
   (b) 60 days after billing date
   (c) 45 days after billing date
   (d) None of the above

3. Companies can buyback their own shares through: -
   (a) Tenders offers
   (b) Proportionate purchases
   (c) Stock market
   (d) All of the above

4. Utility tools of financial analysis is useful for: -
   (a) Creditors
   (b) Investors
   (c) Top management
   (d) All of the above

5. Jai electricals ltd having 1 lakh outstanding shares of rs10 each (par value) and has a rate of return on investment of 15 %. What should be the price per share at 10% discount rate & 80% payout according to Gordon’s model?
   (a) Rs. 30
   (b) Rs. 67
   (c) Rs. 17
   (d) Rs. 78.13

6. Total assets of company X is Rs. 10 lacs. Company X sold equity shares for Rs. 6.0 lacs (Rs. 10 each) & borrowed Rs. 4.0 lacs at 10%. Tax rate is 50% & ROI is 12%. The EPS is: -
   (a) 1.34
   (b) 0.33
   (c) 2.68
   (d) 0.67
7. According to _________ sum of the discounted value per share after dividend payment is equal to market value per share before dividend is paid.

(a) Linter and Richardson model  
(b) Walter’s Model.  
(c) **Miller and Modigliani's model**  
(d) Gordon’s model

8. Bondholder have priority over stock holders in their claim on assets.

(a) **True**  
(b) False

9. Issue of convertible bond with a conversion price of Rs.50 & conversion ratio of 10:1 is sold to public for Rs. 1000 per bond & the market price of the common stock at the time of issuance is Rs. 92 per share. The conversion premium is:-

(a) Rs. 920  
(b) **Rs. 80**  
(c) Rs. 420  
(d) Rs. 500

10. A buyback offer once made cannot be withdrawn.

(a) **True**  
(b) False

11. Duties of trustee does not include:-

(a) Principle payment & administration of sinking fund  
(b) Payment to Creditors  
(c) Collection & distribution of interest  
(d) **None of the above**

12. Since bond is a commitment for a long period, it involves risk.

(a) **True**  
(b) False

13. Concept of finance is concerned with :-

(a) Cash  
(b) Acquiring funds on reasonable terms and conditions to pay bills  
(c) Procurement of funds and wise application of funds  
(d) **All of the above**
14. Non-Recurring finance function involves:-

(a) **Preparation of financial plans at time of promotion of firm**
(b) Allocation of funds and income
(c) Monitoring the uses of funds
(d) All of the above

15. In which case, bond issue is secured by a new property purchased on a credit basis?

(a) Collateral Trust debenture
(b) **Equipment trust debenture**
(c) Blanket debenture
(d) Mortgage debenture

16. Debenture holders cannot interfere in managerial activities as long as the company is working in accordance with the terms of the indenture.

(a) **True**
(b) False

17. Old shareholders are in a better position to absorb all the shares offered when the ratio of new to old securities is _________.

(a) 1:01
(b) Large
(c) **Small**
(d) None of the above

18. Hanuman Company is planning to raise Rs.7.5 lakh of new equity funds through rights offering & decides to sell the stock to stockholders for Rs. 25 a share. The company has 6 lakh shares outstanding with a market price of Rs.30 a share. Company's net earning after tax is Rs.75,000. How many shares are newly issued? (3 Marks)

(a) 19,000
(b) 40,000
(c) **30,000**
(d) 26,000

19. The utility of tools of Financial Analysis is limited to Finance Manager.

(a) True
(b) **False**
20. When the term fund is used in the sense of cash, fund's statement turns into:-

(a) Increase or decrease in Liabilities  
(b) Increase or decrease in Asset  
(c) **Receipts and payment**  
(d) None of the above

21. The ratio obtained by dividing quick current assets by current liabilities is:-

(a) **Current Ratio**  
(b) Debts to Total Assets Ratio  
(c) Acid Test Ratio  
(d) None of the above

22. Firodiya Sons Ltd. expects its cost of goods for 2004 - 2005 to Rs. 18 crores. The expected operating cycle is 90 days, the company's policy is to carry minimum cash of Rs. 4,00,000. The estimated working capital required will be:- (3 Marks)

(a) 7.08 crores  
(b) 1.25 crores  
(c) **4.90 crores**  
(d) 6.25 crores

23. The firm need not carry large cash balance, when:-

(a) Firm has established good image in market  
(b) Terms on which goods are bought and sold  
(c) Collection of accounts receivables in firm is quick  
(d) **All of the above**

24. Bills receivables represents:-

(a) Current liabilities  
(b) **Amount to be received after specific period**  
(c) Amount to be paid after specific period  
(d) None of the above

25. The ratio obtained by dividing profit before tax by net worth is:-

(a) Gross profit to sales  
(b) Times interest earned  
(c) **Return on net worth**  
(d) None of the above

26. In case of unlimited companies:-

(a) Incorporation is not compulsory  
(b) Share capital is divided in stock.  
(c) **Liability of shares are unlimited.**  
(d) All of the above
27. If there is a boom in stock market & this state will likely to continue in outstanding future, the profitability of a successful sale is very high.

(a) True
(b) False

28. Which of the following is not correct?

(a) Preferred ordinaries carry voting rights
(b) Preferred ordinaries are redeemable within a specified time frame
(c) Preferred ordinaries are more risky than preference shares
(d) Dividend rate on preferred ordinaries is fixed

29. The difference between the current market value of the common stock & the conversion price is known as:-

(a) Exchange premium
(b) Conversion premium
(c) Convertible premium
(d) None of the above

30. Control principle should be given higher weightage in private limited Companies where ownership is closely held in a few hands.

(a) True
(b) False

31. Higher ratio of fixed cost to operating cost, higher the operating leverage.

(a) True
(b) False

32. As per Gordon's Model , where \( r > k \), price per share increases when retention ratio decreases in:-

(a) Growth firm
(b) Extra ordinary firm
(c) Declining firm
(d) Normal firm

33. Normally for an enterprise, growth and dividend are desirable and they have positive co-relation.

(a) Yes
(b) No
34. Revenue split means:

(a) **Reduction in number of outstanding shares**  
(b) Rearrangement of shares as it was earlier  
(c) Attracting small investors  
(d) None of the above

35. A young & growing concern will experiences considerable problem in procuring funds from market because of the:

(a) No Goodwill  
(b) Low profit ratio  
(c) **Reluctance of investors to tread on unbeaten path**  
(d) None of the above

36. Scrip Dividend means:

(a) Payment of dividend by cash  
(b) Payment of dividend  
(c) **Payment of dividend in Promissory note**  
(d) None of the above

37. Extra dividends are declared only in the year in which:

(a) Company earns handsome profit  
(b) **Earnings exceed annual dividend requirement**  
(c) When stock holders demands it  
(d) All of the above

38. Following is the information related to capital structure of company "B" before issue of stock dividends: Common Stock (Rs. 5 per share, 2.0 lac shares), Capital surplus 5.0 lacs & Retained earning of Rs. 5.0 lacs. With the issue of additional stock of 10,000 shares with market price of Rs. 20 per share, the retained earnings will now be:

(a) 5 lacs  
(b) **4.5 lacs**  
(c) 3 lacs  
(d) 9 lacs