

## Financial Management

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 A buyback offer once made cannot be withdrawn.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 Ffinancial 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