

કુલ સમય :- : ૬૦ મીનીટ

કુલ પ્રશ્નો : ૫૦

વિદ્યાર્થીએ ટીક કરવાના પ્રશ્નો : ૩૫

નોંધ : વિદ્યાર્થીએ માત્ર ૩૫ પ્રશ્નો જ ટીક કરવાના રહેશે. જો વધારે ટીક કરેલ હશે તો પ્રથમ ૩૫ પ્રશ્નો જ ગણતરીમાં લેવામાં આવશે.

- 1 Investment is the _____.
[A] net additions made to the nation's capital stocks
[B] person's commitment to buy a flat or house
[C] employment of funds on assets to earn returns
[D] employment of funds on goods and services that are used in production process
- 2 Financial Management is mainly concerned with _____.
[A] All aspects of acquiring and utilizing financial resources for firms activities [B] Arrangement of funds
[C] Efficient Management of every business [D] Profit maximization
- 3 The primary goal of the financial management is _____.
[A] to maximize the return [B] to minimize the risk [C] to maximize the wealth of owners [D] to maximize profit
- 4 According to traditional approach, the average cost of capital _____.
[A] Remains constant up to a degree of leverage and rises sharply thereafter with every increase in leverage
[B] Rises constantly with increase in leverage
[C] Decrease up to certain point, remains unchanged for moderate increase in leverage and rises beyond a certain point
[D] Decrease at an increasing rate with increase in leverage
- 5 The cost of capital of a firm is _____.
[A] The dividend paid on the equity capital
[B] The weighted average of the cost of various long-term and short-term sources of finance
[C] The average rate of return it must earn on its investments to satisfy the various investors
[D] The minimum rate of return it must earn on its investments to keep its investors satisfied
- 6 The formula for cost of debt is _____.
[A] $I \times (1 - t)$ [B] $I + p$ [C] $I - P$ [D] $I \times p$
- 7 Altering the leverage ratio does not influence the market value of the firm. This is the basic premise of _____.
[A] net income approach [B] traditional approach [C] modern approach [D] net operating income approach
- 8 While calculating the weighted average cost of capital, market value weights are preferred because _____.
[A] Book value weights are historical in nature
[B] This is in conformity with the definition of cost of capital as the investors minimum required rate of return
[C] Book value weights fluctuate violently
[D] Market value weights are fairly consistent over a period of time.
- 9 Financial management process deals with _____.
[A] investments [B] financing decisions [C] profit maximization [D] more assets
- 10 Financial management mainly focuses on _____.
[A] Arrangement of funds [B] Efficient management of every business
[C] Brand dimension [D] All elements of acquiring and using means of financial resources for financial activities
- 11 The market value of the shares is decided by
[A] The investment market [B] The government [C] Shareholders [D] The respective companies
- 12 What does financial leverage measure?
[A] No change with EBIT and EPS [B] The sensibility of EBIT with % change with respect to output
[C] The sensibility of EPS w.r.t % change in the EBIT level [D] % variation in the level of production
- 13 Cost of capital is _____.
[A] Lesser than the cost of debt capital. [B] Equal to the last dividend paid to the equity shareholders.
[C] Equal to the dividend expectations of equity shareholders for the coming year [D] None of the above.
- 14 _____ security is known as variable income security.
[A] Debentures. [B] Preference shares. [C] Equity shares. [D] None of these.
- 15 Financial leverage can be measured in _____.
[A] Stock term. [B] Flow term. [C] Both (a) and (b). [D] None of these.
- 16 Risk-return trade off implies _____.
[A] Increasing the portfolio of the firm through increased production.
[B] Not taking any loans which increases the risk.
[C] Not granting credit to risky customers.
[D] Taking decision in such a way which optimizes the balance between risk and return.
- 17 _____ is concerned with the maximization of a firm's earnings after taxes
[A] Shareholder wealth maximization. [B] Profit maximization. [C] Stakeholder maximization. [D] EPS maximization.
- 18 If a company issues bonus shares the debt equity ratio _____.
[A] Remain unaffected. [B] Will be affected. [C] Will improve. [D] None of the above.
- 19 Interest paid (earned) on both the original principal borrowed (lent) and previous interest earned is often referred to as _____.
[A] Present value. [B] Simple interest. [C] Future value. [D] Compound interest.
- 20 What is the present value of a Rs.1, 000 ordinary annuity that earns 8% annually for an infinite number of periods?
[A] Rs.80. [B] Rs.800. [C] Rs.1, 000. [D] Rs.12, 500.
- 21 _____ on capital gain and current income may influence form of capital.
[A] Legal stipulation. [B] Rate of tax. [C] Capital market condition. [D] Cost of floating.
- 22 _____ is the minimum required rate of earnings or the cut off rate of capital expenditure.
[A] Cost of capital. [B] Working capital [C] Equity capital. [D] None of the above.
- 23 _____ refers to make-up of a firm's capitalization.
[A] Capital structure. [B] Capital budgeting. [C] Equity shares. [D] Dividend policy.

- 24 _____ of different sources of capital influences capital structure.
 [A] Restrictive covenants. [B] Tax advantage. [C] Cost of capital. [D] Trading on equity.
- 25 Financial leverage refers to the rate of change in earnings per share for a given change in earnings _____.
 [A] Before tax. [B] Before interest. [C] Before interest and tax. [D] After interest and tax.
- 26 Security of assets is determining factor for using _____.
 [A] Debt capital. [B] Equity capital. [C] Preference capital. [D] Cost of capital.
- 27 Financial risk perception is an influencing factor of _____.
 [A] Equity structure. [B] Preference structure. [C] Debt structure. [D] Capital structure.
- 28 Time value of money indicates that
 [A] A unit of money obtained today is worth more than a unit of money obtained in future
 [B] A unit of money obtained today is worth less than a unit of money obtained in future
 [C] There is no difference in the value of money obtained today and tomorrow
 [D] None of the above
- 29 Time value of money supports the comparison of cash flows recorded at different time period by
 [A] Discounting all cash flows to a common point of time [B] Compounding all cash flows to a common point of time
 [C] Using either a or b [D] None of the above.
- 30 Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:
 [A] Effective rate > Nominal rate [B] Effective rate < Nominal rate
 [C] Effective rate = Nominal rate [D] None of the above
- 31 Mr. X takes a loan of Rs 50,000 from HDFC Bank. The rate of interest is 10% per annum. The first installment will be paid at the end of year 5. Determine the amount of equal annual installments if Mr. X wishes to repay the amount in five installments.
 [A] Rs 19500 [B] Rs 19400 [C] Rs 19310 [D] None of the above
- 32 The value of a bond and debenture is
 [A] Present value of interest payments it gets [B] Present value of contractual payments it gets till maturity
 [C] Present value of redemption amount [D] None of the above
- 33 Required rate of return > Coupon rate, the bond will be valued at
 [A] Premium [B] Par value [C] Discount [D] None of the above
- 34 A bond is said to be issued at premium when
 [A] Coupon rate > Required returns [B] Coupon rate = Required returns
 [C] Coupon rate [D] None of the above
- 35 To find the present value of a sum of Rs. 10,000 to be received at the end of each year for the next 5 years at 10% rate, we use:
 [A] Present value of a single cash flow table [B] Present value of annuity table.
 [C] Future value of a single cash flow table [D] Future value of annuity table
- 36 Sinking fund factor is the reciprocal of:
 [A] Present value interest factor of a single cash flow. [B] Present value interest factor of an annuity.
 [C] Future value interest factor of a single cash flow. [D] Future value interest factor of an annuity.
- 37 X took a housing loan of Rs. 25,00,000. The loan is to be redeemed in 120 monthly installments of Rs. 31,000 each to be paid at the end of each month. What is the implied interest rate per annum.
 [A] 8.50% [B] 8.1% [C] 7.70% [D] 9.12%
- 38 Degree of operating leverage can be computed by
 [A] % change in Operating Income/% change in sales [B] % Sales/% Profit
 [C] Sales/Cost of Production [D] Sales/Fixed Cost
- 39 Degree of Financial leverage is
 [A] Profit/Sales x Capital [B] Percentages change in EPS or EBIT/percentage changes in EBIT - Interest
 [C] Sales/Fixed Assets [D] EBIT/100 x Sales
- 40 Cost of retained earnings is equal to _____.
 [A] Cost of equity [B] Cost of debt [C] Cost of bank loan [D] Cost of term loans
- 41 CAPM stands for.
 [A] Capital asset pricing model. [B] Capital amount printing model.
 [C] Capital amount pricing model. [D] Capital asset printing model.
- 42 A critical assumption of the net operating income (NOI) approach to valuation is:
 [A] That debt and equity levels remain unchanged. [B] That dividends increase at a constant rate.
 [C] That ko remains constant regardless of changes in leverage. [D] That interest expense and taxes are included in the calculation.
- 43 A firm's degree of operating leverage (DOL) depends primarily upon its
 [A] Sales variability. [B] Level of fixed operating costs.
 [C] Closeness to its operating break-even point. [D] Debt-to-equity ratio.
- 44 Which one is a type of value?
 [A] book value [B] wholesale value [C] domestic value [D] firm value
- 45 Which factor determines capital structure?
 [A] Risk [B] Cost of capital [C] Trading on equity [D] all of the above
- 46 What's the value to you of a \$1,000 face-value bond with an 8% coupon rate when your required rate of return is 15 percent?
 [A] More than its face value. [B] Less than its face value. [C] \$1,000. [D] True.
- 47 When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:
 [A] a premium. [B] a discount. [C] cannot be determined without more information. [D] face value.
- 48 Cost of capital is expressed in terms of ____
 [A] percentage [B] fraction [C] whole number [D] any of the above
- 49 ____ is also known as component cost of capital.
 [A] Future cost [B] Specific cost [C] Spot cost [D] Opportunity cost
- 50 The measure of business risk is _____.
 [A] operating leverage [B] financial leverage [C] Total leverage [D] working capital leverage