

FM

Question:- A list of all the material required for a job, process or production

Answer:- Bill of materials

Question:- The main function of finance under the traditional approach comprises of

Answer:- Procurement of funds

Question:- Investment of the venture capitalist does not exceed _____ so that the effective control of the project remains with the entrepreneur

Answer:- 0.49

Question:- The approved credit rating agencies prevailing in the country are promoted by the government controlled organizations

Answer:- TRUE

Question:- During the phase of boom and prosperity the company will like to retain more profits which can be used during the depression which is likely to follow

Answer:- TRUE

Question:- Credit period is

Answer:- the time allowed by the company to the customers to pay their

Question:- Advantages of the issue of Bonus shares in the form of Dividend to the company are

Answer:- Remedy for undercapitalization , Increase marketability of shares , Increase credit standing of the company in the eyes of the lending financial institutions

Question:- Receipt of loans/borrowings appear in the cash budget under the head

Answer:- Non-operating cash inflow

Question:- Advantage of term loan from the company's point of view is

Answer:- In post tax terms, the cost of term loans is lower than the cost of equity capital or preference capital

Question:- Loan Installments appear in the cash budget under the head

Answer:- Non-operating cash outflow

Question:- Composite cost is calculated as

Answer:- Total weighted cost / Total weights

Question:- Advantages of Preference shares from shareholders point of view

Answer:- Advantages of Preference shares from shareholders point of view

Question:- Carrying cost of inventory includes cost incurred for preparation of purchase requisition

Answer:- FALSE

Question:- Proprietary ratio can be calculated as

Answer:- Total Assets / Owners Funds , Fixed Assets / Owners Funds , Current Assets / Owners Funds

Question:- The capacity of the existing owners of the company to retain control over operations of the company is termed under

Answer:- Control factor

Question:- Overall profitability ratio includes

Answer:- Return on Asset , Return on Shareholders Funds

Question:- under no circumstances , _____ term requirement of funds should be met out of short term sources of funds

Answer:- long

Question:- The assumptions of capital structure theories is that Operating earnings are not expected to grow
Answer:- TRUE

Question:- Risk adjusted discounting rate method of capital budgeting decision is advantageous in the sense that it is simple to understand and incorporates the risk attached with the future returns in case of capital expenditure proposals
Answer:- TRUE

Question:- The traditional approach to financial management refers only to the procurement of funds by
Answer:- Corporate entity

Question:- Disadvantages of Internal rate of return is
Answer:- It is difficult to use and understand , It presupposes that the cash inflows can be reinvested immediately to yield the return equivalent to Internal rate of return which is not very realistic

Question:- Cash from operation is the main internal source of cash
Answer:- TRUE

Question:- Earnings per share does not indicate the amount of profits distributed among the owners by way of dividend and also the amount of profits retained in the business
Answer:- TRUE

Question:- Venture Capitalist is not interested in keeping his investment in the project on a _____ basis
Answer:- permanent

Question:- Under the Financial Analysis of the company done by Credit rating and Information Services of India Ltd. the following points are covered
Answer:- Accounting policies followed by the company , Adequacy of cash flows for fixed capital

Question:- Financing consists of the raising, providing, managing of all the money, capital or funds of any kind to be used in connection with the business' is defined by
Answer:- Bonneville and Dewey

Question:- Current assets are also referred to as
Answer:- Working Capital

Question:- As per the Tendon committee, variations between the projected figures and actuals may be permitted to the extent of _____
Answer:- 0.1

Question:- A wider connotation of the term fund is found in the interpretation of the term 'funds' as _____ concept
Answer:- resource

Question:- Operating Profit
Answer:- Contribution less Fixed Operating cost

Question:- Fixed cost
Answer:- remains constant

Question:- Variable cost
Answer:- varies in direct proportion to the sales revenue

Question:- Contribution
Answer:- Sales less variable operating cost

Question:- The economical use of the asset is permitted by the less or on the payment of periodical amount which is in the form of
Answer:- Lease rent

Question:- A project involves the investment of Rs. 5,00,000 which yields profit after depreciation and tax Rs. 2,30,000. At the end of 5 years, the machineries in the project can be sold for Rs. 40,000. Find the Average rate of return

Answer:- 0.1

Question:- Internal sources of cash are

Answer:- Depreciation , Amortization of intangible assets

Question:- _____ committee has extended the recommendations of Nayak committee to all the business organizations

Answer:- vaz

Question:- Advantages of Debentures from Investor's point of view

Answer:- They earn a stable rate of return , They are protected by the various provisions of the debenture Trust Deed , They generally have a fixed maturity period

Question:- A wrong decision in respect of capital expenditure proposals may disturb the entire _____ structure of the organization

Answer:- financial

Question:- As per the SEBI guidelines revaluation reserve can be used for issue of bonus share

Answer:- FALSE

Question:- The recommendations of the Chore committee included

Answer:- increasing role of short term loans and bill finance and curbing the role of cash credit limits , the bank should appraise and fix separate limits for normal non-peak levels and also peak levels

Question:- Disadvantages of factoring are

Answer:- increasing role of short term loans and bill finance and curbing the role of cash credit limits , the bank should appraise and fix separate limits for normal non-peak levels and also peak levels

Question:- Recurring duties of finance executive

Answer:- Raising of funds

Question:- Objective of finance function

Answer:- Profit maximization

Question:- Treasurer

Answer:- Cost management

Question:- Finance Controller

Answer:- Internal Auditing

Question:- The classification of ratios under miscellaneous group includes

Answer:- Earnings per share , Dividend Payment ratio

Question:- Dividends are usually paid on

Answer:- Paid up capital

Question:- Financial leverage is calculated as $(\text{Sales} - \text{Variable cost}) / (\text{Earnings before Interest and tax} - \text{Interest})$

Answer:- FALSE

Question:- _____ implies arithmetical relationship between two related figures

Answer:- ratio

Question:- if the company pay the dividend out of retained profits, then the amount to be drawn from the reserve shall not exceed an amount equal to _____ of its paid up capital and free reserves

Answer:- 0.1

Question:- Before investing in the project, Venture capitalist is interested in ensuring that
Answer:- The project is technically feasible , It is commercial viable , The entrepreneurs are technically competent

Question:- The cost which varies in direct proportion to the sales revenue is termed as
Answer:- Variable cost

Question:- The knowledge of Working capital is necessary while studying the concept of Cash flow statement
Answer:- TRUE

Question:- _____ of the company should authorize the company to buy back its own shares
Answer:- Articles of Association

Question:- Types of capital budgeting decisions
Answer:- Replacements , Expansion , Diversification

Question:- Gross Profit can be increased by either
Answer:- Reduced Production cost, sales price remaining the same , Increased Sales price, Reduced Production cost , Increased Sales price, Production cost remaining the same

Question:- Net Profit is the difference between Sales and
Answer:- All types of cost

Question:- Undercapitalization is
Answer:- Excess of real worth of the assets over the aggregate of shares and debentures outstanding

Question:- _____ will be shown as source of funds net of proposed dividend
Answer:- Operating Profit

Question:- Revenue from sale of products ordinarily is reported as part of the earning in the period
Answer:- the sale is made

Question:- The operating profit earned by the company is in the form of contribution duly reduced by the
Answer:- Fixed operating cost

Question:- Increase in the amount in debtors results in
Answer:- Decrease in cash

Question:- When a company issues bonus shares, reserves of the company get reduced and share capital of the company increases
Answer:- TRUE

Question:- The factor need not factor all the debts of the client
Answer:- TRUE

Question:- Where share capital is not represented by the assets of equal value, the situation may mean introduction of _____
Answer:- Watered capital

Question:- Mr. A invested Rs. 10,000 in fixed deposit carrying interest @10% p.a. compounded annually. Calculate the value of investment after two years
Answer:- Rs. 12,100

Question:- The traditional approach to financial management refers only to the procurement of funds by
Answer:- Corporate entity

Question:- The projects having Profitability index of more than _____ will be accepted
Answer:- one

Question:- From the following compute the 'Current Ratio' : Sundry Debtors Rs. 40,000/-, Prepaid exps Rs. 20,000/-, Short term investment Rs. 10,000/-, Bills Payable Rs. 10,000/-, Sundry Creditors Rs. 20,000/-, Debentures Rs. 1,00,000/-, Inventories Rs. 20,000/-, Outstanding expenses Rs. 20,000/-.

Answer:- 1.8

Question:- internal rate of return does not considers cash inflows from the project throughout its life

Answer:- FALSE

Question:- The Investment decisions are mainly concerned with

Answer:- application of funds

Question:- financial ratio

Answer:- Ratios disclosing the financial position or solvency of the firm

Question:- Profitability ratio

Answer:- Ratios which reflect the final results of business operations

Question:- Turnover ratios

Answer:- Ratios measuring the efficiency with which the assets are employed by a firm

Question:- The _____ has been empowered to order the company that fails to repay any deposit to make the repayment of such deposits

Answer:- company law board

Question:- The formula for Current ratio is

Answer:- Current assets / Current liabilities

Question:- Shortcoming of term loans from company's point of view

Answer:- The interest and capital repayment are obligatory payments

Question:- Goods Stolen (Sale price Rs. 1000/- Cost Rs. 800/-) ; Which of the accounts will be affected by this transaction

Answer:- Purchases Account , Loss by theft Account

Question:- Introduction of a heavy amount of debt capital in the capital structure will not only reduce the valuation of the firm but will also increase the cost of capital

Answer:- TRUE

Question:- Some projects which cannot be divided while execution , they can be either accepted or rejected in its entirety

Answer:- TRUE

Question:- Financial Institution plays the role of _____ in factoring service offered

Answer:- factor

Question:- The recommendations of the Chore committee included

Answer:- increasing role of short term loans and bill finance and curbing the role of cash credit limits , the bank should appraise and fix separate limits for normal non-peak levels and also peak levels

Question:- Return on Assets is a ratio of relationship between Assets and Sales

Answer:- FALSE

Question:- Which of the following assets get generated during course of operations or get utilized within one year

Answer:- current assets

Question:- Indicate which of these are Profitability ratios

Answer:- Operating ratio , Gross Profit ratio

Question:- Factoring can be classified as

Answer:- Without Recourses factoring , With Recourse factoring

Question:- the reduction in the market value of the shares may cause due to

Answer:- Overcapitalization

Question:- Operating cost incurred by the company can be classified into

Answer:- Variable cost , Fixed cost , Semi-variable cost

Question:- Increase in average credit period to maintain sales in view of falling demand can be indicated by

Answer:- debtors turnover ratio

Question:- Hire Purchase is referred to as 'Off the balance sheet mode of financing' for the

Answer:- FALSE

Question:- For the selection of the period for which capital expenditure budget should be prepared ,
_____ a period may not be useful

Answer:- Too long

Question:- In ABC analysis B class consist of _____.

Answer:- relatively less important items

Question:- Advantages of letter of credit to the Importer

Answer:- the importer can bargain for better trading terms , he is assured to get proper supply of the goods

Question:- Ratio which measures the profitability of the investments in a firm

Answer:- Return on Asset

Question:- The relation of Net Sales and Working Capital

Answer:- Working Capital turnover ratio

Question:- The ratio which indicates the speed at which the Sundry debtors are converted in the form of cash

Answer:- Debtors turnover ratio

Question:- The ratio which indicates the efficiency of the organization with which the capital employed is being utilized

Answer:- Capital turnover ratio

Question:- limitation of cash flow analysis are

Answer:- It cannot be equated with the income statement , Cannot replace the fund flow statement , Dose not represent real liquid position

Question:- _____ in liabilities involves outflow of funds

Answer:- Decrease

Question:- Income tax paid in the case of sole proprietor firms should be treated as a personal expense of the proprietor

Answer:- TRUE

Question:- The internal factors affecting the dividend policy are

Answer:- Growth rate of the company , Composition of the shareholding

Question:- The assumptions for the theories of capital structure are

Answer:- Firm use only long term debt capital or equity share capital to raise funds , Firm follow policy of paying 100% of its earnings by way of dividend , Operating earnings are not expected to grow

Question:- Credit period is

Answer:- the time allowed by the company to the customers to pay their dues

Question:- from company's point of view return paid on own capital is

Answer:- is not a tax deductible expenditure

Question:- the advantage of operating lease is

Answer:- In an operating lease arrangement the equipment risk is transferred to the lessor , It minimizes investment in equipment , Reduces expenditure on maintenance

Question:- one of the basic objectives of cash management is to maintain the optimum cash balance

Answer:- TRUE

Question:- The Proprietary concern is owned by

Answer:- Only one person

Question:- How many days in a year are to be considered for the calculation of daily sales

Answer:- 365

Question:- If the process of capital rationing is strictly followed it may result into the exclusion of various smaller projects by larger projects

Answer:- TRUE

Question:- _____in assets involves inflow of funds

Answer:- decrease

Question:- The depreciation is being charged for the following assets

Answer:- Plant and Machinery , Building

Question:- Current ratio and Acid test ratio are categorized under liquidity group

Answer:- TRUE

Question:- The weighted average cost of capital is referred to as

Answer:- Average cost

Question:- The amount of cheques issued by the company awaiting payment by the bank is called as

Answer:- Payment float

Question:- Operating leverage is calculated as $\frac{\text{Earnings Before Interest and Tax}}{\text{Earnings before Interest and Tax} - \text{Interest}}$

Answer:- FALSE

Question:- The ratio which indicates the protection available to the lenders of long term capital in the form of funds available to pay the interest charges is

Answer:- Interest coverage ratio

Question:- the most reliable source of getting the information about the creditworthiness of the customer who is dealing with the company presently is

Answer:- Past experience of the customer

Question:- A liquid ratio of _____ is supposed to be standard

Answer:- 1:01

Question:- liquid liabilities includes all current liabilities except bills payable

Answer:- FALSE

Question:- The financing of the working capital requirement which arises during the course of normal business operations is termed as

Answer:- Spontaneous sources

Question:- Undue increase in Gross Profit ratio may indicate

Answer:- Consideration of non-sales transactions as sales transaction , Over-valuation of closing stock

Question:- in regular Stock Dividend policy, the company may pay dividend in the form of bonus shares instead of cash

Answer:- TRUE

Question:- advantages of debenture from company's point of view are

Answer:- The specific cost of debt capital represented by debentures is lower than the cost of preference or equity capital , Debenture financing does not result in dilution of control

Question:- The projects having Profitability index of more than _____ will be accepted

Answer:- one

Question:- Internal sources of funds are

Answer:- funds from operation , Loss on sale of fixed assets , Goodwill written

Question:- Subscription list of a public issue of shares shall be kept open for minimum _____ working days

Answer:- 3

Question:- Till the sales revenue reaches the break even point, the company

Answer:- incurs the losses

Question:- As per the Tendon Committee, the norms suggested for consumption of raw materials should be in _____

Answer:- months

Question:- Proprietary ratios is the relationship between owners funds and total assets

Answer:- TRUE

Question:- The discounted cash inflows match with discounted cash outflows

Answer:- Internal Rate of return

Question:- The characteristics of assets are

Answer:- They are acquired for use for long periods , They are ordinarily not meant for resale

Question:- Investment of the venture capitalist does not exceed _____ so that the effective control of the project remains with the entrepreneur

Answer:- 0.49

Question:- Under hypothecation mode of security neither the property nor the possession of the goods hypothecated is transferred to the Bank

Answer:- TRUE

Question:- The mix of sources from which the long term funds required by a business are raised is termed as

Answer:- Capital Structure

Question:- current assets is in the form of

Answer:- Receivables

Question:- _____ of the company should authorize the company to buy back its own shares

Answer:- Articles of Association

Question:- Types of capital budgeting decisions

Answer:- Replacements , Expansion , Diversification

Question:- Gross Profit can be increased by either

Answer:- Reduced Production cost, sales price remaining the same , Increased Sales price, Reduced Production cost , Increased Sales price, Production cost remaining the same

Question:- _____ will be shown as source of funds net of proposed dividend

Answer:- Operating Profit

Question:- in certain cases , the capital expenditure may not involve any specific inflow of funds, but only outflow of funds

Answer:- TRUE

Question:- Dividend / Price Approach to compute cost of equity shares is objected on the following grounds
Answer:- This presupposes that an investor looks forward only to receive dividend on equity shares which may not be correct , It assumes that the company will not earn on its retained earnings which is a wrong assumption

Question:- The indication given by Internal rate of return is that it is the _____ rate at which the company will be able to pay towards the interest on amounts borrowed for investing in the projects
Answer:- maximum

Question:- The pay back period is calculated as
Answer:- Cash outlay / Annual cash inflow

Question:- in narrow sense funds means only cash resources of the business
Answer:- TRUE

Question:- One of the tools available to the company to ensure the maintenance of _____ cash balance is to prepare cash budget
Answer:- optimum

Question:- Lease agreement is the most important document as it starts the _____ relationship between the less or and lessee
Answer:- legal

Question:- The amount of profit earned after recovering the interest on long term sources of capital is referred to as _____
Answer:- Profit before taxes

Question:- Limitations of Average collection period
Answer:- Average Collection period assumes that the credit sales are evenly spread throughout the year. In practical circumstances, credit sales are not evenly spread throughout the year , The amount of credit sales made by company or the normal credit period offered by the company are not available in the published financial statements

Question:- The book-keeping and accounting activities in relation to the receivables management undertaken by the factor includes
Answer:- Maintenance of debtors ledger , Various periodical reports about outstanding from the customers , Age-wise analysis of the outstanding

Question:- the accounting report which summarizes the revenues and expenses for a specified accounting period is referred to as
Answer:- profit and loss Account

Question:- _____ In assets involves outflow of funds
Answer:- increase

Question:- Inflow of funds may not necessarily result in _____
Answer:- inflows of cash

Question:- Fixed assets turnover ratio is the relationship between fixed assets and owner's funds
Answer:- FALSE

Question:- The motive of the company to hold inventory to guard against the risk of unpredictable changes in demand and supply forces is known as
Answer:- Precautionary motive

Question:- Safety Stock
Answer:- below which the actual stock should not be allowed to fall

Question:- ABC Analysis
Answer:- Vital few Trivial Many

Question:- Bill of Materials

Answer:- Details of the necessary materials as well as quantity of each item

Question:- Perpetual Inventory System

Answer:- Maintenance of Bin Cards and Stores ledger in order to know about the stock in quantity and value at any given point of time

Question:- Turnover ratios indicate the efficiency of the organization to use the various kinds of assets by converting them in the form of Sales

Answer:- TRUE

Question:- Stock at the end results in the

Answer:- Source of funds

Question:- Registered Debentures are those

Answer:- which can be transferred to another person only through the company

Question:- Important ratio from the Equity shareholder point of view in relation between the profits and investment in the firm

Answer:- Return on Shareholders funds

Question:- Important ratio for a Bank granting short term loan

Answer:- Current ratio

Question:- Important ratio for Financial Institutions and Creditors long term finance

Answer:- Debt Service Coverage Service

Question:- Important ratio for an ideal investor for comparison between the current market price and future EPS

Answer:- Price Earning Ratio

Question:- The term Accrued Income and Outstanding Income have synonymous meaning

Answer:- FALSE

Question:- Advantages of the issue bonus shares in the form of Dividend to the company are

Answer:- Remedy for undercapitalization , Increase marketability of shares , Increase credit standing of the company in the eyes of the lending financial institutions

Question:- The technique which tries to find out the present value of Re 1 if received or spent after n years, provided that the interest rate of I can be earned on investment is termed as

Answer:- Discounting

Question:- Benefits of cash flow information

Answer:- It enhances the comparability of the reporting of operating performance by different enterprise , Historical cash flow information is often used as an indicator of the amount , timing and certainty of future cash flows , It enables the users to evaluate the changes in net assets of an

Question:- In an organization, Dividend distribution is the function of a Finance Controller

Answer:- FALSE

Question:- The factor makes the prepayment of the invoice to the selling company after keeping the _____ as stipulated

Answer:- Margin

Question:- Disadvantage of factoring are

Answer:- The financial burden on the company increases , It may be considered to be a symptom of financial weakness on the part of the selling company , In Indian circumstances, factoring is mainly with-recourse factoring. The risk of non-payment on the part of customer is borne by the selling firm. This restricts its popularity

Question:- The product which are ready for sale in the market are termed

Answer:- Finished goods

Question:- The Proprietary concern is better than the Partnership concern on the following points

Answer:- Minimum Government regulations , Where the business is small

Question:- Requirement of working capital is low in case of

Answer:- Infrastructure oriented projects

Question:- Introduction of debt capital increases the risk of insolvency due to non-availability of cash and variability of earnings available to equity

Answer:- TRUE

Question:- Price earning ratio is calculated as

Answer:- Market Price per share / Earnings per share

Question:- Earnings per share is of great significance to an operator on the stock exchange buying and selling the shares

Answer:- FALSE

Question:- The technique of Ratio Analysis is

Answer:- The interpretation of financial statements by grouping or regrouping the various figures with the intention to draw conclusions

Question:- Under the Financial Analysis of the company done by Credit rating and Information Services of India Ltd. the following points are covered

Answer:- Accounting policies followed by the company , Adequacy of cash flows for fixed capital

Question:- Net profit ratio

Answer:- Indicates that portion of sales available to the owners after consideration of all types of expenses and cost

Question:- Undue increase in Gross Profit ratio

Answer:- Over-valuation of closing stock

Question:- Undue decrease in Gross Profit ratio

Answer:- Under-valuation of closing stock

Question:- Gross Profit ratio

Answer:- Indicates the relation between production cost and Sales

Question:- Fund flow statement and cash flow statement are one and the same

Answer:- FALSE

Question:- The pattern of Dividend policy are

Answer:- Stable Dividend policy , Irregular Dividend policy , No immediate Dividend policy

Question:- The cost of individual items of capital is termed as

Answer:- component cost

Question:- Interest on overdraft is payable on the actual amount drawn and is calculated on _____ product basis

Answer:- daily

Question:- Importance of capital budgeting decisions

Answer:- They represent the true earning assets of the firm , they are irreversible , they require assessment of future events which are uncertain

Question:- Types of capital budgeting decisions

Answer:- Diversification , Replacements , Expansion

Question:- Equity Warrants are

Answer:- where the holders are entitled to purchase the equity shares at a specific price during the specified period

Question:- The current ratio of _____ is considered to be standard

Answer:- 2:01

Question:- The composite cost of capital considers weighted average for giving consideration to the proportion of various sources of funds in the capital structure of the company

Answer:- TRUE

Question:- Increase in a fixed asset due to purchase is

Answer:- uses of funds

Question:- An ideal investor makes an comparison between the current market price and future Earning per share as the market value of shares depends upon the future Earnings per share

Answer:- TRUE

Question:- The operating profit of A ltd. after charging interest on debentures and tax is a sum of Rs. 10,000/-. The amount of interest charged is Rs. 2,000/- and the provision for tax has been made of Rs. 4,000/-. Calculate the interest charges cover ratio

Answer:- 8

Question:- Debt Equity ratio is alternatively called _____ ratios

Answer:- leverage

Question:- The incremental cost attached with new funds raised by the company is referred to as

Answer:- marginal cost

Question:- The normal process which may be followed under the capital rationing situations may be

Answer:- Rank the projects according to some measure of profitability , Select projects in the descending order of profitability till the available funds are exhausted

Question:- Redemption of shares/debentures is categorized under _____

Answer:- Non-operating cash outflow

Question:- Before the company can pay the dividend on Equity shares, it is bound to pay the dividend on Preference shares

Answer:- TRUE

Question:- Current liabilities consist of

Answer:- Creditors

Question:- The effects of overcapitalization are

Answer:- Reduction in the market value of the shares , Credit standing of the company in the market falls down and difficulty in raising further capital

Question:- Re-order level - (normal usage * normal lead time)

Answer:- Minimum level

Question:- normal usage * lead time for emergency purchase

Answer:- Danger level

Question:- Maximum lead time * Maximum usage

Answer:- Re-order level

Question:- Reorder level + Re-order quantity - (Minimum usage * Minimum lead time)

Answer:- Maximum level

Question:- the concept of watered capital is confined to the time of _____ of the company

Answer:- Promotion

Question:- Following lenient dividend policy without bothering much about building up the reserves may be the cause for undercapitalization

Answer:- FALSE

Question:- International financial function of the organization comprises of :

Answer:- Study of flow of funds beyond national boundaries , Exchange of currencies

Question:- Carriage inward is normally debited of _____ -

Answer:- Manufacturing Account

Question:- For accounting and tax purposes of hire purchase agreement, _____ is treated as revenue expenditure and is considered to be a tax deductible expenditure

Answer:- Only interest

Question:- The fixed assets are expressed at _____ -

Answer:- Cost - Depreciation

Question:- Limitation of credit rating are

Answer:- Credit rating is based upon the evaluation made by the agencies which may vary depending upon the experience, knowledge and individual opinion of the raters which may be biased in some cases , Credit rating is primarily based upon the past performance whereas the future prospects should be given more importance while deciding the credit rating , Multiplicity of the rating agencies can be considered to be the limitation of the credit rating

Question:- profit after taxes can be distributed among the owners of the company by way of _____

Answer:- dividend

Question:- The characteristics of debenture are

Answer:- Funds raised by the company by way of debentures are required to be repaid during the lifetime of the company at the time stipulated by the company , The interest on debentures is payable even if the company does not earn the profits , In financial terms, debentures prove to be a cheap source of funds from the company's point of view

Question:- overall profitability ratio includes

Answer:- Return on Asset , Return on Shareholders Funds

Question:- _____ is the most important ratio to measure whether the firm has earned sufficient returns for its shareholders or not

Answer:- Return on Shareholders funds

Question:- The advantage of leasing for the lessee are

Answer:- The payment of lease rents is the tax deductible expenditure , It is the quickest method of financing the requirements of long term capital , Avoids risk of ownership

Question:- Accounts receivable is an example of current assets

Answer:- TRUE

Question:- The evaluation of various proposal of capital expenditure should be done as rationally as possible

Answer:- TRUE

Question:- The following data are extracted from the published accounts of a company : Sales Rs. 38,00,000/-, Net Profit after tax Rs. 2,50,000/-, Equity capital Rs. 10,00,000/-, General Reserve Rs. 6,50,000/-, Rs. Long term debt Rs. 7,00,000/-, Creditors Rs. 6,90,000/-, Bank credit/short term loan Rs. 2,30,000/-, Fixed Assets Rs. 17,50,000/-, Inventories Rs. 7,25,000/-, Other Current assets Rs. 5,25,000/-.
The Current assets turnover ratio is _____

Answer:- 3.04

Question:- calculate the gross profit ratio from the following figures : Sales Rs. 1,00,000/-, Purchases Rs. 60,000/-, Sales Return Rs. 10,000/-, Opening stock Rs. 20,000/-, Purchases Return Rs. 15,000/-, Closing Stock Rs. 5,000

Answer:- 0.3333

Question:- Return of Shareholders funds being much higher than the overall return on investment can be judged by

Answer:- Debt Equity ratio

Question:- Secured premium notes did not carry any interest during the first three years

Answer:- TRUE

Question:- The ratio under overall profitability group indicate the relationship between the profits of a firm and _____ in the firm

Answer:- Investment

Question:- Variable working Capital is

Answer:- the working capital required over and above the permanent working capital

Question:- Under Hire Purchase agreement, depreciation is considered by the hirer as an expenditure, debited the same to Profit and Loss account and hence becomes the tax deductible expenditure

Answer:- TRUE

Question:- Advantage of net present value

Answer:- considers cash inflows from the project throughout its life

Question:- Disadvantage of Accounting rate of return

Answer:- uses profits after depreciation and taxes and not the cash inflows for evaluating the projects

Question:- Disadvantage of Pay back period

Answer:- ignores time value of money

Question:- Advantage of Discounted Pay back period

Answer:- considers time value of money

Question:- Internal sources of funds are

Answer:- Funds from operations , Loss on sale of fixed assets , Goodwill written off

Question:- The shares of the company can be bought back by purchasing the shares issued to the employees under the employees stock option scheme

Answer:- TRUE

Question:- The effect of Cash collected from Debtors on the funds flow is that there will be

Answer:- No effect on the funds flow

Question:- While using trade credit as a source of working capital financing, following factor play an important role

Answer:- Liquidity position of the company , Earnings of the company over a period of time , Relationship of the company with the suppliers

Question:- Debt Service means payment of installments and interest against an amount borrowed as per terms of loan

Answer:- TRUE

Question:- Minimum tradable lot in case of shares having the face value of Rs. 10 per share shall not be more than

Answer:- 100 shares

Question:- Credit rating is not a recommendation for buying, selling or holding a security

Answer:- TRUE

Question:- The capital of samir Ltd. is as follows : Equity shares of Rs. 100 each Rs. 10,00,000/-, 12% Preference shares of Rs. 10 each Rs. 5,00,000/-, Profit after tax Rs. 4,00,000/-, Equity dividend paid 20%, Market price of equity share Rs. 120. Calculate Price Earnings ratio

Answer:- 3.52

Question:- The amount of cheques deposited by a Bank awaiting clearance is called

Answer:- collecting float

Question:- Re-order level is the highest level of inventory to be maintained above which the inventory should not rise

Answer:- FALSE

Question:- _____ will be shown as source of funds net of proposed dividend

Answer:- operating profit

Question:- If the company buys back its own shares, it shall not make further issue of Bonus shares within a period of 24 months

Answer:- FALSE

Question:- **Classification of ratios**

Answer:- Profitability ratio

Question:- Advantages of Ratio Analysis

Answer:- It helps in planning and forecasting

Question:- Limitation of Ratio Analysis

Answer:- Facts only those which can be expressed in financial terms are considered

Question:- Precautions before using ratio analysis technique

Answer:- Impact of the inflationary conditions of changing price levels to be taken in account

Question:- Projects for which profitability is not the criterion are

Answer:- Service department project Welfare projects , Educational projects

Question:- If the amount of interest is considered as a part of expenses, the _____ liability of the company reduces proportionately

Answer:- tax

Question:- The advantages of stable Dividend policy are

Answer:- Credit standing of the company in the market increases , Share price of the company increases , Enjoys Confidence of the shareholders

Question:- The objective of the management in the investment decisions is in the form of _____

Answer:- maximization of the wealth of the shareholders

Question:- Ratios can be expressed only in percentage

Answer:- FALSE

Question:- Measurement of cost of capital can be done through

Answer:- Cost of Debt , Cost of Preference shares , Cost of Equity shares

Question:- Mr. A is given the opportunity to receive Rs. 10,000 after two years, when he can earn interest of 10% p.a. on his investment, what should be the amount which he should invest today so that he may be able to receive Rs. 10,000 after two years

Answer:- Rs. 8,264

Question:- The objective of funds flow statement may be to find out uses of loans raised by the business

Answer:- TRUE

Question:- The mathematical expression of _____ is (Minimum level + Maximum level) / 2

Answer:- Average level

Question:- Liquid assets includes all current assets except Inventories and Prepaid expenses

Answer:- TRUE

Question:- Disadvantage of internal rate of return is

Answer:- It is difficult to use and understand , It presupposes that the cash inflows can be reinvested immediately to yield the return equivalent to Internal rate of return which is not very realistic

Question:- In case of Mortgage, the party in whose favor the interest is so transferred is called _____

Answer:- Mortgagee

Question:- The functions of a Finance Controller are

Answer:- Budgeting , Record Keeping , Annual Reporting

Question:- The working Partner is a Partner who

Answer:- participates in day-to-day affairs of the firm

Question:- The cost of equity shares may be decided on the basis of yields actually realized over the period of past few years which may be expected to be continued in future also as per the

Answer:- Realized Yield Approach

Question:- in case of without Recourses factoring, the risk on account of non-payment by the customer is assumed by the selling company

Answer:- FALSE

Question:- Working Capital is computed as

Answer:- current assets -current liabilities

Question:- Redemption of shares/debentures is categorized under _____

Answer:- Non-operating cash outflow

Question:- How many days in a year are to be considered for the calculation of daily sales

Answer:- 360

Question:- informal method of capital budgeting does not follow any mathematical or statistical model to consider the risk factor

Answer:- TRUE

Question:- The cost which remains constant up to a certain sales revenue and increases if the sales revenue increases beyond a certain point is termed as

Answer:- Semi -variable cost

Question:- If the issue of Debentures is having the maturity period of more than 18 months, the company shall create

Answer:- Debenture redemption reserve

Question:- Factor can purchase the debts of the client making the immediate payment of the same, this reduces the strain on the _____ requirements of the client

Answer:- working capital

Question:- The form of organization where the personal assets of the owners are at stake, if the assets of the firm are insufficient to meet the liabilities is

Answer:- Unlimited liability organization

Question:- uses of financial leverage are

Answer:- It gives an indication regarding the extent to which Earning per share may be affected due to every change in Earning before Interest and tax , It acts as a guideline in setting maximum limit up to which the company should use the debt capital

Question:- The causes of undercapitalization

Answer:- Company following too conservative policy for paying the dividends , Future earnings may be underestimated

Question:- Disadvantages of Preference shares from shareholders point of view

Answer:- Preference Dividend rate is rather modest , Price fluctuation preference shares is greater than price fluctuation of debentures , Preference shareholders are vulnerable to arbitrary managerial actions

Question:- Under the Business Analysis of the company done by Credit rating and Information Services of India Ltd. the following points are covered

Answer:- Existing as well as potential competitors in the industry , Market position of the company

Question:- The importance of various items of inventory may be decided on the following factors

Answer:- Amount of investment in inventory , Value of material consumption , Critical nature of inventory items

Question:- in funds flow statement , net decrease in working capital is shown on sources side

Answer:- TRUE

Question:- The sources of cash are

Answer:- Cash from operations, sale of machinery , Issue of new shares

Question:- Till the sales revenue reaches the break even point, the company _____

Answer:- incurs the losses

Question:- In case of internal Rate of Return Method, the resultant IRR is compared with the _____

Answer:- cost of capital

Question:- There is a direct relationship between the dividend policy of the company and its value in terms of market price of its shares. This approach is known as

Answer:- Relevance approach

Question:- Nayak committee

Answer:- to recognize the contribution made by the SSI sector to the economy

Question:- Dahejia committee

Answer:- to examine the extent to which credit needs of industry and trade are likely to be inflated and how such trends could be checked

Question:- Chhore committee

Answer:- to review mainly the system of cash credit management policy by banks

Question:- Maratha committee

Answer:- to review the credit authorization scheme

Question:- Minimum application money payable by the applicant along with the application shall not be less than

Answer:- 25% of the issue price

Question:- The following data are extracted from the published accounts of a company : Sales Rs. 38,00,000/-, Net Profit after tax Rs. 2,50,000/-, Equity capital Rs. 10,00,000/-, General Reserve Rs. 6,50,000/-, Rs. Long term debt Rs. 7,00,000/-, Creditors Rs. 6,90,000/-, Bank credit/short term loan Rs. 2,30,000/-, Fixed Assets Rs. 17,50,000/-, Inventories Rs. 7,25,000/-, Other Current assets Rs. 5,25,000/-. The Capital employed Turnover ratio is _____

Answer:- 1.61

Question:- _____ can be issued for the maturity period of 15 days to one year

Answer:- commercial paper

Question:- The most accepted interpretation of the term 'funds' is in the form of _____

Answer:- Working capital

Question:- If the customer fails to pay the amount due from him the legal action should be initiated against the customer after the limitation period is over

Answer:- FALSE

Question:- Goods solemn (sale price Rs'1000/- Cost Rs. 800/-) ; Which of the accounts will be affected by this transaction

Answer:- Purchases Account , Loss by theft Account

Question:- The cycle in which cash available to the organization is converted back in the form of cash is referred to as Working Capital cycle

Answer:- TRUE

Question:- quick assets are the most liquid of current assets

Answer:- TRUE

Question:- Debtors turnover ratio is normally supported by the calculations of

Answer:- Average collection period

Question:- The ratio which indicates the extent to which the Owners' funds are sunk in different kinds of assets is termed as

Answer:- Proprietary ratio

Question:- Turnover ratio indicates the efficiency of the organization to use the various kinds of assets by converting them in the form of Sales

Answer:- TRUE

Question:- Net working capital means

Answer:- Current assets less Current liabilities

Question:- Before investing in the project, Venture capitalist is interested in ensuring that

Answer:- The project is technically feasible , It is commercial viable , The entrepreneurs are technically competent

Question:- _____ is clubbed with Current Assets in the Balance Sheet

Answer:- Bill of materials

Question:- The main function of finance under the traditional approach comprises of

Answer:- Procurement of funds

Question:- Investment of the venture capitalist does not exceed _____ so that the effective control of the project remains with the entrepreneur

Answer:- 0.49

Question:- The approved credit rating agencies prevailing in the country are promoted by the government controlled organizations

Answer:- true

Question:- During the phase of boom and prosperity the company will like to retain more profits which can be used during the depression which is likely to follow

Answer:- TRUE

Question:- Credit period is

Answer:- the time allowed by the company to the customers to pay their

Question:- Debtors turnover ratio is normally supported by the calculations of

Answer:- Average collection period

Question:- The ratio which indicates the extent to which the Owners' funds are sunk in different kinds of assets is termed as

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Question:- Before investing in the project, Venture capitalist is interested in ensuring that

Answer:- The project is technically feasible , It is commercial viable , The entrepreneurs are technically competent

Question:- _____ is clubbed with Current Assets in the Balance Sheet

Answer:- Loans and advances

Question:- Collection cost in connection with accounts receivables involves

Answer:- Administrative cost

Question:- The capability of the organization to repay the dues arising as a result of long term borrowing is calculated by

Answer:- Debt Service coverage ratio

Question:- Continuous verification of physical stock to ensure that the physical balance and the book balance tallies is carried under _____.

Answer:- perpetual inventory system

Question:- _____ and return always go hand in hand

Answer:- Risk

Question:- The situation of watered capital may arise due to _____

Answer:- Company pays higher price to the vendors of the assets transferred

Question:- internal rate presupposes that the cash inflows can be reinvested immediately to yield the return equivalent to the Internal rate of return

Answer:- TRUE

Question:- the external users of financial statements are

Answer:- Lenders , Suppliers

Question:- Unclaimed Dividends is shown in the balance sheet under the head

Answer:- Current liabilities and Provisions

Question:- The recurring duties of financial Executive includes

Answer:- Working Capital Management , Control of funds , Fixed Assets management

Question:- Undue increase in gross profit ratio may indicate

Answer:- Over-valuation of closing stock , Consideration of non-sales transactions as sales transaction

Question:- The capital structure decision mainly refers to the decision of

Answer:- Financing

Question:- Top management who can accept or reject capital expenditure proposals may be in the form of

Answer:- board of directors , Executive committee , Management committee

Question:- Return Inward is deducted from _____

Answer:- sales

Question:- The analytical method of inventory control which aims at concentrating efforts in those areas where attention is required most is termed as _____

Answer:- ABC Analysis

Question:- Profitability Statement is a period statement

Answer:- TRUE

Question:- Factors determining the required cash balance are

Answer:- Shortage of cash cost , Surplus cash balance costs , Procurement and Management cost

Question:- The hidden cost of capital which is not incurred directly is referred to as

Answer:- Implicit cost

Question:- The mix of sources from which the long term funds required by a business are raised is termed as

Answer:- Capital Structure

Question:- External sources of funds are

Answer:- Funds from long term loans , Sale of fixed assets

Question:- Packing credit facility can take the following form

Answer:- Pre-shipment Packing credit , Post-shipment Packing credit

Question:- According to the Irrelevance approach of dividend policy, the value of the company

Answer:- remains unaffected by the dividend policy of the company

Question:- Fixed income bearing securities for the computation of Capital gearing ratio consists of

Answer:- Debentures

Question:- Ratio should be computed on the basis of inter-related figures which have a cause and effect relationship

Answer:- TRUE

Question:- The requirement of Fixed Working Capital is unaffected due to the changes in the level of activity

Answer:- TRUE

Question:- _____ in liabilities involves outflow of funds

Answer:- decrease

Question:- Capital turnover ratio is calculated as

Answer:- Sales / Capital employed

Question:- By issuing the debentures, the controlling position of the existing equity shareholders does not get affected as the debentures do not carry any voting rights

Answer:- TRUE

Question:- Live stock is an example of

Answer:- Fixed Asset

Question:- The combination of irrevocable and confirmed letter of credit can be considered to be a guaranteed payment on the part of the exporter

Answer:- FALSE

Question:- The value created by the use of resources is more than the total of the input resources is referred to as

Answer:- profit

Question:- The advantages of ratio analysis are

Answer:- It helps in planning and forecasting , It makes possible comparison of the performance of the different divisions of the firm , It simplifies the comprehension of financial statements

Question:- Retained earnings or ploughed back profits is one of the best source of raising long term funds for the company

Answer:- TRUE

Question:- The advantages of continuous stock taking are

Answer:- The figures of stock can be readily available for the purpose of periodic Profit and Loss Account , It enables to locate slow and non-moving items

Question:- If the size of the issue is more than Rs. 100 crores, the issue is required to be rated by at least _____ credit rating agencies

Answer:- two

Question:- Advantages of cash flow statement are

Answer:- Helps in efficient cash management , Discloses the movements of cash , Discloses the success or failure of cash planning

Question:- _____ approach is the mean between two extreme approaches of net income approach and net operating income approach

Answer:- traditional

Question:- the trading account consists of the following items

Answer:- Purchases , Closing Stock

Question:- The assumption of capital structure theories is that Operating earnings are not expected to grow

Answer:- TRUE

Question:- the lending bank does not commit any physical outflow of funds in a

Answer:- Non-Fund based lending

Question:- Net present value considers _____ from the project throughout its life

Answer:- cash inflow

Question:- earnings / price Approach to compute cost of equity shares is objected on the following grounds

Answer:- It wrongly assumes that earnings per share will remain constant in future , All the earnings may not be distributed among the shareholders by way of dividend

Question:- The recurring duties of Finance Executive includes

Answer:- Fixed Assets management , Control of funds , Working Capital Management

Question:- If the policy of the lending banks or financial institutions is too harsh or rigid, it will be advisable to

Answer:- not to go for borrowed funds

Question:- Suggestion made by tendon committee regarding the information system were accepted by Reserve Bank of India and were made applicable to all the borrowers having the overall banking limits of more than Rs. _____

Answer:- 1 corer

Question:- The symptom of large inventory accumulation in anticipation of price rise in future will be indicated by

Answer:- inventory turnover ratio

Question:- Cross-sectional analysis is the comparison of financial data of same time period of different organizations engaged in similar business

Answer:- TRUE

Question:- With limited funds , the company must obtain the optimum combination of acceptable investment proposals

Answer:- TRUE

Question:- Limitation of economic order Quantity assumption

Answer:- Demand throughout the year may not be constant, may fluctuate according to fluctuations in production , Materials may not be available at the same price, discounts allowed by the suppliers should also be considered , Ordering costs and carrying costs behave exactly opposite to each other

Question:- The asset held by a business which can be converted in the form of cash or used during the course of normal operations is termed as

Answer:- current assets

Question:- The return which the company pays on borrowed funds is termed as

Answer:- interest

Question:- Limitations of financial leverage is

Answer:- It ignores implicit cost of debt , It assumes that cost of debt remains constant regardless of degree of leverage which is not true

Question:- _____ is the summary of cash book or Receipts and Payments Statement

Answer:- cash flow statement

Question:- Credit rating symbol for Commercial Paper of Default by Investment Information and Credit rating agency

Answer:- A5