TYBAF Semester V - Financial Management - Mock Question Paper

Questions Text	Option_A	Option_B	Option_C	Option_D	Correct Answer
1. Planning is a	**a) Future oriented activity**	b) Past oriented activity	c) Present oriented activity	d) Lower level activity	A
2. Strategies are based on	**a) Practical experiences**	b) Future experiences	c) Theoretical knowledge	d) Past knowledge	A
3. Strategic Financial Management Caters to the interest of	a) All Shareholders	b) All Customers	c) All Suppliers	**d) All Stakeholders**	D
4. Strategic Financial Management focuses on	a) Wealth Creation	b) Capital Appreciation	**c) Wealth Creation & Capital Appreciation**	d) Goodwill Creation	C
5. Wealth maximisation means	a) Maximisation of networth	b) Corporate Restructuring	c) IRR	**d) Maximisation of networth + Corporate restructuring + IRR**	D
6. Finance is the	**a) Lifeblood of business**	b) Essential for business	c) Required for business	d) Required for shareholders	A
7. Long-term decisions are called as	**a) Capital budgeting decisions**	b) Working capital decisions	c) Future decisions	d) Past decisions	A
8. Capital budgeting decisions involve huge amount of risk due to	**a) Time factor**	b) Money factor	c) Human factor	d) Material factor	A
9. Payback period is	**a) The time required to recover the original investment**	b) The time required to depreciate asset	c) The time required to pay to creditors	d) The time required to pay shareholders.	A
10. N.P.V. method is	a) Most traditional	**b) Most modern**	c) Most complicated	d) Most Understandable	B
11. P.I. is the proportion between	**a) PV of cash inflow and PV of cash outflow**	b) PV of cash inflow and total cash inflow	c) Cash inflow and total cash outflow	d) Average inflow and average outflow	**A**
12. The method which does not consider investments profitability is	**a) Payback**	b) ARR	c) NPV	d) IRR	A
13. The IRR is the same as	a) ARR	b) Hurdle rate	**c) Interest rate at**	d) None of the above	C

			which NPV is Zero		
14. M. Ltd. is considering acquiring a plant. The purchase price is Rs. 12,36,100. The company believes that the net cash inflow of Rs.3,09,025 will be generated every year. The plant will have to be replaced in eight years. The payback period is	**a) 4 Years**	b) 3 Years	c) 6 Year s	d) 2 Years	A
15. P. Ltd. is adding a new product line which requires an investment of Rs.14,54,000 The life of the project will be 10 years and will generate cash inflow of ` 3,10,000 for the first year, Rs. 2,80,000 for the second year and Rs. 2,40,000 for each year thereafter for eight years. The payback period is	a) 6 years	**b) 5 years & 7.2 months**	c) 7 years	d) 4.5 year s	B
16. One of the following is not an assumption of capital structure theories :	a. These are capital structure sources of funds, i.e. debt and equity.	b. There ar e no corporate taxes.	**c. Divid end Payo ut ratio varies between 0% and 100%**	d. Firm's business risk is constant overtime.	C
17. Following is not an assumption of NOI approach.	**a. Debt cap italisation rate changes**	b. Constan t WACC	c. No co rporate taxes	d. Split bet ween debt & equity is not important	A
18. Following is not the assumption of MM Approach	a. Investors behave rationally	b. Investor s are free to buy & sell securities.	**c. There is a transactio n cash**	d. Investor s can borrow without restriction	C
19. Capital structure is optimum when	**a. M.V. of equity share does not change**	b. M.V. of equity share changes	c. Cost o f equity changes	d. Cost debt changes	**A**
20. Part of income distributed to shareholders.	a) Profit	b) Loss	**c) Divid end**	d) Retaine d Profit	C
21. Dividends are payments which are	**a) Voluntar y**	b) Non-obligatory	c) Obligat ory	d) Occasio nal	A
22. The irrelevance theory of dividend was supported by	a) Walter	**b) MM**	c) Gordo n	d) Fayol	B
23. The Relevance theory of dividend was supported by	**a) Walter**	b) MM	c) Gordo n	d) Bonus I ssue	A
24. Mutual fund investments are	**a) Highly L iquid**	b) Less Li quid	c) Not Li quid	d) Medium Liquid	A
25. What is the meaning of 5/10 under	a) 5 % Cash	b) Paymen	c) **5 %**	d) None of	C

credit policy.	discount	t within 10 days	**Cash discount allowed for payment within 10 days**.	the above	