

**ACC501 New 2nd before midterm 2012 spring Quiz Solved
by Masoodkhan**

Question # 1 of 20 (Start time: 09:05:31 PM) Total Marks: 1

Which of the following is a series of constant cash flows that occur at the end of each period for some fixed number of periods?

Select correct option:

Ordinary annuity

Annuity due

Perpetuity

None of the given options

Question # 2 of 20 (Start time: 09:06:16 PM) Total Marks: 1

During the accounting period, sales revenue is Rs. 25,000 and accounts receivable increases by Rs. 8,000. What will be the amount of cash received from customers for the period?

Select correct option:

Rs. 33,000

Rs. 25,000

Rs. 17,000

Rs. 8,000

Question # 3 of 20 (Start time: 09:07:42 PM) Total Marks: 1

The conflict of interest between stockholders and management is known as:

Select correct option:

Agency problem

Interest conflict

Management conflict

Agency cost

Question # 4 of 20 (Start time: 09:08:15 PM) Total Marks: 1

Which of the following form of business organization is least regulated?

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership

Corporation

Question # 6 of 20 (Start time: 09:08:51 PM) Total Marks: 1

Which of the following ratios are intended to address the firm's financial leverage?

Select correct option:

Liquidity Ratios

Long-term Solvency Ratios

Asset Management Ratios

Profitability Ratios

Question # 7 of 20 (Start time: 09:10:17 PM) Total Marks: 1

Balance Sheet is based upon which of the following formula?

Select correct option:

Assets = Liabilities – Stockholder's equity

Assets + Liabilities = Stockholder's equity

Assets + Stockholder's equity = Liabilities

Assets = Liabilities + Stockholder's equity

Question # 8 of 20 (Start time: 09:10:42 PM) Total Marks: 1

Quick Ratio is also known as:

Select correct option:

Current Ratio

Acid-test Ratio

Cash Ratio

None of the given options

Question # 9 of 20 (Start time: 09:10:56 PM) Total Marks: 1

Which of the following is a special case of annuity, where the stream of cash flows continues forever?

Select correct option:

Ordinary Annuity

Special Annuity

Annuity Due

Perpetuity

Question # 10 of 20 (Start time: 09:11:15 PM) Total Marks: 1

You just won a prize, you can either receive Rs. 1000 today or Rs. 1,050 in one year. Which option do you prefer and why if you can earn 5 percent on your money?

Select correct option:

Rs. 1,000 because it has the higher future value

Rs. 1,000 because you receive it sooner

Rs. 1,050 because it is more money

Either because both options are of equal value

Question # 11 of 20 (Start time: 09:11:39 PM) Total Marks: 1

Which of the following ratios are particularly interesting to short-term creditors?

Select correct option:

Liquidity Ratios

Long-term Solvency Ratios

Profitability Ratios

Market Value Ratios

Question # 13 of 20 (Start time: 09:13:11 PM) Total Marks: 1

Financial policy is evaluated by which of the following?

Select correct option:

Profit Margin

Total Assets Turnover

Debt-equity ratio

None of the given options

Question # 14 of 20 (Start time: 09:14:00 PM) Total Marks: 1

Mr. Y and Mr. Z are planning to share their capital to run a business. They are going to employ which of the following type of business?

Select correct option:

Sole-proprietorship

Partnership

Corporation

None of the given options

Question # 15 of 20 (Start time: 09:14:20 PM) Total Marks: 1

When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:

Select correct option:

Premium

Discount

Par

Cannot be determined without more information

Question # 16 of 20 (Start time: 09:14:53 PM) Total Marks: 1

Which of the following statement is considered as the accountant's snapshot of firm's accounting value as of a particular date?

Select correct option:

Income Statement

Balance Sheet

Cash Flow Statement

Retained Earning Statement

Question # 17 of 20 (Start time: 09:15:33 PM) Total Marks: 1

Finance is vital for which of the following business activity (activities)?

Select correct option:

Marketing Research

Product Pricing

Design of marketing and distribution channels

All of the given options

Question # 18 of 20 (Start time: 09:15:50 PM) Total Marks: 1

The most important item that can be extracted from financial statements is the actual _____ of the firm.

Select correct option:

Net Working Capital

Cash Flow

Net Present Value

None of the given options

Question # 19 of 20 (Start time: 09:16:22 PM) Total Marks: 1

A firm has paid out Rs. 150,000 as dividends from its net income of Rs. 250,000. What is the retention ratio for the firm?

Select correct option:

12 %

25 %

40 %

60 %

Question # 20 of 20 (Start time: 09:17:13 PM) Total Marks: 1

If a firm's debt ratio is 45%, this means _____ of the firm's assets are financed by equity financing.

Select correct option:

50%

55%

45%

Cannot be determined without more information

Question # 1 of 20 (Start time: 09:19:48 PM) Total Marks: 1

Which of the following ratios is NOT from the set of Asset Management Ratios?

Select correct option:

Inventory Turnover Ratio

Receivable Turnover

Capital Intensity Ratio

Return on Assets

Question # 2 of 20 (Start time: 09:20:39 PM) Total Marks: 1

Which of the following statement about bond ratings is TRUE?

Select correct option:

Bond ratings are typically paid for by a company's bondholders.

Bond ratings are based solely on information acquired from sources other than the bond issuer.

Bond ratings represent an independent assessment of the credit-worthiness of bonds.

None of the given options\

Question # 3 of 20 (Start time: 09:21:31 PM) Total Marks: 1

If you plan to save Rs. 5,000 with a bank at an interest rate of 8%, what will be the worth of your amount after 4 years if interest is compounded annually?

Select correct option:

Rs. 5,400

Rs. 5,900

Rs. 6,600

Rs. 6,802

Question # 4 of 20 (Start time: 09:22:42 PM) Total Marks: 1

Which of the following statement is TRUE regarding debt?

Select correct option:

Debt is an ownership interest in the firm.

Unpaid debt can result in bankruptcy or financial failure.

Debt provides the voting rights to the bondholders.

Corporation's payment of interest on debt is fully taxable.

Question # 5 of 20 (Start time: 09:23:29 PM) Total Marks: 1

A firm reports total liabilities of Rs. 300,000 and owner's equity of Rs. 500,000. What would be the total worth of the firm's assets?

Select correct option:

Rs. 300,000

Rs. 500,000

Rs. 800,000

Rs. 1100,000

Question # 6 of 20 (Start time: 09:24:01 PM) Total Marks: 1

Which of the following measure reveals how much profit a company generates with the money shareholders have invested?

Select correct option:

Profit Margin

Return on Assets

Return on Equity

Debt-Equity Ratio

Question # 7 of 20 (Start time: 09:25:14 PM) Total Marks: 1

If you have Rs. 850 and you plan to save it for 4 years with an interest rate of 10%, what will be the future value of your savings?

Select correct option:

Rs. 1,000

Rs. 1,244

Rs. 1,331

Rs. 1,464

Question # 8 of 20 (Start time: 09:26:39 PM) Total Marks: 1

In case of international business which of the given factor(s) must be considered?

Select correct option:

Role of foreign exchange

Balance of payments

Attitude of Governments

All of the given options

Question # 9 of 20 (Start time: 09:27:12 PM) Total Marks: 1

Which of the following refers to the difference between the sale price and cost of inventory?

Select correct option:

Net loss

Net worth

Markup

Markdown

Question # 10 of 20 (Start time: 09:28:10 PM) Total Marks: 1

Who of the following make a broader use of accounting information?

Select correct option:

Accountants

Financial Analysts

Auditors

Marketers

Question # 11 of 20 (Start time: 09:28:31 PM) Total Marks: 1
You just won a prize, you can either receive Rs. 1000 today or Rs. 1,050 in one year. Which option do you prefer and why if you can earn 5 percent on your money?
Select correct option:

Rs. 1,000 because it has the higher future value

Rs. 1,000 because you receive it sooner

Rs. 1,050 because it is more money

Either because both options are of equal value

Question # 12 of 20 (Start time: 09:28:48 PM) Total Marks: 1
Rule of 72 for finding the number of periods is fairly applicable to which of the following range of discount rates?
Select correct option:

2% to 8%

4% to 25%

5% to 20%

10% to 50%

Question # 13 of 20 (Start time: 09:29:13 PM) Total Marks: 1
A portion of profits, which a company distributes among its shareholders, is known as:
Select correct option:

Dividends

Retained Earnings

Capital Gain

None of the given options

Question # 14 of 20 (Start time: 09:29:30 PM) Total Marks: 1
AST Company has a current ratio of 4:3. Current Liabilities reported by the company are Rs. 30,000. What would be the Net Working Capital for the company?

Select correct option:

Rs. 40,000

(-Rs. 40,000)

Rs. 10,000

(-Rs. 10,000)

Question # 15 of 20 (Start time: 09:30:20 PM) Total Marks: 1
in which form of Business, owners have limited liability.

Select correct option:

sole proprietorship

partnership

joint stock company

none of the above

Question # 16 of 20 (Start time: 09:30:47 PM) Total Marks: 1
Which of the following item provides the important function of shielding part of income from taxes?

Select correct option:

Inventory

Supplies

Machinery

Depreciation

Question # 17 of 20 (Start time: 09:31:53 PM) Total Marks: 1

The process of determining the present value of a payment or a stream of payments that is to be received in the future is known as:

Select correct option:

Discounting

Compounding

Factorization

None of the given options

Question # 18 of 20 (Start time: 09:33:18 PM) Total Marks: 1

You need Rs. 10,000 to buy a new television. If you have Rs. 6,000 to invest at 5 percent compounded annually, how long will you have to wait to buy the television?

Select correct option:

8.42 years

10.51 years

15.75 years

18.78 years

Question # 19 of 20 (Start time: 09:34:00 PM) Total Marks: 1

Which of the following equation is known as Cash Flow (CF) identity?

Select correct option:

CF from Assets = CF to Creditors – CF to Stockholder

CF from Assets = CF to Stockholders – CF to Creditors

CF to Stockholders = CF to Creditors + CF from Assets

CF from Assets = CF to Creditors + CF to Stockholder

Question # 20 of 20 (Start time: 09:34:17 PM) Total Marks: 1

In which of the following type of annuity, cash flows occur at the beginning of each period?

Select correct option:

Ordinary annuity

Annuity due

Perpetuity

None of the given options

Question # 1 of 20 (Start time: 03:33:14 PM) Total Marks: 1
Between the two identical bonds having different maturity periods, the price of the _____ bond will change less than that of _____ bond.

Select correct option:

long-term; short-term

short-term; long-term

lower-coupon; higher-coupon

None of the given options

Question # 2 of 20 (Start time: 03:34:32 PM) Total Marks: 1
Which of the given area is NOT addressed by Business Finance?

Select correct option:

Financing

Investing

Managing day today expenses

None of the given options

Question # 3 of 20 (Start time: 03:35:41 PM) Total Marks: 1
Which of the following form of business organization is least regulated?

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership

Corporation

Question # 4 of 20 (Start time: 03:36:12 PM) Total Marks: 1

In which of the following type of annuity, cash flows occur at the beginning of each period?

Select correct option:

Ordinary annuity

Annuity due

Perpetuity

None of the given options

Question # 5 of 20 (Start time: 03:37:03 PM) Total Marks: 1

Which of the following is measured by profit margin?

Select correct option:

Operating efficiency 44 page

Asset use efficiency

Financial policy

Dividend policy

Question # 6 of 20 (Start time: 03:37:52 PM) Total Marks: 1

A company having a current ratio of 1 will have _____ net working capital.

Select correct option:

Positive

Negative

zero

None of the given options

Question # 7 of 20 (Start time: 03:38:31 PM) Total Marks: 1

Business Finance addresses which of the following?

Select correct option:

Capital budgeting

Capital structure

Working capital management

All of the given options

Question # 8 of 20 (Start time: 03:39:18 PM) Total Marks: 1
In which type of business, all owners share in gains and losses and all have unlimited liability for all business debts?

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnerhsip

Corporation

Question # 9 of 20 (Start time: 03:39:47 PM) Total Marks: 1

Which of the following is measured by retention ratio?

Select correct option:

Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

Question # 10 of 20 (Start time: 03:40:43 PM) Total Marks: 1

How many years will it take to pay off a Rs. 11,000 loan with a Rs. 1,241.08 annual payment and a 5% interest rate?

Select correct option:

6 years

12 years

24 years

48 years

Question # 11 of 20 (Start time: 03:41:40 PM) Total Marks: 1

Which one of the following terms refers to the risk arises for bond owners from fluctuating interest rates?

Select correct option:

Fluctuations Risk

Interest Rate Risk 75 page

Real-Time Risk

Inflation Risk

Question # 13 of 20 (Start time: 03:43:53 PM) Total Marks: 1

Which of the following set of ratios relates the market price of the firm's common stock to selected financial statement items?

Select correct option:

Liquidity Ratios

Leverage Ratios

Profitability Ratios

Market Value Ratios

Question # 14 of 20 (Start time: 03:45:16 PM) Total Marks: 1

If a firm uses cash to purchase inventory, its quick ratio will:

Select correct option:

Increase

Decrease

Remain unaffected

Become zero

Question # 15 of 20 (Start time: 03:45:39 PM) Total Marks: 1

Standard Corporation sold fully depreciated equipment for Rs. 5,000. This transaction will be reported on the cash flow

statement as a(n):

Select correct option:

Operating activity

Investing activity

Financing activity

None of the given options