

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

Select correct option:

- Accountants
- Financial Analysts**
- Auditors
- Marketers

**Which of the following is NOT an internal use of financial statements information?**

Select correct option:

- Planning for the future through historic information
- Evaluation of performance through profit margin and return on equity**
- Evaluation of credit standing of new customer
- None of the given options

**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**

**The accounting definition of income is:**

Select correct option:

- Income = Current Assets – Current Liabilities
- Income = Fixed Assets – Current Assets
- Income = Revenues – Current Liabilities
- Income = Revenues – Expenses**

**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**

**Mr. A has just recently started a business by investing a capital of Rs. 500,000. He will be the only owner of the business and also enjoy all the profits of the business. Which type of business is being employed by Mr. A?**

Select correct option:

- Sole-proprietorship**
- Partnership
- Corporation
- None of the given options

**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

**Which of the following is subcategory (ies) of finance department?**

Select correct option:

- Accounting department only
- Treasury department only
- Accounting department and Treasury department
- None of the given options

**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

**Cash flow from assets involves which of the following component(s)?**

Select correct option:

- Operating cash flow
- Capital spending
- Change in net working capital
- All of the given options

**Which of the following is NOT an external use of financial statements information?**

Select correct option:

- Evaluation of credit standing of new customer
- Evaluation of financial worth of supplier
- Evaluation of potential strength of the competitor
- Evaluation of performance through profit margin and return on equity

**Which of the following statement is CORRECT regarding compound interest?**

Select correct option:

- It is the most basic form of calculating interest.
- It earns profit not only on principal but also on interest.
- It is calculated by multiplying principal by rate multiplied by time.
- It does not take into account the accumulated interest for calculation.

**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

**REF:**

**Management ratios are:**

- Inventory Turnover Ratio
- Days' Sales in Inventory
- Receivables Turnover
- Days' Sales in Receivables
- Payables Turnover
- Total Assets Turnover

- Capital Intenstiy Ratio

**A portion of profits, which a company retains itself for further expansion, is known as:**  
Select correct option:

**Dividends**

- Retained Earnings
- Capital Gain
- None of the given options

**Which of the following best represents the term “Financing”?**  
Select correct option:

**It means raising money to acquire something.**

- It is an object that provides services.
- It is trade license to trade securities on behalf of investors.
- It represents an ownership interest.

**\_\_\_\_\_ shows the sources from which cash has been generated and how it has been spent during a period of time?**  
Select correct option:

- Income Statement
- Balance Sheet
- Cash Flow Statement**
- Owner’s Equity Statement

**Which of the following financial statement shows both dollars and percentages in the report?**  
Select correct option:

- Balance Sheet
- Common-Size Statement**
- Income Statement
- Relative Statement of Equity

**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

**Which of the following form of business organization is least regulated?**  
Select correct option:

**Sole-proprietorship**

- General Partnership
- Limited Partnership
- Corporation

**Business Finance addresses which of the following?**

Select correct option:

- Capital budgeting
- Capital structure
- Working capital management
- All of the given options

**A business owned by a single person is known as:**

Select correct option:

- Solo proprietorship
- General partnership
- Limited Partnership
- Unlimited partnership

**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%

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

Select correct option:

- Increase
- Decrease
- Remain unaffected
- Become Zero

**Which of the following ratio gives an idea as to how efficient management is at using its assets to generate earnings?**

Select correct option:

- Profit Margin
- Return on Assets
- Return on Equity
- Total Assets Turnover

**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

**A portion of profits, which a company retains itself for further expansion, is known as:**

Select correct option:

- Dividends

**Retained Earnings**

Capital Gain

None of the given options

**Which of the following issue is NOT covered by “Investment” area of finance?**

Select correct option:

Best mixture of financial investment

International aspects of corporate finance

Associated risks and rewards

**Pricing financial assets**

**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

**In which of the following form of business “All Business income is not considered as personal income”?**

Select correct option:

Corporate form

**Partnership**

Sole proprietorship

None of the given options

**The difference between current assets and current liabilities is known as:**

Select correct option:

Surplus Asset

Short-term Ratio

**Working Capital**

Current Ratio

**Mr. A has just recently started a business by investing a capital of Rs. 500,000. He will be the only owner of the business and also enjoy all the profits of the business. Which type of business is being employed by Mr. A?**

Select correct option:

**Sole-proprietorship**

Partnership

Corporation

None of the given options

**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**

**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

**Double taxation of earning is the major disadvantage of which of the following form of business?**

Select correct option:

- Corporate form**
- Partnership
- Sole proprietorship
- None of the given options

**The difference between current assets and current liabilities is known as:**

Select correct option:

- Surplus Asset
- Short-term Ratio
- Working Capital**
- Current Ratio

**Time value of money is an important finance concept because:**

Select correct option:

- It takes risk into account
- It takes time into account
- It takes compound interest into account
- All of the given options**

**Which of the following statement measures performance over a specific period of time?**

Select correct option:

- Income Statement**
- Balance Sheet
- Cash Flow Statement
- Retained Earning Statement

**Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?**

Select correct option:

- 1.01
- 1.26
- 1.39
- 1.52**

**In which type of market, used securities are traded?**

Select correct option:

Primary market

**Secondary market**

Tertiary market

None of the given options

**According to Du Pont Identity, ROE is affected by which of the following?**

Select correct option:

Operating efficiency

Asset use efficiency

Financial Leverage

**All of the given options**

**Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?**

Select correct option:

1.01

1.26

1.39

**1.52**

**A portion of profits, which a company retains itself for further expansion, is known as:**

Select correct option:

Dividends

**Retained Earnings**

Capital Gain

None of the given options

**Which of the following statement shows assets, liabilities, and net worth as of a specific date?**

Select correct option:

Income Statement

**Balance Sheet**

Owner's Equity Statement

Cash Flow Statement

**Which of the following is disadvantage of sole proprietor business?**

Select correct option:

Easy to start

Business income is considered as personal income

**Limited sources**

None of the given options

**Which of the following term refers to establish of a standard to follow for comparison?**

Select correct option:

Benchmarking  
Standardizing  
Comparison  
Evaluation

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

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership

Corporation

**Which of the following statement is CORRECT regarding compound interest?**

Select correct option:

It is the most basic form of calculating interest.

It earns profit not only on principal but also on interest.

It is calculated by multiplying principal by rate multiplied by time.

It does not take into account the accumulated interest for calculation.

**Double taxation of earning is the major disadvantage of which of the following form of business?**

Select correct option:

Corporate form

Partnership

Sole proprietorship

None of the given options

**In corporate form of business, what is the objective of shareholder?**

Select correct option:

Maximize current year income

Delay in payment to supplier

Reduce the expenditure on inventory maintenance

Maximization of shareholder wealth

**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

**Which of the following forms of business organizations is created as a distinct legal entity owned by one or more individuals or entities?**

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership



**Corporation**

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

Select correct option:

- Accountants
- Financial Analysts**
- Auditors
- Marketers

**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

**Which of the following is measured by retention ratio?**

Select correct option:

- Operating efficiency
- Asset use efficiency
- Financial policy
- Dividend policy**

**Which of the following is the most significant financial advantage of corporate form?**

Select correct option:

- Easy to raise money**
- Double taxation
- Easy to start
- All business income is divided among shareholder

**Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?**

Select correct option:

- 1.01
- 1.26
- 1.39
- 1.52**

**The price of a Rs. 1,000-face value bond is Rs. 910. What will be the yield to maturity if there is a coupon payment of Rs. 90 for 6 years?**

Select correct option:

- Greater than 9%
- Equal to 9%
- Lower than 9%
- Cannot be determined without more information**

**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

**Which of the following set of ratios is used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time?**

Select correct option:  
Liquidity Ratios  
Leverage Ratios  
**Profitability Ratios**  
Market Value Ratios

**Which of the following is measured by profit margin?**

Select correct option:  
**Operating efficiency**  
Asset use efficiency Measured by Total Asset turnover  
Financial policy  
Dividend policy

**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**

**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

**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  
Real-Time Risk  
Inflation Risk

**Which of the following is CORRECT regarding the present value discount factor?**

Select correct option:  
It is greater than 1.0  
It is equal to zero when discount rate is zero  
It increases as the time period increases  
**It decreases as the discount rate increases**

**What amount a borrower would pay at the end of fourth year with a 4-year, 12%, interest-only loan of Rs. 8,000?**

Select correct option:  
Rs. 1,360  
Rs. 2,000

Rs. 5,625

Rs. 8,960

**Which of the following costs are reported on the income statement as the cost of goods sold?**

Select correct option:

Product cost

Period cost

Both product cost and period cost

Neither product cost nor period cost

**Which of the following is the expected rate of return on a bond if bought at its current market price and held to maturity**

Select correct option:

Current Yield

Yield To Maturity

Coupon Yield

Capital Gains Yield

**Which of the given is treated as financial asset?**

Select correct option:

Corporate bond

Machinery

Inventory

Factory building

**What amount a borrower would pay at the end of fourth year with a 4-year, 12% interest-only loan of Rs. 8,000?**

Select correct option:

Rs. 1,360

Rs. 2,000

Rs. 5,625

Rs. 8,960

**Which of the following is disadvantage of sole proprietor business?**

Select correct option:

Easy to start

Business income is considered as personal income

Limited sources

None of the given options

**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

**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

**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

**Which of the following refers to the cash flows that result from the firm's day-to-day activities of producing and selling?**

Select correct option:

**Operating Cash Flows**

Investing Cash Flows

Financing Cash Flows

All of the given options

**In corporate form of business, what is the objective of shareholder?**

Select correct option:

Maximize current year income

Delay in payment to supplier

Reduce the expenditure on inventory maintenance

**Maximization of shareholder wealth**

**A \_\_\_\_ covenant limits or prohibits actions that company might take.**

Select correct option:

Positive

**Negative**

Neutral

None of the given options

**In which of the following form of business "All Business income is not considered as personal income"?**

Select correct option:

Corporate form

**Partnership**

**In which form of Business, owners have limited liability.**

Select correct option:

Sole proprietorship

partnership  
joint stock company  
none of the above

REF: Corporation has limited liability

**The value of net working capital will be greater than zero when:**

Select correct option:

Current Assets > Current Liabilities  
Current Assets < Current Liabilities  
Current Assets = Current Liabilities  
None of the given options

**How many Rs. 190 annual payments must be invested at 12% to accumulate Rs. 57,921?**

Select correct option:

14  
28

**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

**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

**When a corporation wishes to borrow from public on a long-term basis, it does so by issuing or selling:**

Select correct option:

Debt securities or bonds  
Common Stocks

**The principal amount of a bond at issue is called:**

Select correct option:

Par value  
Coupon value  
Present value of an annuity  
Present value of a lump sum

**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

**According to Du Pont Identity, ROE is affected by which of the following?**

Select correct option:

Operating efficiency  
Asset use efficiency  
Financial Leverage  
**All of the given options**

**A company issues bonds with a Rs. 1,000 face value. What is the coupon rate if the coupon payments of Rs. 60 are paid every 6 months?**

Select correct option:

3 percent  
6 percent  
9 percent  
12 percent

**Which of the following area of finance deals with stocks and bonds?**

Select correct option:

Financial institutions  
International finance  
**Investments**  
All of the given options

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

Select correct option:

**Agency problem**  
Interest conflict  
Management conflict  
Agency cost

**Which of the following is (are) the characteristic(s) of sole proprietor business?**

Select correct option:

Easy to start  
Business income is considered as personal income  
Limited sources  
**All of the given options**

**Which of the following is NOT an internal use of financial statements information?**

Select correct option:

Planning for the future through historic information  
**Evaluation of performance through profit margin and return on equity**  
Evaluation of credit standing of new customer  
None of the given options

**Which of the following statements is(are) CORRECT regarding a bond?**

Select correct option:

A bond is an evidence of debt issued by a corporation or a governmental body.

**A bond represents a loan made by investors to the issuer.**

When a corporation wishes to borrow from public on a long term basis, it does so by issuing or selling bonds.

All of the given options

**Which of the following is CORRECT regarding the present value discount factor?**

Select correct option:

It is greater than 1.0

It is equal to zero when discount rate is zero

It increases as the time period increases

**It decreases as the discount rate increases**

**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

**In corporate form of business, what is the objective of shareholder?**

Select correct option:

Maximize current year income

Delay in payment to supplier

Reduce the expenditure on inventory maintenance

**Maximization of shareholder wealth**

**What will be the coupon value of a Rs. 1,000 face-value bond with a 10% coupon rate?**

Select correct option:

Rs. 100

Rs. 510

Rs. 1,000

**Rs. 1,100**

**Which of the following best represents the term "Financing"?**

Select correct option:

**It means raising money to acquire something**

It is an object that provides services.

It is trade license to trade securities on behalf of investors.

It represents an ownership interest.

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

Select correct option:

Increase

**Decrease**

Remain unaffected  
Become zero

**Which of the following is the amount of cash we would get if we actually sell an asset?**

Select correct option:

**Market Value**

Book Value  
Intrinsic Value  
None of the given options

**Which of the following is disadvantage of sole proprietor business?**

Select correct option:

Easy to start  
Business income is considered as personal income

**Limited sources**

None of the given options

**Head of Treasury department reports to whom?**

Select correct option:

Financial and cost Accountant

**Chief of financial officer**

Cash and credit manager  
Board of directors

**The most common application of term “Finance” involves raising money to acquire\_\_\_\_\_.**

Select correct option:

Current Asset  
Fixed Asset  
Intangible Asset

**All of the given options**

**Decisions about “how to raise money” and “what to do with it” are part of which of the following?**

Select correct option:

**Business Finance**

Change management  
Costing for accounting  
All of the given options

**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 %**



**Which of the following is the process of planning and managing a firm's long-term investments?**

Select correct option:

- Capital Structuring
- Capital Rationing
- Capital Budgeting**
- Working Capital Management

**According to Du Pont Identity, ROE is affected by which of the following?**

Select correct option:

- Operating efficiency
- Asset use efficiency
- Financial Leverage
- All of the given options**

**Which of the following is subcategory (ies) of finance department?**

Select correct option:

- Accounting department only
- Treasury department only
- Accounting department and Treasury department**
- None of the given options

**Finance is the art and science of handling \_\_\_\_\_.**

Select correct option:

- Money
- People**
- Authority
- None of the given options

**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**

**Which of the following financial statement shows both dollars and percentages in the report?**

Select correct option:

- Balance Sheet**
- Common-Size Statement
- Income Statement
- Relative Statement of Equity

**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

An account was opened with an investment of Rs. 3,000 ten years ago. The ending balance in the account is Rs. 4,100. If interest was compounded, how much compounded interest was earned?

Select correct option:

- Rs. 500
- Rs. 752
- Rs. 1,052
- Rs. 1,100**

What would be the present value of Rs. 10,000 to be received after 6 years at a discount rate of 8 percent?

Select correct option:

- Rs. 6,302
- Rs. 9,981
- Rs. 14,800
- Rs. 15,869**  $10,000 * (1 + 0.08)^6$

XYZ Company has a ROE of 12 percent and a dividend payout ratio of 40 percent. What is the firm's maximum sustainable rate of growth?

Select correct option:

- 3.73%
- 5.93%
- 7.76%
- 9.17%

Which of the following term refers to establish of a standard to follow for comparison?

Select correct option:

- Benchmarking
- Standardizing**
- Comparison
- Evaluation

Anwar wants to invest some money so that he will have Rs. 50,000 for his child's school education 15 years from now. He can earn 8 percent compounded annually. How much does he need to invest today?

Select correct option:

- Rs. 15,762**
- Rs. 17,271
- Rs. 18,980
- Rs. 20,404

Formula to use:  $PV = FV / (1+i)^t$

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**

Which of the following item(s) is(are) not included while calculating Operating Cash Flows?

Select correct option:

- Depreciation

Interest  
Expenses related to firm's financing of its assets  
**All of the given options**

**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)

**Which of the given is (are) major difference(s) between net income and cash flow of the company?**

Select correct option:

Accounts receivable only  
**Depreciation only**  
Accounts payable only  
All of the given options

**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.

**Which of the following is NOT an external use of financial statements information?**

Select correct option:

Evaluation of credit standing of new customer  
Evaluation of financial worth of supplier  
Evaluation of potential strength of the competitor  
**Evaluation of performance through profit margin and return on equity**

**Between the two identical bonds having different coupon, the price of the bond will change less than that of \_\_\_\_\_ bond.**

Select correct option:

Higher-coupon; lower-coupon  
Lower-coupon; higher-coupon  
Long-term; short-term  
None of the given options

**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