

ACC501 First Quiz of spring 2012 before midterm solved by Masood khan

In 3 years you are to receive Rs. 5,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would:
Select correct option:

Fall

Rise

Remain same

Cannot be determined with the given information

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

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 %

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

page no#22

Net Present Value

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

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 is the acronym for GAAP?

Select correct option:

Generally Applied Accountability Principles

General Accounting Assessment Principles

Generally Accepted Accounting Principles

General Accepted Assessment Principles

Which of the following is measured by profit margin?

Select correct option:

Operating efficiency Operating efficiency (as measured by profit margin)#46

Asset use efficiency

Financial policy

Dividend policy

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%

p#60

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

Select correct option:

Business Finance P#1

Change management

Costing for accounting

All of the given options

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. P#50

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

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(are) the basic area(s) of Finance?

Select correct option:

Financial institutions

International finance

Investments

All of the given options p#1

Currently Mr. Safdar has a saving of Rs. 70,000. On the day of his retirement after 20 years, he wants to have Rs. 1,000,000 available for his retirement needs. What is the rate of return he needs to earn to reach his goal?

Select correct option:

7.89%

8.49%

8.78%

9.03%

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 bank offers simple interest?
Select correct option:

Rs. 5,400

Rs. 5,900

Rs. 6,600 $I=P * R * T$

Rs. 6,802

Question # 1 of 10 (Start time: 09:04:35 PM) Total Marks: 1

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

Question # 2 of 10 (Start time: 09:05:23 PM) Total Marks: 1

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.

Question # 3 of 10 (Start time: 09:05:59 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 # 4 of 10 (Start time: 09:06:37 PM) Total Marks: 1

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

Question # 5 of 10 (Start time: 09:07:15 PM) Total Marks: 1

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.

Question # 6 of 10 (Start time: 09:08:20 PM) Total Marks: 1

_____ 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

Question # 7 of 10 (Start time: 09:09:16 PM) Total Marks: 1

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

Question # 8 of 10 (Start time: 09:10:13 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

Question # 9 of 10 (Start time: 09:11:41 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 # 10 of 10 (Start time: 09:12:09 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 # 4 of 10 (Start time: 09:15:30 PM) Total Marks: 1
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

Question # 5 of 10 (Start time: 09:16:52 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 # 7 of 10 (Start time: 09:18:12 PM) Total Marks: 1

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

Question # 8 of 10 (Start time: 09:19:04 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 100% sure page no 7

Limited Partnerhsip

Corporation

Question # 9 of 10 (Start time: 09:19:55 PM) Total Marks: 1

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

Select correct option:

Corporate form

Sole proprietorship

None of the given options

Question # 10 of 10 (Start time: 09:21:05 PM) Total Marks: 1

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

Select correct option:

Surplus Asset

Short-term Ratio

Working Capital

Current Ratio

Question # 1 of 10 (Start time: 09:24:05 PM) Total Marks: 1

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

Question # 2 of 10 (Start time: 09:24:26 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 # 3 of 10 (Start time: 09:24:48 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 # 4 of 10 (Start time: 09:25:24 PM) Total Marks: 1

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

Question # 5 of 10 (Start time: 09:25:48 PM) Total Marks: 1
The difference between current assets and current liabilities is known as:
Select correct option:

Surplus Asset
Short-term Ratio
Working Capital
Current Ratio

Question # 6 of 10 (Start time: 09:26:03 PM) Total Marks: 1
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

Question # 7 of 10 (Start time: 09:26:21 PM) Total Marks: 1
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

Question # 8 of 10 (Start time: 09:27:23 PM) Total Marks: 1
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

Question # 9 of 10 (Start time: 09:28:20 PM) Total Marks: 1

In which type of market, used securities are traded?

Select correct option:

Primary market

Secondary market

Tertiary market

None of the given options

Question # 10 of 10 (Start time: 09:29:08 PM) Total Marks: 1

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

Question # 2 of 10 (Start time: 09:29:42 PM) Total Marks: 1

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

Question # 3 of 10 (Start time: 09:30:04 PM) Total Marks: 1

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

Question # 4 of 10 (Start time: 09:30:31 PM) Total Marks: 1
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

Question # 5 of 10 (Start time: 09:31:33 PM) Total Marks: 1
Which of the following term refers to establish of a standard to follow for comparison?
Select correct option:

- Benchmarking**
- Standardizing
- Comparison
- Evaluation

Question # 6 of 10 (Start time: 09:32:23 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 # 7 of 10 (Start time: 09:32:42 PM) Total Marks: 1
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.

Question # 8 of 10 (Start time: 09:33:05 PM) Total Marks: 1
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

Question # 9 of 10 (Start time: 09:33:24 PM) Total Marks: 1
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

Question # 10 of 10 (Start time: 09:33:51 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

Question # 1 of 10 (Start time: 07:37:09 PM

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Which of the following is measured by profit margin?

Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

Question # 2 of 10 (Start time: 07:38:16 PM

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

Accountants

Financial Analysts

Auditors

Marketers

Question # 3 of 10 (Start time: 07:39:38 PM) Total Marks: 1

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

Financial institutions

International finance

Investments

All of the given option

Question # 4 of 10 (Start time: 07:40:07 PM

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Which of the given is treated as financial asset?

Corporate bond

Machinery

Inventory

Factory building

Question # 5 of 10 (Start time: 07:40:40 PM) Total Marks: 1

SNT Inc. has net income of Rs. 300,000. How much is kept as retained earnings if the firm has a dividend payout ratio of 40%?

Rs. 30,000

Rs.120,000

Rs.180,000

Rs.200,000

Question # 6 of 10 (Start time: 07:41:12 PM) Total Marks: 1

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?

3.37%

5.93%

7.76%

9.17%

Question # 7 of 10 (Start time: 07:42:37 PM

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JJ Inc. has a 4 percent return on total assets of Rs. 500,000 and a net profit margin of 5 percent. Total sales for JJ Inc. would be :

Rs.150,000

Rs.200,000

Rs.250,000

Rs.400,000

ROTA = N.P / Total Assets

4 % = N.P / 500,000

4% * 500,000 = N.P

N.P = Rs. 20,000

N.P Margin = N.P / Sales

5 % = 20,000 / Sales

5% * Sales = 20,000

Sales = 20,000 / 5%

Question # 8 of 10 (Start time: 07:44:00 PM) Total Marks: 1

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

Sole-proprietorship

General partnership

Limited partnership

Corporation 100% sure 8 page no

Question # 9 of 10 (Start time: 07:45:21 PM) Total Marks: 1

Which of the following item provides the important function of shielding part of income from taxes?

Inventory

Supplies

Machinery

Depreciation

Question # 10 of 10 (Start time: 07:46:06 PM) Total Marks: 1

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

Product cost

Period cost

Both product cost and period cost

Neither product cost nor period cost

Question # 1 of 10 (Start time: 07:47:26 PM) Total Marks: 1

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

Net working capital

Cash flow 22#p

Net present value

None of the given option

Question # 2 of 10 (Start time: 07:48:24 PM) Total Marks: 1

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?

Liquidity ratios

Leverage ratios

Profitability ratios

Market value ratios

Question # 4 of 10 (Start time: 07:50:34 PM) Total Marks: 1

Which of the following refers to a conflict of interest between principal and agent?

Management conflict

Interest conflict

Agency problem P#10

None of the given option

Question # 5 of 10 (Start time: 07:50:48 PM) Total Marks: 1

Which of the following is an example of capital spending?

Purchase of fixed assets

Decrease in net working capital

Increase in net working capital

None of the given option

Question # 6 of 10 (Start time: 07:52:03 PM) Total Marks: 1

which of the following is not a form of business organization

Sole proprietorship

Partnership

Joint stock company

Cooperative society

Question # 7 of 10 (Start time: 07:52:20 PM) Total Marks: 1

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

Inventory turn over ratio

Receivable turnover

Capital intensity ratio

Return on assets

Question # 8 of 10 (Start time: 07:53:06 PM) Total Marks: 1

Which of the given area is NOT addressed by Business Finance?

Financing

Investing

Managing day today expenses

None of the given option

Question # 9 of 10 (Start time: 07:53:25 PM) Total Marks: 1

If a firm has a ROA of 8 percent, sales of Rs. 100,000, and total assets of Rs. 75,000. What is the profit margin?

4.30%

6.00%

10.70%

16.73%

solution

Net income =ROA*total asset

Net income=8%*75000=6000

Question # 1 of 10 (Start time: 08:13:41 PM) Total Marks: 1

Which of the following is the acronym for GAAP?

Generally applied accountability principles

General accounting assessment principles

Generally accepted accounting principles

General accepted assessment principles

Question # 2 of 10 (Start time: 08:14:27

Which of the given is correct?

Financial asset is a document representing a claim to

Real asset is a document representing a claim to

Financial asset is an object that provides a service

All of the given option

Question # 7 of 10 (Start time: 08:17:56 PM) Total Marks: 1

In which type of market, new securities are traded?

Primary market

Secondary market

Tertiary market

None of the given option

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