

Mega Quiz File (ACC501)

by

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(*Please correct, if your find any mistake*)

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

2. Period costs include which of the following?

Select correct option:

Selling expense

Raw material

Direct labor

Manufacturing overhead

3. Product costs include which of the following?

Select correct option:

Selling expenses

General expenses

Manufacturing overhead

Administrative expenses

4. 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

5. 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

6. 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

7. 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

8. 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

9. Standard Company had net sales of Rs. 750,000 over the past year. During that time, average receivables were Rs. 150,000. Assuming a 365-day year, what was the average collection period?

Select correct option:

5 days

36 days

48 days

73 days

10. Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the given options

11. In which type of market, new securities are traded?

Select correct option:

Primary market

Secondary market

Tertiary market

None of the given options

12. 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

13. 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

14. 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

15. Quick Ratio is also known as:

Select correct option:

Current Ratio

Acid-test Ratio

Cash Ratio

16. 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

17. 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

18. Net Income after taxation differs from Net Cash Flow from operations because:

Select correct option:

Depreciation expense is shown in the Cash Flow Statement and not in the Income Statement

Non-cash items are included in the Income Statement, but not in the Cash Flow Statement

Cash sales are shown in the Cash Flow Statement but not in the Income Statement

Cash expenses are shown in the Cash Flow Statement but not in the Income Statement

19. 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

20. 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

21. Which one of the following is NOT a liquidity ratio?

Select correct option:

Current Ratio

Quick Ratio

Cash Coverage Ratio

Cash Ratio

22. 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

23. Which of the following is an example of capital spending?

Select correct option:

Purchase of Fixed Assets

Decrease in Net Working Capital

Increase in Net Working Capital

None of the given options

24. Which of the following is measured by profit margin?

Select correct option:

Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

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

Select correct option:

Accountants

Financial Analysts

Auditors

Marketers

26. 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

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

Select correct option:

Positive

Negative

zero

None of the given options

28. which of the following is not a form of business organization

Select correct option:

sole proprietorship

partnership

joint stock company

cooperative Society

29. 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

30. 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

31. 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

32. Suppose market value exceeds book value by Rs. 250,000. What will be the after-tax

proceeds if there is a tax rate of 34 percent ?

Select correct option:

Rs. 105,600

Rs. 148,500

Rs. 165,000

Rs. 225,000

33. 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

Preferred Stock

All of the given options

34. 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

35. In which type of market, used securities are traded?

Select correct option:

Primary market

Secondary market

Tertiary market

None of the given options

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

Select correct option:

Accountants

Financial Analysts

Auditors

Marketers

37. Which of the following is (are) a non-cash item(s) ?

Select correct option:

Revenue

Expenses

Depreciation

All of the given options

38. 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

39. Which of the following comes under the head of discounted cash flow criteria for capital budgeting decisions?

Select correct option:

Payback Period

Net Present Value

Average Accounting Return

None of the given options

40. Period costs include which of the following?

Select correct option:

Selling expense

Raw material

Direct labor

Manufacturing overhead

41. 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

42. 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

43. 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

44. 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

45. 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

46. 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 Partnership

Corporation

47. a firm uses cash to purchase inventory, its current ratio will:

Select correct option:

Increase

Decrease

Remain unaffected

Become zero

48. 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

49. Which of the following is an example of positive covenant?

Select correct option:

Maintaining any collateral or security in good condition

Limiting the amount of dividend according to some formula
Restricting pledging assets to other lenders
Barring merger with another firm

50. 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

51. Which of the following allows a company to repurchase part or all of the bond issue at a stated price?

Select correct option:

Repayment

Seniority

Call provision

Protective covenants

52. _____ 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

53. Which of the following is a cash flow from financing activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Cash outflow to purchase bonds issued by another company

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

Select correct option:

Sole-proprietorship

General Partnership

Limited Partnership

Corporation

55. 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

56. Which of the following relationships holds TRUE if a bond sells at a discount?

Select correct option:

Bond Price < Par Value and YTM > coupon rate

Bond Price > Par Value and YTM > coupon rate

Bond Price > Par Value and YTM < coupon rate

Bond Price < Par Value and YTM < coupon rate

57. 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

Preferred Stock

All of the given options

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

Select correct option:

Inventory

Supplies

Machinery

Depreciation

59. 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

60. 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

61. in which form of Business, owners have limited liability.

Select correct option:

sole proprietorship
partnership
joint stock company
none of the above

62. 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

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

Select correct option:

Surplus Asset
Short-term Ratio
Working Capital
Current Ratio

64. A borrower is able to pay Rs. 40,000 in 5 years. Given a discount rate of 12 percent, what amount of money the lender should lend?

Select correct option:

Rs. 14,186
Rs. 18,256
Rs. 22,697
Rs. 28,253

65. 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

66. 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

67. 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

68. 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

69. 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

70. 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 %

71. 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

72. 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

73. 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

74. 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

75. Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the given options

76. 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

77. Which of the following is an example of positive covenant?

Select correct option:

Maintaining firm's working capital at or above some specified minimum level

Furnishing audited financial statements periodically to the lender

Maintaining any collateral or security in good condition

Restricting selling or leasing assets

78. Which of the following is measured by retention ratio?

Select correct option:

Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

79. 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

80. Product costs include which of the following?

Select correct option:

Selling expenses

General expenses

Manufacturing overhead

Administrative expenses

81. 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

82. What is the effective annual rate of 7 percent compounded monthly?

Select correct option:

7.00 percent

7.12 percent

7.19 percent

7.23 percent

83. Which of the following cash flow activities are reported in the Cash Flow Statement and Income Statement?

Select correct option:

Operating Activities

Investing Activities

Financing Activities

All of the given options

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

Select correct option:

Benchmarking

Standardizing

Comparison

Evaluation

85. Which of the following is measured by profit margin?

Select correct option:

Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

86. 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%

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

Select correct option:

Management Conflict
Interest Conflict
Agency Problem
None of the given options

88. 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

89. 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

90. 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

91. 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

92. 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?

Select correct option:

4.30%

6.00%

10.70%

16.73%

93. 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

94. 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

95. Quick Ratio is also known as:

Select correct option:

Current Ratio

Acid-test Ratio

Cash Ratio

None of the given options

96. 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

97. If you have Rs. 30 in asset A and Rs. 120 in another asset B, the weights for assets A and B will be ___ and ___ respectively.

Select correct option:

20%; 80%

37%; 63%

63%; 37%

80%; 20%

98. When corporations borrow, they generally promise to: I. Make regular scheduled interest payments II. Give the right of voting to bondholders III. Repay the original amount borrowed (principal) IV. Give an ownership interest in the firm

Select correct option:

I and II

I and III

II and IV

I, III, and IV

99. Which of the following is NOT included in a bond indenture?

Select correct option:

The basic terms of bond issue

The total amount of bonds issued

A personal profile of the issuer

A description of the security

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

101. 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.

102. The preferred stock of a company currently sells for Rs. 25 per share. The annual dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate of return on this stock?

Select correct option:

5.00 percent

7.00 percent

8.45 percent

10.0 percent

103. 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

104. 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

105. 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

106. The coupon rate of a floating-rate bond is capped and upper and lower rates are called:

Select correct option:

Float

Collar

Limit

Surplus

107. 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

108. Which of the following strategy belongs to restrictive policy regarding size of investments in current assets?

Select correct option:

- To maintain a high ratio of current assets to sales
- To maintain a low ratio of current assets to sales**
- To less short-term debt and more long-term debt
- To more short-term debt and less long-term debt

109. Quick Ratio is also known as:

Select correct option:

- Current Ratio
- Acid-test Ratio**
- Cash Ratio
- None of the given options

110. 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

111. If you have Rs. 30 in asset A and Rs. 120 in another asset B, the weights for assets A and B will be __ and __ respectively.

Select correct option:

- 20%; 80%
- 37%; 63%
- 63%; 37%
- 80%; 20%

112. Which of the following terms refers to the costs to store and finance the assets?

Select correct option:

Carrying costs

Shortage costs

Storing costs

financing costs

113. Which one of the following statement is INCORRECT regarding MACRS depreciation?

Select correct option:

Every asset is assigned to a particular class which establishes asset's life for tax purposes.

Depreciation is computed for each year by multiplying the cost of the asset by a fixed percentage.

Annual depreciation remains constant every year even by using different rates.

The expected salvage value and the actual expected economic life are not explicitly considered in calculation of depreciation.

114. 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.

115. 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

116. 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

117. The preferred stock of a company currently sells for Rs. 25 per share. The annual dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate of return on this stock?

Select correct option:

- 5.00 percent
- 7.00 percent
- 8.45 percent
- 10.0 percent

118. 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

119. 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

120. One would be indifferent between taking and not taking the investment when:

Select correct option:

NPV is greater than Zero

NPV is equal to Zero

NPV is less than Zero

All of the given options

121. Which of the following is (are) a non-cash item(s) ?

Select correct option:

Revenue

Expenses

Depreciation

All of the given options

122. Which of the following is NOT a shortcoming of Payback Rule?

Select correct option:

Time value of money is ignored
It fails to consider risk differences

Simple and easy to calculate

None of the given options

123. 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

124. What is the effective annual rate of 7 percent compounded monthly?

Select correct option:

7.00 percent

7.12 percent

7.19 percent

7.23 percent

125. 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

126. Business risk depends on which of the following risk of the firm's assets ?

Select correct option:

Systematic Risk

Diversifiable Risk

Unsystematic Risk

None of the given options

127. Which of the following type of risk can be eliminated by diversification?

Select correct option:

Systematic Risk

Market Risk

Unsystematic Risk
None of the given options

128. 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

129. 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

130. Which of the following is the return that firm's creditors demand on new borrowings ?

Select correct option:

Cost of debt
Cost of preferred stock
Cost of common equity
Cost of retained earnings

131. Systematic Risk is also known as:

Select correct option:

Diversifiable Risk
Market Risk
Residual Risk
Asset-specific Risk

132. ABC Corporation has two shareholders; Mr. Aamir with 50 shares and Mr. Imran with 70 shares. Both want to be elected as one of the four directors but Mr. Imran doesn't want Mr. Aamir to be director. How much votes would Mr. Aamir be able to cast as per cumulative voting procedure?

Select correct option:

70
120

200
280

133. The difference between the return on a risky investment and that on a risk-free investment.

Select correct option:

Risk Return

Risk Premium

Risk Factor

None of the above

134. A group of assets such as stocks and bonds held by an investor.

Select correct option:

Portfolio

Capital Structure

Budget

None of the above

135. If the variance or standard deviation is larger then the spread in returns will be:

Select correct option:

Less

More

Same

None of the Above

136. The following risk is entirely wiped out by Diversification.

Select correct option:

Systematic Risk

Unsystematic Risk

Portfolio Risk

Total Risk

137. The objective for using the concept of Diversification is to :

Select correct option:

Minimize the Risk

Maximize the return

A & B

None of the Above

138. While studying the relationship in risk and return, It is commonly known that:

Select correct option:

Higher the risk, lower the return

Lower the risk, higher the return

Higher the risk, higher the return

None of the above

139. This type of risk affects almost all types of assets.

Select correct option:

Systematic Risk

Unsystematic Risk

Total Risk

Portfolio Risk

Suppose you bought 1,500 shares of a corporation at Rs. 25 each. After a year, you received Rs. 3000 (Rs. 2 per share) in dividends. At the end of year the stock sells for Rs. 30 each. If you sell the stock at the end of the year, your total cash inflow will be Rs. 48,000 (1500 shares @ 30 each = Rs. 45000 & Dividend = 3000).

140. According to the given data, the Capital Gain will be:

Select correct option:

10,500

7,500

10,000

7,000

141. According to the given data, the Dividend yield will be:

Select correct option:

8.50 %

6.25%

8.00%

6.67%

142. According to the given data, Total Percentage Returns will be:

Select correct option:

20%

28%

32%

35%

143. Which one of the given options involves the sale of new securities from the issuing company to general public?

Select correct option:

Secondary market

Primary market

Capital market

Money market

144. In financial statement analysis, shareholders focus will be on the:

Select correct option:

Liquidity of the firm

Long term cash flow of the firm

Profitability and long term health of the firm

Return on investment

145. The statement of cash flows helps users to assess and identify all of the following except:

Select correct option:

The impact of buying and selling fixed assets.

The company's ability to pay debts, interest and dividends.

A company's need for external financing.

The company's reliance on capital leases.

146. Suppose Younas Corporation has balance of merchandise of 5000 units. It wants to sell 2000 units at 90% of its cost on cash. What would be the affect of this transaction on the current ratio?

Select correct option:

Fall

Rise

Remain unchanged

None of the given option

147. If the interest rate is 18% compounded quarterly, what would be the 8-year discount factor?

Select correct option:

1.42215

2.75886

3.75886

4.08998

148. You have a cash of Rs.150, 000. If a bank offers four different compounding methods for interest, which method would you choose to maximize the value of your Rs.150, 000?

Select correct option:

Compounded daily

Compounded quarterly

Compounded semiannually

Compounded annually

149. Ali Corporation has a cash coverage ratio of 6.5 times. Whereas its earning before interest and tax is Rs.750 million and interest on long term loan is Rs.160 million. What would be the annual depreciation for the current year?

Select correct option:

a.Rs. 200 million

b.Rs.240 million

c.Rs.275 million

d.Rs.290 million

150. Suppose RZ Corporation sales for the year are Rs.150 million. Out of this 20% of the sales are on cash basis while remaining sales are on credit basis. The past experience revealed that the average collection period is 45 days. What would be the receivable turnover ratio?

Select correct option:

6.12 times

7.11 times

8.11 times

9.11 times

151. A bank offers 20% compounded monthly. What would be the effective annual rates of return?

Select correct option:

20.00%

20.50%

21.00%

21.99%

152. Nz Corporation reported earning before interest and taxes of Rs.500, 000 for the current year. It has taken a long term loan of Rs.2 million from a local bank @ 10% interest. The tax is charged at the rate of 32%.What will be the saving in taxes due to presence of debt financing in the capital structure of the firm?

Select correct option:

Rs.60, 000

Rs.64, 000

Rs.72, 000

Rs.74, 000

153. Ntp Corporation has decided to pay Rs.16 per share dividend every year. If this policy is to continue indefinitely, then the value of a share of stock would be -----, if the required rate of return is 25%?

Select correct option:

a. Rs.60

b. Rs.64

c. Rs.68

d. Rs.74

154. MT Corporation has a previous year dividend of Rs.14 per share where as investors require a 17% return on the similar stocks .The Company's dividend grows by 7%.The price per share in this case would be _____.

Select correct option:

a. Rs.149.8

b. Rs.184.9

c. Rs.198.4

d. Rs.229.9

155. RTU Corporation stock is selling for Rs.150 per share. The next dividend is Rs.35 per share and it is expected to grow 14% more or less indefinitely. What would be the return does this stock offer you if this is correct?

Select correct option:

a. 17%

b. 27%

c. 37%

d. 47%

156. Suppose a Corporation has 3 shareholders; Mr.Salman with 25 shares, Mr. Kareem with 35 shares, and Mr.Amjad with 40 shares. Each wants to be elected as one of the six directors. According to cumulative voting rule Mr.Kareem would cast

Select correct option:

a. 150 votes

b. 210 votes

c. 240 votes

d. 300 votes

157. _____ is the market in which already issued securities are traded among investors.

Select correct option:

- a. Primary market
- b. Secondary market**
- c. Financial market
- d. Capital market

158. Suppose Mehran Corporation is dealing in the Automobile industry. Based on projected costs and sales, it expects that the cash flows over the 3-year life of the project will be Rs.5, 000,000 in first year, Rs.7, 000,000 in the next year and Rs.8, 000,000 in the last year. This project would cost about Rs. 10,000,000. The net present value of the project would be _____, if discount rate is assumed to be 25%.

Select correct option:

- a. Rs.2, 576, 000**
- b. Rs.3, 576, 000
- c. Rs.1, 576, 000
- d. Rs.4, 576, 000

159. The projects costs are Rs.1, 500,000. The payback period for this investment would be _____.

Select correct option:

- a. 1.50 years
- b. 2.00 years
- c. 2.33 years**
- d. 3.00 years

160. Suppose Z Corporation, has the present value of its future cash flows is Rs.450, 000 and the project has a cost of Rs.300, 000, then the profitability index would be _____.

Select correct option:

- a. 0.667
- b. 1
- c. 1.25
- d. 1.50**

161. Fee paid to the consultant for evaluating the project is an example of _____.

Select correct option:

- a. Opportunity cost

b. Sunk cost

- c. Decremental cost
- d. None of the given option

162. If the sales of the AB corporation is Rs.20, 000,000 where as its cost is Rs.12, 000,000 during the same period. Assume the annual tax rate is 37%.Its annual depreciation is Rs.5, 000, 000.The operating cash flow of the organization would be _____.

Select correct option:

- a. Rs. 3,810,000
- b. Rs. 4,810,000
- c. Rs. 5,190,000
- d. Rs. 6,890,000**

163. Treasury notes and bonds are:

Select correct option:

- Default free
- Taxable
- Highly liquid

All of the given options

164. The difference between an investment's market value and its cost is called the _____ of the investment.

Select correct option:

Net present value

- Economic value
- Book value
- Future value

165. When real rate is high, all the interest rates tend to be _____.

Select correct option:

Higher

- Lower
- Constant
- None of the given options

166. _____ is a grant of authority by a shareholder to someone else to vote the shareholder's share.

Select correct option:

- Cumulative voting
- Straight voting

Proxy voting

None of the given options

167. The payment of the dividend is at the discretion of the:

Select correct option:

Chairman

Board of directors

Shareholders

Stakeholders

168. Based on _____ the investment is accepted if the _____ exceeds the required return. It should be rejected otherwise.

Select correct option:

Profitability index

Payback period

Internal rate of return

Net present value

169. If two investments are mutually exclusive, then taking one of them means that:

Select correct option:

We cannot take the other one

The other is pending for the next period

The projects are independent

None of the given options

170. Profitability index (PI) rule is to take an investment, if the index exceeds _____:

Select correct option:

-1

0

1

All of the given options

171. Average Accounting Return is a measure of accounting profit relative to:

Select correct option:

Book value

Intrinsic value

Cost

Market value

172. It is not unusual for a project to have side or spillover effects both good and bad. This phenomenon is called:

Select correct option:

Erosion

Piracy

Cannibalism

All of the given options

173. The average time between purchasing or acquiring inventory and receiving cash proceeds from its sale is called -----.

Select correct option:

Operating Cycle

Cash Cycle

Receivable period

Inventory period

174. Which of the following does not affect cash cycle of a company?

Select correct option:

Inventory period

Accounts receivable period

Accounts payable turnover

None of the given option

175. Mr.Munir purchased goods of Rs.100,000 on June01, 2006 from Zeeshan and brothers on credit terms of 3/10, net 30. On June 09 Mr. Munir decided to make payment to Zeeshan and brothers. How much he would pay to Zeeshan and brothers.

Select correct option:

100,000

97,000

103,000

50,000

176. A firm has cash cycle of 100 days. It has an inventory turnover of 5 and receivable turnover of 2. What would be its accounts payable turn over?

Select correct option:

3.347 approximately

5.347 approximately

2.347 approximately

6.253 approximately

177. During the financial year 2005-2006 ended on June 30, the cash cycle of Climax company was 150 days, and its payable turnover was 5. What was the operating cycle of the company during 2005-2006?

Select correct option:

234 days

223 days

245 days

230 days

178. Which of the following is the cheapest source of financing available to a firm?

Select correct option:

Bank loan

Commercial papers

Trade credit

None of the given options.

179. Which of the following illustrates the use of a hedging (or matching) approach to financing?

Select correct option:

Short-term assets financed with long-term liabilities.

Permanent working capital financed with long-term liabilities.

Short-term assets financed with equity.

All assets financed with a 50 percent equity, 50 percent long-term debt mixture

180. ----- is an incentive offered by a seller to encourage a buyer to pay within a stipulated time.

Select correct option:

Cash discount

Quantity discount

Float discount

All of the given options

181. If a firm has a net float less than zero, then which of the following statements is true about the firm.

Select correct option:

The firm's disbursement float is less than its collection float.

The firm's collection float is equal to zero.

The firm's collection float is less than its disbursement float.

None of the given options.

182. Financing a long-lived asset with short-term financing would be

Select correct option:

An example of "moderate risk -- moderate (potential) profitability" asset financing.

An example of "low risk -- low (potential) profitability" asset financing.

An example of "high risk -- high (potential) profitability" asset financing.

An example of the "hedging approach" to financing

183. Suppose Flatiron Corporation has a debt-to- equity ratio of 2/3. You are analyzing the capital structure of this Corporation. Base on debt-to- equity ratio of the corporation, how much portion of the capital structure is financed through equity.

Select correct option:

66.67%

33.34%

0%

60%

184. Suppose the common stocks of Bonanza Corporation have book value of \$29 per share. The market price of these common stocks is \$69.50 per share. The corporation paid \$5.396 per share in dividend last year and analysts estimate that this dividend will grow at a rate of 6% through the next three years. Using the dividend growth model, estimated cost of equity of Bonanza corporation would be

Select correct option:

11.15%

16.13%

15.80%

13.14%

185. Which statement is true about the relationship between weighted average cost of capital and value of a firm in the eyes of investors?

Select correct option:

They have a direct relationship

They have an indirect relationship

They have spontaneous relationship

None of the given options

186. ----- refers to the extent to which fixed-income securities (debt and preferred stock) are used in a firm's capital structure.

Select correct option:

Financial risk

Portfolio risk

Operating risk

Market risk

187. Let's imagine that Sony Corporation currently uses no-debt financing, it has decided to go for capital restructuring. As result it would incorporate \$ 1 billion of debt at 6.6% p.a in its capital structure. Sony Corporation has 30 million Shares outstanding and the price per share is \$ 125. If the restructuring is expected to increase EPS, what would be the minimum level of EBIT that Sony management must be expecting?

Select correct option:

\$202,200,000

\$247,500,000

\$283,500,000

\$321,250,000

188. A corporation has WACC of 13.5 %(excluding taxes). The current borrowing rate in the market is 9.25%.If the corporation has a target capital structure of 65% equity (there is no preferred stock in the capital structure of the corporation) and 35% debt, what would be the cost of equity of this corporation?

Select correct option:

13.5%

17.75%

15.79%

17.13%

189. Suppose Dux Corporation has current assets of \$44 Million. Cash is 25% of the total current assets. After one year the cash item increase by 12%.This increase in cash item is a

Select correct option:

Source of cash

Use of cash

Neither of the source of cash nor a use of cash

None of the given option

190. During 2005 a merchandize sales company had cash sales of \$56.25 million, which were 15% of the total sales. During this period accounts receivables of the company were13% of total sales. What was the average collection period of the company during 2005?

Select correct option:

62 days
18 days
56 days
19 days

191. Suppose that Pearson Corporation has a capital structure which consists of both equity and debt. It had issued two million worth of bonds at 6.5 % p.a. The tax rate is 40%. Its EBIT is one million. The present value of tax shield for Pearson corporation would be

Select correct option:

Rs.1,000,000
Rs.1,200,000
Rs800,000
Rs.1,400,000

192. The use of Personal borrowing to alter the degree of financial leverage is called

_____.
Select correct option:

Homemade leverage

Financial leverage
Operating leverage
None of the given option

193. _____ refers to the most valuable alternative that is given up if a particular investment is undertaken.

Select correct option:

Sunk cost
Opportunity cost
Financing cost
All of the given options

194. . SNT company paid a dividend of Rs. 5 per share last year. The stock's current price is Rs. 50 per share. Assuming that the dividends are estimated to grow steadily at 8% per year, the cost of the capital for SNT company will be?

Select correct option:

13.07 %
15.67 %
16.00 %
18.80 %

195. _____ is the group of assets such as stocks and bonds held by an investor.

Select correct option:

Portfolio

Diversification

Stock Bundle

None of the given options

196. Which of the following measures the present value of an investment per dollar invested?

Select correct option:

Net Present Value (NPV)

Profitability Index (PI)

Average Accounting Return (AAR)

Internal Rate of Return (IRR)

197. If we have Rs. 150 in asset A and Rs. 250 in asset B, then the percentage of asset B in the portfolio will be:

Select correct option:

37.5 %

47.5 %

62.5 %

72.5 %

198. A risk that influences a large number of assets is known as:

Select correct option:

Systematic Risk

Market Risk

Non-diversifiable Risk

All of the given options

199. Which of the following risk can be eliminated by diversification?

Select correct option:

Systematic Risk

Unsystematic Risk

A & B

None of the given options

200. Suppose the initial investment for a project is Rs. 160,000 and the cash flows are Rs. 40,000 in the first year and Rs. 90,000 in the second and Rs. 50,000 in the third. The

project will have a payback period of:

Select correct option:

2.6 Years

3.1 Years

3.6 Years

4.1 Years

201. A model which makes an assumption about the future growth of dividends is known as:

Select correct option:

Dividend Price Model

Dividend Growth Model

Dividend Policy Model

All of the given options

202. Which of the following is not a quality of IRR ?

Select correct option:

Most widely used

Ideal to rank the mutually exclusive investments

Easily communicated and understood

Can be estimated even without knowing the discount rate

203. _____ is a special case of annuity, where the stream of cash flows continues forever.

Select correct option:

Ordinary Annuity

Perpetuity

Dividend

Interest

204. If a bank offers 15% annual rate of return compounded quarterly, what would be the Effective Annual Rate (EAR)?

Select correct option:

15.00 %

15.34 %

15.87 %

16.42 %

205. A bond represents a _____ made by an investor to the _____.

Select correct option:

loan; receiver
dividend; issuer
dividend, receiver

loan; issuer

206. When the interest rates fall, the bond is worth _____.

Select correct option:

More

Less

Same

All of the given options.

207. If SNT Corporation pays out 30% of net income to its shareholders as dividends. What would be the Retention Ratio for SNT Corporation?

Select correct option:

30 %

50 %

70 %

90 %

208. If sales are to grow at a rate higher than the sustainable growth rate, the firm must:

Select correct option:

Increase Profit Margin

Increase Total Assets Turnover

Sell new shares

All of the given options.

209. _____ is the current value of the future cash flow discounted at an appropriate discount rate.

Select correct option:

Present Value

Future Value

Capital Gain

Net Profit

210. SUMI Inc. has outstanding bonds having a face value of Rs. 500. The promised annual coupon is Rs. 50. The bonds mature in 30 years and the market's required rate on similar bonds is 12% p. a. What would be the present value of each bond?

Select correct option:

Rs. 319.45

Rs. 390.75

Rs. 419.45

Rs. 463.75

211. The sensitivity of Interest Rate Risk of a bond directly depends upon:

Select correct option:

Time to maturity

Coupon rate

A and B

None of the given options

212. An insurance company offers to pay you Rs. 1000 per year if you pay Rs. 6,710 up front. What would be the rate applicable in this 10-year annuity?

Select correct option:

8 %

10 %

12 %

14 %

213. In the formula $k_e \geq (D1/P0) + g$, what does $(D1/P0)$ represent?

Select correct option:

A. The expected capital gains yield from a common stock

B. The expected dividend yield from a common stock

C. The dividend yield from a preferred stock

D. The interest payment from a bond

214. If you owned 100 shares of a company and there are three directors to be elected. How much votes you would have as per cumulative voting procedure?

Select correct option:

A. 100 Votes

B. 200 Votes

C. 300 Votes

D. 400 Votes

215. SNT Corporation has policy of paying a Rs. 6 dividend per share every year. If this policy is to continue indefinitely, what will be the value of a share of stock at a 15% required rate of return?

Select correct option:

A. Rs. 30

B. Rs. 40

- C. Rs. 50
- D. Rs. 60

216. Which of the following is NOT a characteristic of preferred stock?

Select correct option:

A. Dividends on these stocks cannot be cumulative

- B. These stocks have dividend priority over common stocks
- C. These stocks have stated liquidating value
- D. These bonds hold credit ratings much like bonds

217. A project has an initial investment of Rs. 400,000. What would be the NPV for the project if it has a profitability index of 1.15?

Select correct option:

- A. Rs. 30000
- B. Rs. 40,500
- C. Rs. 50,000
- D. Rs. 60,000**

218. What will be the proper order of completion regarding the capital budgeting process?

- (I) Perform a post-audit for completed projects;
- (II) Generate project proposals; (III) Estimate appropriate cash flows;
- (IV) Select value-maximizing projects; (V) Evaluate projects.

Select correct option:

- A. II, V, III, IV, and I
- B. III, II, V, IV, and I
- C. II, III, V, IV, and I**
- D. II, III, IV, V, and I

219. . Following are the two cases:

Case I: Mr. A, as a financial consultant, has prepared a feasibility report for a project for ABC Company that the company is planning to undertake. He has suggested that the project is feasible.

Case II: Mr. A, as a financial consultant, has prepared a feasibility report of a project for XYZ Company that the company is planning to undertake. He has suggested that the project is not feasible.

The consultancy fee paid to Mr. A will be considered as:

Select correct option:

- A. Sunk cost in Case I and opportunity cost in Case II
- B. Opportunity cost in Case I and sunk cost in Case II
- C. Sunk Cost in both Case I and Case II**
- D. Opportunity cost in both Case I and Case II

220. Suppose you buy some stock for Rs. 35 per share. At the end of the year, the price is Rs. 43 per share. During the year, you get a Rs. 4 dividend per share. What will be the total percentage return?

Select correct option:

- A. 22.85 %
- B. 25.16 %
- C. 30.52 %
- D. 34.29 %**

221. If you have a portfolio with Rs. 10,000 in asset A and Rs. 15,000 in another asset B then what will be the weight of Asset B in your portfolio?

Select correct option:

- A. 0.30
- B. 0.40
- C. 0.60**
- D. 0.75

222. Which of the following set of cash flows represents the change in the firm's total cash flow that occurs as direct result of accepting the project?

Select correct option:

- A. Relevant Cash Flows
- B. Incremental Cash Flows**
- C. Negative Cash Flows
- D. All of the given option

223. Time value of money is an important finance concept because:

Select correct option:

- A. It takes risk into account
- B. It takes time into account
- C. It takes compound interest into account
- D. All of the given options**

224. The present value of a sum of Rs. 100 to be received in the future will be:

Select correct option:

- A. More than Rs. 100
- B. Equal to Rs. 100
- C. Less than Rs. 100**
- D. None of the given options

225. You want to buy an ordinary annuity that will pay you Rs. 3,000 a year for the next 20 years. You expect annual interest rates will be 8 percent over that time period. The maximum price you would be willing to pay for the annuity will be closest to:

Select correct option:

A. Rs. 29,454

B. Rs. 34,325

C. Rs. 39,272

D. Rs. 49,023

226. You have Rs. 1,000 that you want to save. If four different banks offer four different compounding methods for interest, which method should you choose to maximize your Rs. 1,000?

Select correct option:

A. Compounding quarterly

B. Compounding monthly

C. Compounding semi-annually

D. Compounding annually

227. If a bond sells at a high premium, then which of the following relationships hold true?

Select correct option:

A. Bond Price < Par Value and YTM > coupon rate

B. Bond Price > Par Value and YTM > coupon rate

C. Bond Price > Par Value and YTM < coupon rate

D. Bond Price < Par Value and YTM < coupon rate

228. What will be the value to you of a Rs. 2,000 face-value bond with an 8% coupon rate when your required rate of return is 12% and time till maturity is 5 years?

Select correct option:

A. Rs. 1,556

B. Rs. 1,712

C. Rs. 2,082

D. Rs. 2,420

229. Which of the following carry the provision that within a stipulated time period, the bond may be converted into a certain number of shares of the issuing corporation's common stock at a pre-stated price?

Select correct option:

A. Convertible Bonds

- B. Income Bonds
- C. Put Bonds
- D. None of the given options

230. Interest rates and bond prices :

Select correct option:

- A. Move in the same direction
- B. Move in the opposite direction**
- C. Sometimes move in the same and sometimes in the opposite direction
- D. Have no relation with each other

231. Long-term bonds have _____ risk of loss resulting from changes in interest rates than do short-term bonds.

Select correct option:

- A. Less
- B. Zero
- C. More**
- D. None of the given options

232. What will be real rate if the nominal rate is 17%, and the inflation rate is 5% ?

Select correct option:

- A. 6.639%
- B. 8.251%
- C. 10.00%
- D. 11.43%**

233. The alternative name used for Interest Coverage Ratio is

_____.

Select correct option:

Time interest earned

- Cash coverage ratio
- Profit margin ratio
- None of the given option

234. If you want to evaluate the performance of an organization, which one of the following ratios will be helpful to you in evaluating the performance of an organization?

Select correct option:

- Return on short as well as long term investments
- Return on equity and return on debt
- Return on equity and profit margin**

All of the given options

235. Imran Corporation is a firm dealing in hardware industry. It sold 5000 units of its product to Mr. Younas for a sum of Rs.150, 000 whose cost was Rs.160, 000. What would be the effect of this transaction on current ratio of the company if the current ratio was 0.80 before this transaction?

Select correct option:

Increase

Decrease

Remain unchanged

None of the given option

236. Mehran Corporation is dealing in furniture industry. It has an equity multiplier of 1.78 times. The debt to equity ratio would be _____?

Select correct option:

0.38 times

0.58 times

0.78 times

0.98 times

237. What would be the level of EBIT if Imran Corporation uses both debt as well as equity financing in its capital structure, it has a cash coverage ratio of 7.5 times, annual interest expense is Rs.1 million and annual depreciation is Rs.3 million?

Select correct option:

Rs. 2.5 million

Rs. 3 million

Rs. 3.5 million

Rs.4.5 million

238. Suppose, Neumann Corporation has a debt to equity ratio of 0.45 times. Its return on equity is 18%. The return on assets would be _____.

Select correct option:

9.414 %

10.414 %

11.412 %

12.414 %

239. Suppose, Ilyas Corporation is one of the dominant firms in electronics equipment industry. Its policy is very clear about dealing with stackholders. It pays out 30% of its income in the form of dividend. If it pays a total sum of Rs.150 millions as a dividend, then what would be the amount transferred to the retained earning balance from current year profit?

Select correct option:

Rs.150 millions

Rs.250 millions

Rs.350 millions

Rs.500 millions

240. Sian Corporation is one of the largest firms in the electronics industry covering 70% of the market share. During the current year its performance is analysed by judging the various indicators. It has return on assets of 12.5% and retention ratio is 3/5. What would be the internal growth rate of the Sian Corporation?

Select correct option:

12.29%

14.29%

16.29%

18.92%

241. What would be the sustainable growth rate if the Corporation has a Return on equity (ROE) of 20% and a retention ratio of 4/6?

Select correct option:

25 %

35 %

29%

45%

242. Rehan Corporation is dealing in agriculture products. Its annual gross sales are Rs.1975 millions. Out of which 34% are on cash basis. Their past collection experiences show that it has an average collection period of 76 days. What would be the balance of accounts receivable at the end of the year?

Select correct option:

a. Rs.251.415 millions

b. Rs.261.415 millions

c. Rs.271.415 millions

d. Rs.281.415 millions

243. ROE in DuPont identity is affected by:

Select correct option:

Operating efficiency

Asset usage efficiency

Financial leverage

All of the given options

244. A decrease in the percentage of net income paid out as a dividend, will increase the:

Select correct option:

Return on assets ratio

Retention ratio

Leverage ratio

Profit margin

245. Which of the following does not change Current ratio of a business:

Select correct option:

Efficient usage of current assets

Change in the nature of the firm

Change in Accounting method of the firm

Change in the management of the firm

246. Present value factor is:

Select correct option:

$(1+r)^t$

$(1-r)^t$

$1/(1+r)^t$

$1/(1+r)^{1/t}$

247. Depreciation expense is:

Select correct option:

Operating expense

Investing expense

Financing expense

All of the given options

248. Internal growth rate tell how rapidly:

Select correct option:

The firm grows

Sales of the firm grows

Profit of the firm grows

None of the given options

249. You can determine the number of periods (n) in a present value calculation, if you know:

Select correct option:

Future amount
Present value
Interest rate

All of the given options

250. Which one of the present value factor is larger?

Select correct option:

PV of 1 factor for 10%

PV of 1 factor for 12%
Both have the same effect
It cannot be determined

251. If we deposit Rs. 5,000 today in an account paying 10%, how long does it take to grow to Rs. 10,000?

Select correct option:

5.27 years
6.27 years
7.27 years
7.57 years

252. The future value of first Rs. 100 in 2 years at 8% discount is:

Select correct option:

Rs. 116.64

Rs. 111.64
Rs. 164.64
Rs. 164.61

253. Investing activities include:

Select correct option:

Purchase of property, plant and equipment
Cash received from the issuance of stock or equity in the business.
Purchases of stock or other securities (other than cash equivalents)

Both a & c

254. Changes in cash from financing are "cash in" when:

Select correct option:

Capital is raised

Assets increased
Liabilities decreased
Cash withdrawn

255. Generally, changes made in cash, accounts receivable, depreciation, inventory and accounts payable are reflected in:

Select correct option:

Cash from operations activities

Cash from financing activities

Cash from investing activities

None of the given options

256. _____ are short-term, temporary investments that can be readily converted into cash.

Select correct option:

marketable securities

Cash equivalents

Treasury bills

All of the given options

257. The Cash flow statement records your _____ and expenditure at the end of the 'forecast' period.

Select correct option:

Actual cash income

Un earned income

Coming year income

Last year's income

258. Ratios look at the relationships between individual values and relate them to how a company:

Select correct option:

Has performed in the past

Might perform in the future

Both a & b

None of the given options

259. The current ratio is also known as:

Select correct option:

Working capital ratio

Leverage ratio

Turnover ratio

None of the given options

260. _____ is concerned with the relationship between the long terms liabilities that a business has and its capital employed.

Select correct option:

Gearing

Acid test ratio

Working capital management

All of the given options

261. _____ give a picture of a company's ability to generate cash flow and pay it financial obligations:

Select correct option:

- Management ratios
- Working capital ratios
- Net profit margin ratios

Solvency Ratios

262. Balance sheet items expressed as percentage of:

Select correct option:

- Net sales
- Total revenue
- Total assets**
- Total liabilities

263. Ann is interested in purchasing Ted's factory. Since Ann is a poor negotiator, she hires Mary to negotiate a purchase price. Identify the parties to this transaction from the given options, keeping in view the agency theory:

Select correct option:

Ann is the principal and Mary is the agent.

- Mary is the principal and Ann is the agent.
- Ted is the agent and Ann is the principal.
- Mary is the principal and Ted is the agent.

264. Which of the given options apply to auction markets?

Select correct option:

- Trading in a given auction exchange takes place at a single site on the floor of the exchange.
- Transaction prices of shares are communicated almost immediately to the public.
- Listing.

All of the given options (a, b and c).

265. Suppose a Corporation has a taxable income of \$200,000 and the tax amount is as given in the calculations:

\$ 50,000	x 15%	= \$ 7,500
(\$ 75,000 – 50,000)	x 25%	= 6,250
(\$ 100,000 – 75,000)	x 34%	= 8,500
(\$ 200,000 – 100,000)	x 39%	= 39,000
		\$ 61,250

Total tax is \$61,250.

Average tax rate is $\$61,250 / 200,000 = 30.625\%$. Marginal tax rate will be:

Select correct option:

39%

34%

15%

25%

266. A document that includes corporation's name, intended life, business purpose and number of shares and is necessary to form a corporation is known as:

Select correct option:

Charter

Set of bylaws

Regulations paper

None of the given options

267. According to the accounting profession, which of the given options would be considered a cash-flow item from an "investing" activity in a cash flow statement?

Select correct option:

Cash outflow to the government for taxes.

Cash outflow to shareholders as dividends.

Cash outflow to lenders as interest.

Cash outflow to purchase bonds issued by another company

268. Which one of the given options is generally considered the most liquid asset?

Select correct option:

accounts receivable

inventory

net fixed assets

intangible assets

269. Which of the given options is an advantage of a corporation that is not an advantage as a limited partner in a partnership?

Select correct option:

Limited liability.

Easy transfer of ownership position.

Double taxation.

All of the options are advantages that the corporation has over the limited partner.

270. In finance we refer to the market for relatively long-term financial instruments as the _____ market.

Select correct option:

money

capital

primary

secondary

271. _____ is concerned with the branch of economics relating the behavior of principals and their agents.

Select correct option:

Financial management

Profit maximization

Agency theory

Social responsibility

272. Which of the expenses in given options is not a cash outflow for the firm?

Select correct option:

Depreciation

Dividends

Interest payments

Taxes

273. A standardized financial statement presenting all items of the statement as a percentage of total is:

Select correct option:

a common-size statement

an income statement

a cash flow statement

a balance sheet

274. Ammar is running a company 'Ammar & Co'. He has asked you to comment on company's ability to pay its bills over the short run without undue stress. For this purpose you will study which category of ratios of the company?

Select correct option:

Profitability Ratios

Liquidity ratios

Debt ratios

Turnover ratios

275. Which one of the given options describes desirable current ratio for a business?

Select correct option:

0
0.2
0.1

At least one

276. Interest Coverage Ratios are also known as:

Select correct option:

Times Interest Earned (TIE) Ratios

Liquidity Ratios

Debt Ratios

Asset Management Ratios

277. The Du Pont Identity tells us that Return on Equity is affected by:

Select correct option:

operating efficiency (as measured by profit margin)

asset use efficiency (as measured by total assets turnover)

financial Leverage (as measured by equity multiplier)

all of the given options (a, b and c)

278. Benchmarking is used to establish a standard to follow for:

Select correct option:

comparison

identification

calculation

liability

279. A series of constant cash flows that occur at the end of each period for some fixed number of periods is

Select correct option:

an ordinary annuity

annuity due

multiple cash flows

perpetuity

280. Suppose the total cost of a college education will be \$50,000 in 12 years for a child. The Parents have \$5,000 to invest today. What rate of interest must they earn on investment to cover the cost of child's education?

Select correct option:

21.15%

12%

18%
30%

281. If the bank loans out \$10,000 for 90 days at 8% simple interest, the PV is:
Select correct option:

\$9,806.56
\$9000
\$10000
\$9500

282. Suppose, you deposited an amount of Rs.1000 in Habib Bank at the start of year 2006. How much interest amount will you have at the end of the year if the bank pays simple interest @10% p.a.?
Select correct option:

Rs.100
Rs.10
Rs.90
Rs.1000

283. _____ is considered as bottom line in Income Statement?
Select correct option:

Total Assets
Total Liabilities
Net Profit
Gross Profit

284. _____ can be considered as a snapshot of a company's financial position?
Select correct option:

Income Statement
Balance Sheet
Cash Flow Statement
Owner's Equity Statement

285. _____ involves the sale of used securities from one investor to another? Select correct option:

Primary Market
Secondary Market
Tertiary Market
None of the given options

286. _____ Ratios shows a firm's ability to pay its bills in short term?

Select correct option:

Liquidity

Financial Leverage

Profitability

Market Value

287. The process of planning and managing a firm's long-term investments is called:

Select correct option:

Planning Process

Capital Structure

Capital Budgeting

Managing Process

288. Income statement for Sumi Inc. shows the net income of Rs. 363,000 whereas the total sales are Rs. 2,311,000. The profit margin for the Sumi Inc. will be:

Select correct option:

6.37 %

8.37 %

15.7 %

12.5 %

289. S&T Company have 35 thousands shares outstanding and the stock sold for Rs. 99 per share at the end of year. Income Statement reported a net income of Rs. 385,000. The Price Earning Ratio for S&T Company will be:

Select correct option:

8 times

9 times

10 times

11 times

290. While making Common-Size statement, Balance Sheet items are shown as a percentage of :

Select correct option:

Total Assets

Total Liabilities

Total Capital

Net Profit

291. A business, created as a distinct legal entity owned by one or more individuals or entities, is known as:

Select correct option:

Sole Proprietorship

Partnership

Corporation

None of the given options

292. Which one of these is considered as a non-cash item?

Select correct option:

Inventory

Accounts Payable

Accounts Receivable

Depreciation

293. Suppose market value exceeds book value by Rs. 250,000. What will be the after-tax proceeds if there is a tax rate of 34 percent ?

Select correct option:

Rs. 105,600

Rs. 148,500

Rs. 165,000

Rs. 225,000

294. 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

Preferred Stock

All of the given options

295. 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

296. In which type of market, used securities are traded?

Select correct option:

Primary market

Secondary market

Tertiary market

None of the given options

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

Select correct option:

Accountants

Financial Analysts

Auditors

Marketers

298. Which of the following process can be defined as the process of generating earnings from previous earnings?

Select correct option:

Discounting

Compounding

Factorization

None of the given options

299. Which of the following is (are) a non-cash item(s) ?

Select correct option:

Revenue

Expenses

Depreciation

All of the given options

300. Which of the following rate makes the Net Present Value (NPV) equal to zero?

Select correct option:

Average Accounting Return (AAR)

Internal Rate of Return (IRR)

Required Rate of Return (RRR)

Weighted Average Cost of Capital (WACC)

301. 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**

302. Which of the following comes under the head of discounted cash flow criteria for capital budgeting decisions?

Select correct option:

Payback Period

- Net Present Value
- Average Accounting Return
- None of the given options

303. Period costs include which of the following?

Select correct option:

Selling expense

- Raw material
- Direct labor
- Manufacturing overhead

304. 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

305. Which of the following relationships holds TRUE if a bond sells at a discount?

Select correct option:

- Bond Price < Par Value and YTM > coupon rate
- Bond Price > Par Value and YTM > coupon rate
- Bond Price > Par Value and YTM < coupon rate
- Bond Price < Par Value and YTM < coupon rate

306. 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

307. 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

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

Select correct option:

Positive

Negative

zero

None of the given options

309. 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

310. 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

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

Select correct option:

Agency problem

Interest conflict

Management conflict

Agency cost

312. 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

313. 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

314. 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

315. 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

316. A borrower is able to pay Rs. 40,000 in 5 years. Given a discount rate of 12 percent, what amount of money the lender should lend?

Select correct option:

Rs. 14,186

Rs. 18,256

Rs. 22,697

Rs. 28,253

317. 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

318. 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

319. Which of the given is correct?

Select correct option:

Financial asset is a document representing a claim to income

Real asset is a document representing a claim to income

Financial asset is an object that provides a service

All of the given options

320. 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

321. 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

322. 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

323. Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the given options

324. 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

325. 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)

326. 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

327. 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

328. Finance is the art and science of handling _____.

Select correct option:

Money

People

Authority

None of the given options

329. 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

330. 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

331. 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

Preferred Stock

All of the given options

332. 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

333. In how many years, an amount will be doubled at a discount rate of 8 percent?

Select correct option:

3 years

6 years

9 years

Cannot be determined without more information

334. What will be the value of a Rs. 1,000 face-value bond with an 8% coupon rate at 8% required rate of return?

Select correct option:

More than its face value

Less than its face value

Equal to its face value

Cannot be determined without more information

335. In which type of market, used securities are traded?

Select correct option:

Primary market
Secondary market
Tertiary market
None of the given options

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

Select correct option:

Sole-proprietorship

General Partnership
Limited Partnership
Corporation

337. 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

338. Which of the following is measured by profit margin?

Select correct option:

Operating efficiency

Asset use efficiency
Financial policy
Dividend policy

339. A business owned by a single person is known as:

Select correct option:

Sole-proprietorship

General partnership
Limited partnership
Corporation

340. Net Income after taxation differs from Net Cash Flow from operations because:

Select correct option:

Depreciation expense is shown in the Cash Flow Statement and not in the Income Statement

Non-cash items are included in the Income Statement, but not in the Cash Flow Statement

Cash sales are shown in the Cash Flow Statement but not in the Income Statement

Cash expenses are shown in the Cash Flow Statement but not in the Income Statement

341. 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

342. 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

343. 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

344. SNT Corporation has policy of paying a Rs. 6 per share dividend every year. If this policy is to continue indefinitely, what will be the value of a share of stock at a 15% required rate of return?

Select correct option:

Rs. 30

Rs. 40

Rs. 50

Rs. 60

345. 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

346. The preferred stock of a company currently sells for Rs. 25 per share. The annual dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate of return on this stock?

Select correct option:

5.00 percent

7.00 percent

8.45 percent

10.0 percent

347. The relationship between real and nominal returns is described by the:

Select correct option:

M&M Proposition

Capital Asset Pricing Model

Fisher's Effect

BCG Matrix

348. An investment should be accepted if the Net Present Value (NPV) is _____ and rejected if it is _____.

Select correct option:

Positive; positive

Positive; negative

Negative; negative

Negative; positive

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

Select correct option:

Sole-proprietorship

General Partnership
Limited Partnership
Corporation

350. In which of the following procedure of voting for a company's directors, each shareholder is entitled to one vote per share?

Select correct option:

Straight Voting

Proportional Voting
Cumulative Voting
None of the given options

351. Which of the following cash flow activities are reported in the Cash Flow Statement and Income Statement?

Select correct option:

Operating Activities

Investing Activities
Financing Activities
All of the given options

352. Mr. Aslam owns 100 shares of a company and there are four directors to be elected. How much votes Mr. Aslam would have as per cumulative voting procedure?

Select correct option:

100 votes
200 votes
300 votes
400 votes

353. A given rate is quoted as 9 percent APR, but the EAR is 9.38 percent. What is the compounding period?

Select correct option:

Semiannually
Quarterly
Monthly
Daily

354. Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage

Manufacturing Leverage

None of the given options

355. 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

356. 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

357. A _____ is an agent who arranges security transactions among investors.

Select correct option:

Broker

Dealer

Member

Specialist

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

Select correct option:

Increase

Decrease

Remain unaffected

Become zero

359. In which type of the market, securities are originally sold to the investors?

Select correct option:

Primary Market

Secondary Market

Tertiary Market

None of the given options

360. 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

361. 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

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

Select correct option:

14

28

32

56 (doubt)

363. One would be indifferent between taking and not taking the investment when:

Select correct option:

NPV is greater than Zero

NPV is equal to Zero

NPV is less than Zero

All of the given options