

# Online Examinations (Even Sem/Part-I/Part-II Examinations 2020 - 2021)

Course Name - –Financial Management, Banking and Financial Institutions

Course Code - BBA401

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Answer all the questions. Each question carry one mark.

9. 1. Financial management mainly focuses on -

*Mark only one oval.*

- Efficient management of every business
- Brand dimension
- Arrangement of funds
- All elements of acquiring and using means of financial resources for financial activities

10. 2. The objective of wealth maximization takes into account -

*Mark only one oval.*

- Amount of returns expected
- Timing of anticipated returns
- Risk associated with uncertainty of returns
- All of these

11. 3. Opportunities to achieve further growth within current businesses are -

*Mark only one oval.*

- Intensive Opportunities
- Integrative Opportunities
- Diversification Opportunities
- None of these

12. 4. What are the earnings per share (EPS) for a company that earned Rs. 100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs. 1.2 million in retained earning at the year end?

*Mark only one oval.*

- Rs. 100,000
- Rs. 6.00
- Rs. 0.50
- Rs. 6.50

13. 5. A \_\_\_\_\_ would be an example of a principal, while a(n) \_\_\_\_\_ would be an example of an agent.

*Mark only one oval.*

- shareholder; manager
- manager; owner
- accountant; bondholder
- shareholder; bondholder

14. 6. The market price of a share of common stock is determined by -

*Mark only one oval.*

- the board of directors of the firm
- the stock exchange on which the stock is listed.
- the president of the company.
- individuals buying and selling the stock.

15. 7. \_\_\_\_\_ and \_\_\_\_\_ are the two versions of goals of the financial management of the firm.

*Mark only one oval.*

- Profit maximisation, Wealth maximization
- Production maximisation, Sales maximisation
- Sales maximisation, Profit maximization
- Value maximisation, Wealth maximisation

16. 8. An asset is a \_\_\_\_\_.

*Mark only one oval.*

- Source of fund
- Use of fund
- Inflow of funds
- none of these

17. 9. What is the math of finance whereby interest is earned over time by saving or investing money?

*Mark only one oval.*

- Future value
- Present value
- Time value of money
- Principal

18. 10. The arithmetic process whereby a future value decreases at a compound interest rate over time to reach a present value is known as \_\_\_\_\_.

*Mark only one oval.*

- discounting
- inflation
- compounding
- future value

19. 11. A shortcut method referred to as \_\_\_\_\_ can be used to approximate the time required for an investment to double in value.

*Mark only one oval.*

- the future value equation
- the time value of money equation
- the Rule of 72
- discounting

20. 12. Which of the following would you need to use in order to determine the present value of an annuity?

*Mark only one oval.*

- lump sum to be received in 5 years time
- the amount of equal cash flow payment to be received each year for the next 5 years
- cash flows that increase by \$1,000 each year for 5 years
- cash flows that are not known today

21. 13. In many situations, compounding or discounting may \_\_\_\_\_ .

*Mark only one oval.*

- occur more often than annually
- be compounded
- be deferred
- occur marginally



22. 14. \_\_\_\_\_ is the act of lending money at an excessively high interest rate.

*Mark only one oval.*

- Usury
- Amortization
- Shamming
- Larceny

23. 15. A technique which is based upon discounted cash flow is classified as -

*Mark only one oval.*

- Net Present Value Method
- Delphi Method
- Debt Budgeting Method
- Equity Budgeting Method

24. 16. Which of the following statements about NPV is not True?

*Mark only one oval.*

- When considering 2 or more projects the one with highest positive NPV is considered
- Projects with Negative NPV are not selected
- NPV can be negative, zero or positive
- When considering 2 or more projects the one with lowest NPV is considered

25. 17. Which is a Non – discounted method of Investment Evaluation Criteria?

*Mark only one oval.*

- NPV
- IRR
- Accounting Rate of Return
- Profitability Index

26. 18. This is a not a Discounted method of Investment Evaluation Criteria.

*Mark only one oval.*

- Payback Period
- IRR
- PI
- NPV

27. 19. Under Net present value criterion, a project is approved if -

*Mark only one oval.*

- Its net present value is positive
- The funds are limited
- Return period
- Both Its net present value is positive and The funds are limited

28. 20. The internal Rate of Return (IRR) criterion for project acceptance, under theoretically infinite funds is: accept all projects which have -

*Mark only one oval.*

- IRR equal to the cost of capital
- IRR greater than the cost of capital
- IRR less than the cost of capital
- None of these

29. 21. Which of the following criterion is often preferred ?

*Mark only one oval.*

- Net present value
- Profitability index
- Internal Rate of Return
- All of these

30. 22. What is the value of the firm usually based on?

*Mark only one oval.*

- The value of debt and equity.
- The value of equity.
- The value of debt.
- The value of assets plus liabilities

31. 23. Shareholders wealth increases with the increase in \_\_\_.

*Mark only one oval.*

- EPS
- Market value of the firm
- Dividend & market value of the firm
- Market price of the equity share

32. 24. Leasing of machinery can be categorized as\_\_\_\_\_

*Mark only one oval.*

- Fixed asset
- Investment decision
- Financing decision
- Capital budgeting decision

33. 25. Which of the following has Net profit as basis for calculation?

*Mark only one oval.*

- Net present value
- Average rate of return
- Internal rate of return
- Payback period

34. 26. Book value of assets includes -

*Mark only one oval.*

- Fixed assets, current asset
- Fixed assets, current asset, intangible asset
- Fixed assets, current asset, fictitious asset
- Fixed assets, current asset, intangible asset, fictitious asset

35. 27. A project is accepted when-

*Mark only one oval.*

- Net present value is greater than zero
- Internal Rate of Return will be greater than cost of capital
- Profitability index will be greater than unity
- Any of these

36. 28. IRR can be used with -

*Mark only one oval.*

- PI
- ARR
- Payback period
- None of these

37. 29. State which of them are true? A) When ratios of previous years are compared with current years, they are called trend ratios. B) Trend percentages and trend ratios are used in static analysis. C) Reliability of financial analysis depends upon the reliability of financial data.

*Mark only one oval.*

- Both A and B
- Both A and C
- Both B and C
- A, B, C

38. 30. What is highlights the trend of the business when compare of financial statements?

*Mark only one oval.*

- Financial position
- Performance
- Profitability
- All of these

39. 31. Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?

*Mark only one oval.*

- Ratio Analysis
- Average Analysis
- Trend Analysis
- All of these

40. 32. Interpretation of accounts is the -

*Mark only one oval.*

- Art and science of translating the figures
- To know financial strengths and weaknesses of a business
- To know the causes for the prevailing performance of business
- All of these

41. 33. The process of planning expenditures that will influence the operation of a firm over a number of years is called \_\_\_\_\_.

*Mark only one oval.*

- investment.
- capital budgeting.
- net present valuation.
- dividend valuation.

42. 34. \_\_\_\_\_ is an example of a capital investment project.

*Mark only one oval.*

- Replacement of worn out equipment
- Expansion of production facilities
- Development of employee training programs
- All of these

43. 35. Which of the following is an appropriate way to measure cash flows?

*Mark only one oval.*

- Treat depreciation as a negative cash flow
- Consider only incremental costs and revenues
- Consider only after-tax cash flows
- All of the above are appropriate ways to measure cash flows.

44. 36. The net present value of a project is equal to -

*Mark only one oval.*

- the present value of all net cash flows that result from the project.
- the present value of all revenues minus the present value of all costs that result from the project.
- the present value of all future net cash flows that result from the project minus the initial investment required to start the project.
- All of these are correct.

45. 37. The net present value method and the internal rate of return method will always yield the same decision when \_\_\_\_\_.

*Mark only one oval.*

- a single project is evaluated.
- mutually exclusive projects are evaluated.
- a limited number of projects must be selected from a large number of opportunities.
- All of these are correct



46. 38. In cases where capital must be rationed, a firm should rank projects according to their -

*Mark only one oval.*

- net present values.
- internal rates of return.
- profitability indexes.
- external rates of return.

47. 39. Which of the following is an internal source of investment funding?

*Mark only one oval.*

- Issuing bonds
- Sale of stocks
- Undistributed profits
- All of the above are internal sources

48. 40. A firm can borrow at an interest rate of 10%. Its marginal tax rate is 40%. What is its cost of debt?

*Mark only one oval.*

- 6%
- 10%
- 14%
- None of these

49. 41. Cost of common stock is 14% and bond risk premium is 9% then bond yield will be -

*Mark only one oval.*

- 0.0156
- 0.05
- 0.23
- 0.6428

50. 42. In weighted average cost of capital, a company can affect its capital cost through

*Mark only one oval.*

- policy of capital structure
- policy of dividends
- policy of investment
- all of these

51. 43. A risk associated with project and way considered by well diversified stockholder is classified as -

*Mark only one oval.*

- expected risk
- beta risk
- industry risk
- returning risk

52. 44. Equity shareholders are called \_\_\_\_\_.

*Mark only one oval.*

- Owners of the company
- Partners of the company
- Executives of the company
- Guardian of the company

53. 45. The term 'redeemable' is used for -

*Mark only one oval.*

- Preference shares
- Commercial paper
- Equity shares
- Public deposits

54. 46. Internal sources of capital are those that are -

*Mark only one oval.*

- generated through outsiders such as suppliers
- generated through loans from commercial banks
- generated through issue of shares
- generated within the business

55. 47. The cost of capital for a firm when we allow for taxes, bankruptcy, and agency costs -

*Mark only one oval.*

- remains constant with increasing levels of financial leverage
- first declines and then ultimately rises with increasing levels of financial leverage
- increases with increasing levels of financial leverage
- decreases with increasing levels of financial leverage

56. 48. Overall cost of capital is often used to evaluate projects because \_\_\_\_\_.

*Mark only one oval.*

- it acknowledges that most new investment projects have about the same degree of risk
- it is the only way to measure a firm's required return
- it avoids the problem of computing the required rate of return for each investment proposal
- it acknowledges that most new investment projects offer about the same expected return

57. 49. The common stock of a company must provide a higher expected return than the debt of the same company because -

*Mark only one oval.*

- there is less demand for stock than for bonds
- there is greater demand for stock than for bonds
- there is more systematic risk involved for the common stock
- there is a market premium required for bonds

58. 50. Market values are often used in computing the weighted average cost of capital because -

*Mark only one oval.*

- this is the simplest way to do the calculation
- this is consistent with the goal of maximizing shareholder value.
- this is required in India by the SEBI
- this is a very common mistake

59. 51. For an all-equity financed firm, a project whose expected rate of return plots should be rejected

*Mark only one oval.*

- above the characteristic line
- above the security market line
- below the security market line
- below the characteristic line

60. 52. In finance, "working capital" means the same thing as -

*Mark only one oval.*

- total assets
- fixed assets
- current assets
- current assets minus current liabilities

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

*Mark only one oval.*

- 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

62. 54. In deciding the appropriate level of current assets for the firm, management is confronted with -

*Mark only one oval.*

- a trade-off between profitability and risk
- a trade-off between liquidity and marketability
- a trade-off between equity and debt
- a trade-off between short-term versus long-term borrowing

63. 55. \_\_\_\_\_ varies inversely with profitability

*Mark only one oval.*

- Liquidity
- Risk
- Blue
- None of these

64. 56. Net working capital refers to -

*Mark only one oval.*

- total assets minus fixed assets
- current assets minus current liabilities
- current assets minus inventories
- current assets

65. 57. Spontaneous financing includes -

*Mark only one oval.*

- accounts receivable
- accounts payable
- short-term loans
- a line of credit

66. 58. \_\_\_\_\_ is/ are the aspects of working capital management.

*Mark only one oval.*

- Inventory management
- Receivable management
- Cash management
- All of these

67. 59. Which of the following is not an advantage of trade credit?

*Mark only one oval.*

- Easy availability
- Flexibility
- Informality
- Buyout financing

68. 60. The art of managing, within the acceptable level of risk, the consolidated funds optimally and profitably is called \_\_\_\_\_.

*Mark only one oval.*

- Integrated treasury
- Treasury management
- Merchant banking
- None of these

69. 61. \_\_\_\_\_ are people who buy or sell in the market to make profits called

*Mark only one oval.*

- Hedgers
- Arbitrageurs
- Speculators
- None of these



70. 62. Under \_\_\_\_\_ a borrower obtain credit from a bank against its bills.

*Mark only one oval.*

- Purchase or discounting of bills
- Letter of Credit
- Cash
- Working Capital Loan

71. 63. \_\_\_\_\_ would be consistent with an aggressive approach to financing working capital.

*Mark only one oval.*

- Financing short-term needs with short-term funds.
- Financing permanent inventory buildup with long-term debt.
- Financing seasonal needs with short-term funds
- Financing some long-term needs with short-term funds

72. 64. Inventory is listed as a part of current assets. Stock or inventory in an organization means

*Mark only one oval.*

- Goods that are readily available for sale
- All the assets available for sale
- All the raw material, Semi finished and the finished goods in the organization
- Goods that can be sold within a short span of time.

73. 65. Different stakeholders possess different powers and interests. Stakeholders should be treated with high interest and high power -

*Mark only one oval.*

- Invest maximum effort
- Devote negligible effort
- Keep them informed about all the major happenings
- No extra effort needed

74. 66. Companies provide credit system as it is -

*Mark only one oval.*

- An essential tool for alluring and holding the valuable clients
- feasible for the managers
- needed by the suppliers
- a way to organize the capital of the organization

75. 67. Under which type of bank borrowing can a borrower obtain credit from a bank against its bills?

*Mark only one oval.*

- Letter of Credit
- Cash
- Purchase or discounting of bills
- Working Capital Loan

76. 68. Working Capital Turnover measures the relationship of Working Capital with

*Mark only one oval.*

- Fixed Assets
- Sales
- Purchases
- Stock

77. 69. Inventory Turnover calculation, what is taken in the numerator?

*Mark only one oval.*

- Sales
- Cost of Goods Sold
- Opening Stock
- Closing Stock

78. 70. Working capital management is mainly concerned with -

*Mark only one oval.*

- the placement of the firm's debt and equity issues
- the financing and management of the firm's current assets
- inventory management
- management of the firm's capital assets

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