

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

Course Name - --Strategic Corporate Finance

Course Code - BBA605F

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Answer all the questions. Each question carry one mark.

9. 1. Which organization level is responsible for the formulation of a multifunctional strategy for a single industry or product-market area

*Mark only one oval.*

- Corporate level.
- Multifunctional level
- Business level.
- Multi-industrial level

10. 2. Which level of managers translate the corporate strategy into concrete objectives for their individual business?

*Mark only one oval.*

- Multi-business level
- Corporate level
- Business level
- Functional level

11. 3. Who develops the short range objectives and strategies for introduction, operation, marketing etc

*Mark only one oval.*

- Corporate level managers
- Business level managers
- Functional level managers
- Multi-business level managers

12. 4. What comprises the fundamental ends and means of an organization?

*Mark only one oval.*

- Planning
- Objective
- Strategy
- Staffing

13. 5. Which of the following will not come under immediate external environment?

*Mark only one oval.*

- Competitors.
- Resources
- Technological developments
- Government agencies

14. 6. Which of the following reveals a firm's financial risk?

*Mark only one oval.*

- Activity ratios
- Liquidity ratios
- Leverage ratios
- Profitability ratios

15. 7. Which mode of formality is/are suitable for smaller firms?

*Mark only one oval.*

- Adaptive mode
- Planning mode
- Entrepreneurial mode.
- Both entrepreneurial and planning mode

16. 8. Which of the following provides a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objective?

*Mark only one oval.*

- Strategic implementation
- Strategic decision
- Strategic management
- Strategic planning

17. 9. What allows a firm to identify a wide range of opportunities?

*Mark only one oval.*

- Policies
- Objectives
- Strategic analysis
- Budgets

18. 10. Which objective includes productivity, technological leadership, employee relations, etc?

*Mark only one oval.*

- Medium-term objective
- Short-term objective
- Long-term objective
- Annual objective

19. 11. Which of the following reflects the means to achieve the objectives of the organization?

*Mark only one oval.*

- Corporate strategy
- Policies
- Grand strategy
- Procedures

20. 12. Which of the following provides the means to achieve annual objectives?

*Mark only one oval.*

- Functional Strategy
- Business Strategy
- Operating Strategy
- Strategic Choice

21. 13. As per Henry Mintzberg's classification, which of the following is not a mode of strategic decision making?

*Mark only one oval.*

- Entrepreneurial mode
- Adaptive mode
- Reactive mode
- Planning mode



22. 14. Which of the following identifies the strategic factors that determine the future of a firm?

*Mark only one oval.*

- Strategy evaluation and control
- Strategy formulation
- Environmental scanning
- Strategy implementation

23. 15. Which of the following measures is used by a company to ensure that every employee takes decision within the company mission, objective and strategy?

*Mark only one oval.*

- Objectives
- Processes
- Policies
- Programs

24. 16. Who develops strategies for their own units within the overall guidelines of the corporate strategy?

*Mark only one oval.*

- Chief Executive Officer
- Managing Directors
- Line Manager
- Supervisors

25. 17. What bridges the gap between a strategy formulation and implementation?

*Mark only one oval.*

- Decision-making.
- Strategic management
- Strategic planning
- Organizing.

26. 18. What is the process of logically approaching the task of identifying the ends and the means of achieving them known as-

*Mark only one oval.*

- Controlling
- Organizing.
- Rational planning
- Decision-making

27. 19. Which of the following defines the company's intention to achieve results within the pre-defined operational areas?

*Mark only one oval.*

- Plan
- Policies
- Mission
- Strategies & tactics

28. 20. What are the indispensable components of a mission statement?

*Mark only one oval.*

- Product, primary market and technology
- Plans, visions and basic product
- Basic product, primary markets and principal technology
- None of these

29. 21. Which of the following indicates the desired future state that a company attempts to realize?

*Mark only one oval.*

- Company's plan
- Company's mission statement
- Company's goal.
- Company's self-concept.

30. 22. What is the clear indication of a firm's ability to satisfy the principal claims and desires of the employees and stockholders?

*Mark only one oval.*

- Company's mission statement
- Liquidity
- Profitability
- Debt-equity ratio

31. 23. Which of the following leads to strategic myopia?

*Mark only one oval.*

- Long-term profitability measures
- Medium-term profitability measures.
- Short-term profitability measures.
- Indecision.

32. 24. What are the economic goals that guide the strategic direction of every viable business organization?

*Mark only one oval.*

- Goal profit & public image
- Growth, profitability and public image
- Survival, growth and profitability.
- Public image, growth and profit

33. 25. Which factor indicates the nature and direction of the economy in which a firm operates?

*Mark only one oval.*

- Legal environment
- Social environment
- Economic environment
- Operating environment

34. 26. Which of the following does not act as a barrier to entry?

*Mark only one oval.*

- Product differentiation
- Large capital requirements
- Diseconomies of scale experienced by existing firms
- High switching costs

35. 27. How can a firm determine the purchasing power of a customer?

*Mark only one oval.*

- By considering the life style and geographic variables
- By considering the personality and demographic variables
- By considering personality and life style
- By considering demographic and geographic variables

36. 28. Why is investment in building a brand name risky?

*Mark only one oval.*

- Consumers tastes change
- Substitute with similar products
- No salvage value
- Price war.

37. 29. How can a buyer pose a competitive threat in the market?

*Mark only one oval.*

- Change brands.
- Demand high price with quality.
- Demand lower price and better service.
- Demand product differentiation

38. 30. Which of the following will reduce the rivalries among companies?

*Mark only one oval.*

- Reducing demand for a product
- Create a shortage in the market
- Increasing supply for a product
- Increasing demand for a product

39. 31. Which of the following will not come under manufacturing operations?

*Mark only one oval.*

- Productivity of the equipment
- Appropriate automation of procurements processes
- Efficiency of finished goods and warehousing activities
- Efficiency of plant layout and workflow design

40. 32. Which of the following does not come under primary activity?

*Mark only one oval.*

- Operations
- Outbound logistics
- General administration
- Profit margin

41. 33. What reduces the cost per unit as business gains the market share?

*Mark only one oval.*

- Capital labor substitution
- Economies of scale
- Learning
- All of these

42. 34. Which of the following provide direction, serve as standards for evaluating performance and motivate members of the organizations?

*Mark only one oval.*

- Mission.
- Values
- Goals.
- Objectives.

43. 35. What is the peak point of hierarchy of objectives?

*Mark only one oval.*

- Accomplish the overall strategies of and organization
- Accomplish the mission of the organization
- To contribute to the welfare of the people
- Accomplish specific objectives of an organization

44. 36. Which of the following is not a growth strategy?

*Mark only one oval.*

- Horizontal integration
- Vertical integration.
- Divesture
- Both horizontal & vertical integration

45. 37. Which of the following term best explains the strategy of a firm to direct its resources to the profitability growth of a single product, in a single market with a single dominant technology?

*Mark only one oval.*

- Conglomerate diversification
- Market development
- Concentration
- Concentric diversification



46. 38. What is a set of activities beginning from resourcing raw materials from suppliers, to the production of a product for final consumption known as?

*Mark only one oval.*

- Cost based value activities
- Value activities
- Cost reduction activities
- Promotional activities

47. 39. What are the four functions – R&D, Production, Marketing, Sales and Service – known as?

*Mark only one oval.*

- Value added activities
- Value addition functions.
- Secondary activities
- Primary activities

48. 40. What are the activities like material management, human resource function, companies infrastructures that provide inputs to primary activity and adds value for competitive advantage known as?

*Mark only one oval.*

- Functional activities
- Secondary activities
- Support activities
- Backward integration activities

49. 41. Technology licenses, supply agreements, marketing agreements and joint ventures are the examples of-

*Mark only one oval.*

- Amalgamation
- Horizontal integration
- Merger
- Coalition

50. 42. What is a firm's value chain embedded in a large stream of activities known as?

*Mark only one oval.*

- Primary activities.
- Secondary activities
- Value system
- Supportive activities

51. 43. What differentiates a firm's value chain with its competitors?

*Mark only one oval.*

- Segment scope.
- Geographic scope
- Competitive scope
- Industry scope.

52. 44. Which of the following is/are a mechanism through which a firm creates a value for a buyer to justify a premium price?

*Mark only one oval.*

- Lowering buyers cost
- Raising buyer's performance
- Raising buyer's cost
- Both Lowering buyers cost and Raising buyer's performance

53. 45. The non-financial objectives of the company include

*Mark only one oval.*

- Providing the employees with safe working conditions, training and career development opportunities
- Providing the management with higher salaries and perquisites at company's expenditures
- Undertaking breakthrough research and development initiatives
- Both Providing the employees with safe working conditions, training and career development opportunities and Providing the management with higher salaries and perquisites at company's expenditures

54. 46. The government issues gilts at a coupon rate of 12% with face value Rs.100. If the market rate of interest rises to 14%, which of the following is correct?

*Mark only one oval.*

- There is a capital gain of 14.29%.
- There is a capital loss of 14.29%.
- The value of the gilt rises
- Both There is a capital gain of 14.29%. and The value of the gilt rises

55. 47. The most important benefit of strategic management could be

*Mark only one oval.*

- order
- commitment
- understanding
- growth

56. 48. Which of the following is not among the recommendations of the Cadbury Committee of 1992?

*Mark only one oval.*

- Companies should establish audit committees with at least three non-executive directors as members
- The positions of chairman and chief executive officer should be separate
- Companies should phase out executive share option schemes
- There should be full disclosure of directors' remuneration

57. 49. Which of the following is/are true if a company has total assets worth Rs.100 lakh, financed by means of equity Rs. 70 lakh (book value) and 10% debt of Rs.30 lakh (book value), at the end of year 1. In the second year, the company gains Rs.12 lakh on assets. (Ignore taxes).

*Mark only one oval.*

- The ROA is 12%.
- The ROE is 9%.
- ROA 12% and ROE 12.85%
- The ROE is 12.85%.

58. 50. A project's profitability index of 0.87 indicates that:

*Mark only one oval.*

- The project's NPV is greater than zero
- The present value of benefits is 87% greater than the project's costs
- The project returns 87 paise in present value for each rupee invested
- The payback period is less than one year

59. 51. The discount rate at which two projects have identical is referred to as Fisher's rate of intersection.

*Mark only one oval.*

- Present value
- Profitability Index
- IRRs
- NPV

60. 52. Two mutually exclusive investment proposals have "scale differences" (i.e., the cost of the projects differ). Ranking these projects on the basis of IRR, NPV, and PI methods, give contradictory results

*Mark only one oval.*

- Never
- Depending upon the case
- Always
- Generally

61. 53. The market value of the equity of Gamma Ltd. is Rs.25 lakh. The expected annual pre-tax cash flows to the company is Rs.14.5 lakh with Rs.10 lakh of debt being employed at 9% coupon rate. The tax rate facing the company is 45%. What is the after tax cost of equity is:

*Mark only one oval.*

- 0.3
- 0.16
- 0.2507
- 0.2992

62. 54. The total value of Theta Ltd. is Rs.100 lakh. The company has its total investments in all the projects using 40% equity and 60% debt. The debt carries an interest rate of 5% and the tax rate is 35%. The expected value of pre-tax cash flow is Rs.15 lakh. Which of the following is/are correct?

*Mark only one oval.*

- The after tax cost of debt is 3.25%
- The after-tax cost of equity is 19.5%.
- The WACC is 9%.
- Both The after tax cost of debt is 3.25% and The after-tax cost of equity is 19.5%.

63. 55. The market required rate of return depends on

*Mark only one oval.*

- The present value of future cash flows
- The yield to maturity
- The markets perceived level of risk associated with the individual security
- The valuation of the financial asset

64. 56. The standard deviation

*Mark only one oval.*

- Is the square root of variance
- It can be used to compare investments with the same expected return
- It measures dispersion or variability around the mean or expected value
- All of these

65. 57. The portfolio effect is used to examine

*Mark only one oval.*

- The return on the portfolio
- The risk of the portfolio
- The impact of a given investment on the overall risk level
- Either The return on the portfolio or The risk of the portfolio

66. 58. Regardless of the type of asset being acquired, the appropriate discount rate is

*Mark only one oval.*

- After-tax cost of debt
- WACC
- Required rate of return
- Cost of equity capital

67. 59. Given the project cost of Rs.15 lakh, if the cash flows are evenly distributed over time and the estimated life of the project is 12 years, the annual cost of delay is

*Mark only one oval.*

- 0.08
- 0.12
- 0.0833
- 0.5454

68. 60. The option to include complementary products and services to the existing product portfolio, when the market condition improves, can be dealt under which of the real option model?

*Mark only one oval.*

- Rainbow option
- Growth option
- Investment timing option
- Compound option

69. 61. Which of the following avoid double 'negative' correct?

*Mark only one oval.*

- The owner of the financial option cannot affect the value of the underlying asset, which is not so in case of real options
- As the exercise price of the option increases the value of the call option rises and the value of put falls
- The value of the option decreases with increase in the time to expiration
- All of these



70. 62. Which of the following holds good with respect to the valuation of the real option?

*Mark only one oval.*

- The growth option is like a call option, while the abandonment option is a put option on the project
- One problem with using the decision tree analysis is the determination of appropriate rate for discounting the cash flows
- The decision tree approach coupled with the sensitivity analysis provides a good approach to valuing real options
- All of these

71. 63. A clause in an automobile lease contract giving the customer the option to purchase the car at a fixed price at the end of the lease is an example of

*Mark only one oval.*

- A European-type option
- An embedded option
- A call option
- Both A European-type option and An embedded option

72. 64. Rejecting an investment today forever might not be a good choice because

*Mark only one oval.*

- The size of the firm will decline
- There are always errors in the estimation of the NPVs
- The company is foregoing future rights or option to the investment
- The option value is negative

73. 65. The opportunity to defer investing to a later date may have value because

*Mark only one oval.*

- The cost of capital may decline in the near future
- Uncertainty may be reduced in the future
- Investment costs fluctuate in time
- Market conditions may change and increase the NPV of the project

74. 66. In terms of a real option, the cash flows from the project play the same role as

*Mark only one oval.*

- The variance
- The stock price
- The exercise price
- The dividends

75. 67. Which of the following best describes the value principle underlying investments under uncertainty?

*Mark only one oval.*

- Value is to the best extent possible derived from the financial market
- Real option analysis is primarily concerned with payback time
- Value of project is the value of other comparable projects
- The value of a project is the expected value of all project cash flows

76. 68. Which phrase best describes the features in a real option analysis that is not addressed by a conventional DCF analysis?

*Mark only one oval.*

- Real option analysis incorporates the impact of uncertainty on cash flows and considers the timing and flexibility of decisions
- The project value in a DCF analysis is certain while in a real option analysis it is only an estimate
- A DCF analysis handles multiple future periods while a real option analysis can only handle one period
- Real options is an unrealistic measure.

77. 69. Which of the following is not a feature of debt finance?

*Mark only one oval.*

- Dilution of control
- Low cost
- Financial risk.
- Both Low cost and Financial risk.

78. 70. Which of the following is a direct cost of bankruptcy?

*Mark only one oval.*

- Out of pocket expenses that arise in the course of going through a bankruptcy
- Shortfall in value arising from economic inefficiencies in operating a company when it is about to go bankrupt
- Fees and other compensation paid to third parties
- Both Out of pocket expenses that arise in the course of going through a bankruptcy and Fees and other compensation paid to third parties

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