Online Assessment (Even Sem/Part-I/Part-II Examinations 2019 - 2020

Course Name - Financial Management
Course Code - BBA403

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Answer all the questions. Each question carry one mark.

9. 1. Agency cost consists of

Mark only one oval.

- Binding
- Monitoring
- Opportunity and structure cost
- All of these

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. Time value of money indicates that

Mark only one oval.

- A unit of money obtained today is worth more than a unit of money obtained in future
- A unit of money obtained today is worth less than a unit of money obtained in future
- There is no difference in the value of money obtained today and tomorrow
- None of these

12. 4. If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:

Mark only one oval.

- 10% per annum
- 10.10%per annum
- 10.25%per annum
- 10.38% per annum

13. 5. Heterogeneous cash flows can be made comparable by

Mark only one oval.

- Discounting technique
- Compounding technique
- Either Discounting technique or Compounding technique
- None of these

14. 6. Risk of two securities with different expected return can be compared with:

Mark only one oval.

- Coefficient of variation
- Standard deviation of securities
- Variance of Securities
- None of these

15. 7. The long-run objective of financial management is to:

Mark only one oval.

- Maximize earnings per share
- Maximize the value of the firm's common stock
- Maximize return on investment
- Maximize market share

16. 8. 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

17. 9. In the ______________, the future value of all cash inflow at the end of time horizon at a particular rate of interest is calculated

Mark only one oval.

- Risk-free rate
- Compounding technique
- Discounting technique
- Risk Premium

18. 10. In ______________ approach, the capital structure decision is relevant to the valuation of the firm.

Mark only one oval.

- Net income
- Net operating income
- Traditional
- Miller and Modigliani

19. 11. ___________ is the length of time between the firm's actual cash expenditure and its own cash receipt.

Mark only one oval.

- Net operating cycle
- Cash conversion cycle
- Working capital cycle
- Gross operating cycle

20. 12. Amounts due from customers when goods are sold on credit are called ____________.

Mark only one oval.

- Trade balance
- Trade debits
- Trade discount
- Trade off

21. 13. Credit policy of every company is largely influenced by ____________ and ____________.

Mark only one oval.

- Liquidity, accountability
- Liquidity, profitability
- Liability, profitability
- Liability, liquidity

22. 14. Which of the following would NOT improve the current ratio?

Mark only one oval.

- Borrow short term to finance additional fixed assets.
- Issue long-term debt to buy inventory.
- Sell common stock to reduce current liabilities.
- Sell fixed assets to reduce accounts payable

23. 15. A company can improve (lower) its debt-to-total assets ratio by doing which of the following?

Mark only one oval.

- Borrow more
- Shift short-term to long-term debt
- Shift long-term to short-term debt.
- Sell common stock

24. 16. A firm's operating cycle is equal to its inventory turnover in days (ITD)

Mark only one oval.

- Plus its receivable turnover in days (RTD).
- Minus its RTD
- Plus its RTD minus its payable turnover in days (PTD)
- Minus its RTD minus its PTD

25. 17. All of the following influence capital budgeting cash flows EXCEPT:

Mark only one oval.

- Accelerated depreciation
- Salvage value
- Tax rate changes
- Method of project financing used

26. 18. A capital investment is one that

Mark only one oval.

- Has the prospect of long-term benefits
- Has the prospect of short-term benefits
- Is only undertaken by large corporations
- Applies only to investment in fixed assets

27. 19. A profitability index of .85 for a project means that:

Mark only one oval.

- The present value of benefits is 85% greater than the project's costs
- The project's NPV is greater than zero
- The project returns 85 cents in present value for each current dollar invested
- The payback period is less than one year

28. 20. Which asset-liability combination would most likely result in the firm's having the greatest risk of technical insolvency?

Mark only one oval.

- Increasing current assets while lowering current liabilities
- Increasing current assets while incurring more current liabilities
- Reducing current assets, increasing current liabilities, and reducing long-term debt
- Replacing short-term debt with equity

29. 21. The addition of all current assets investment is known as...

Mark only one oval.

- Gross Working Capital
- Net Working Capital
- Actual Working Capital
- Total Working Capital

30. 22. When total current assets exceeds total current liabilities it refers to

Mark only one oval.

- Total Working Capital
- Actual Working Capital
- Gross Working Capital
- Net Working Capital

31. 23. If the weighting of equity in total capital is 1/3, that of debt is 2/3, the return on equity is15% that of debt is 10% and the corporate tax rate is 32%, what is the Weighted AverageCost of Capital (WACC)?

Mark only one oval.

- 9.533%
- 1.533%
- 0.333%
- 9.000%

32. 24. Which of the following would not be financed from working capital?

Mark only one oval.

- Cash float.
- A new personal computer for the office
- Accounts receivable
- International Financing

33. 25.What is the difference between the current ratio and the quick ratio?

Mark only one oval.

- The current ratio includes inventories and the quick ratio does not.
- The current ratio does not include inventories and the quick ratio does.
- The current ratio includes physical capital and the quick ratio does not.
- The current ratio does not include physical capital and the quick ratio does

34. 26. Listed companies can be valued at

Mark only one oval.

- Book Value
- Market value
- Salvage value
- Liquidation value

35. 27. Which of the following is not the responsibility of financial management?

Mark only one oval.

- allocation of funds to current and capital assets
- preparation of the firm's accounting statements
- To earn abnormal profit from market
- development of an appropriate dividend policy

36. 28. The WC can be calculated as

Mark only one oval.

- CA+CL
- CA-CL
- CA/CL
- CA*CL

37. 29. Which of the following are not among the daily activities of financial management?

Mark only one oval.

- credit management
- Accounts receivable
- inventory control
- sale of shares and bonds

38. 30. A Liability is a-

Mark only one oval.

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

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