

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

Course Name - Strategic Financial Management

Course Code - BCM606A

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Answer all the questions. Each question carry one mark.

9. 1. 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

10. 2. Which of the following 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 are examples of capital investment projects

11. 3. 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 these are appropriate ways to measure cash flows

12. 4. 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

13. 5. Which of the following is an internal source of investment funding?

*Mark only one oval.*

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

14. 6. 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.*

- 0.1
- 0.14
- 0.06
- None of these are correct

15. 7. The beta coefficient is associated with

*Mark only one oval.*

- the capital asset pricing model
- the dividend valuation model
- the risk-free rate plus premium model
- the tax-adjusted cost of debt

16. 8. According to the Gitman and Forrester study published in 1977, the two most commonly used capital budgeting techniques are

*Mark only one oval.*

- net present value and profitability index
- internal rate of return and payback period
- net present value and average rate of return
- profitability index and average rate of return

17. 9. 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

18. 10. Which of the following is not included in strategic management?

*Mark only one oval.*

- Providing and organizing the resources required
- Analyzing company's options by matching its resources with external environment
- Identifying the most desirable strategy
- Setting long-term objectives

19. 11. Which of the following reveals a firm's financial risk?

*Mark only one oval.*

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

20. 12. Which mode of formality is/are suitable for smaller firms?

*Mark only one oval.*

- Entrepreneurial mode
- Planning mode
- Adaptive mode
- Both Planning mode And Entrepreneurial mode

21. 13. Which of the following is/are a part of the remote external environment?

*Mark only one oval.*

- Government agencies
- Political priorities
- Economic and social conditions
- Both Political priorities And Economic and social conditions

22. 14. Which of the following provides the means to achieve annual objectives?

*Mark only one oval.*

- Functional strategy
- Business strategy
- Operating strategy
- Strategic choice

23. 15. Which of the following is not a requirement of Bumper-sticker strategy?

*Mark only one oval.*

- The basic type of product or service to be offered are specified by it
- The core competencies of the business must under pin the strategy
- It must be differentiated from competitor's strategy
- It must promise something of value not to business, its employees or owners, but to the world

24. 16. What are the indispensable components of a mission statement?

*Mark only one oval.*

- Product, primary market and technology
- Basic product, primary markets and principal technology
- Plans, visions and basic product
- All of these

25. 17. Why is investment in building a brand name risky?

*Mark only one oval.*

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

26. 18. 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

27. 19. When does a company take the advantage of lowering the prices of the inputs with improved quality?

*Mark only one oval.*

- Suppliers are strong
- Suppliers are moderate
- Suppliers are weak
- Suppliers are less in number



28. 20. Which of the following is based on the host nation's power and leaves an impact on international affairs?

*Mark only one oval.*

- Political status
- Economic status
- Cultural status
- Social status

29. 21. Why is internal assessment strength necessary in international operation?

*Mark only one oval.*

- Stability of the economy can be determined
- Economic condition can be known
- It reflects bargaining the power of the company
- Consumer behavior can be identified

30. 22. 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

31. 23. What is the need of research and development in production group of a company?

*Mark only one oval.*

- Maintain quality
- Reliability at a minimum cost
- Enhance company's financial position
- Both Maintain quality And Reliability at a minimum cost

32. 24. One difference between a financial lease and operating lease is that:

*Mark only one oval.*

- there is a often a call option in a financial lease
- there is often an option to buy in an operating lease
- an operating lease is often cancellable by the lessee
- a financial lease is often cancellable by the lessee

33. 25. The principal reason for the existence of leasing is that:

*Mark only one oval.*

- intermediate-term loans are difficult to obtain
- this is a type of financing unaffected by changes in tax law
- companies, financial institutions, and individuals derive different benefits from owning assets
- leasing is a renewable source of intermediate-term funds

34. 26. A way to analyze whether debt or lease financing would be preferable is to:

*Mark only one oval.*

- compare the net present values under each alternative, using the cost of capital as the discount rate
- compare the net present values under each alternative, using the after-tax cost of borrowing as the discount rate
- compare the payback periods for each alternative
- compare the effective interest costs involved for each alternative

35. 27. A direct lease, a sale and leaseback, and a leveraged lease are all examples of

*Mark only one oval.*

- operating leases
- financial leases
- full-service leases
- off-balance sheet methods of financing

36. 28. According to the Gordon model, when the rate of return is greater than the discount rate

*Mark only one oval.*

- The share price falls as the dividend pay-out decreases
- The share price rises as the dividend pay-out increases
- The share price rises as the dividend pay-out decreases
- The share price and dividend pay-out are independent

37. 29. Which of the following reserves cannot be used for issue of bonus shares?

*Mark only one oval.*

- Dividend equalization reserve
- Contingency reserve
- Debenture redemption reserve
- Revaluation reserve

38. 30. In financial markets, the period of maturity less than one year of financial instruments is classified as

*Mark only one oval.*

- short-term
- long-term
- intermediate term
- capital term

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