



BRAINWARE UNIVERSITY
ODD Semester Examinations 2021- 22

Programme – Master of Business Administration - 2020 [MBA]

Course Name – Project Appraisal and Finance

Course Code – FM302

(Semester III)

Time allotted : 1 Hour 15 Minutes

Full Marks : 60

(Multiple choice type question)

60 x 1 = 60

Choose the correct alternative from the following

- (I) Ratio of receivable to average credit sale per day is
 A) Average collection period
 B) Receivable ratio
 C) Credit sale ratio
 D) Receivable period
- (II) Procedure for preparation of 'Projected Financial Statements' should start from
 A) Projection of Fixed Assets
 B) Projection of Capital,
 C) Projection of Sales
 D) Projection of Profit
- (III) In cases where capital must be rationed, a firm should rank projects according to their
 A) net present values
 B) internal rates of return
 C) profitability indexes
 D) external rates of return
- (IV) In a leasing contract the lessee is one
 A) Who lease the asset
 B) Who use the asset
 C) Who is middle of the lease contract
 D) Venture Capital
- (V) The detail about outlay of funds and requirement of working capital is shown in which part of project report
 A) Economical aspect
 B) Financial aspect
 C) Costing details
 D) Investment detail
- (VI) In _____, the possession of security or goods remain with the borrower
 A) Pledge
 B) Hypothecation
 C) Commercial paper
 D) Trade credit
- (VII) Five dimensions that must be managed on a project
 A) Constraint, Quality, Cost, Schedule, Staff
 B) Features, Quality, Cost, Schedule, Staff
 C) Features, priority, Cost, Schedule, Staff
 D) Features, Quality, Cost, Schedule, customer
- (VIII) Which of the following is a liability of a bank?
 A) Treasury Bills,
 B) Commercial papers
 C) Certificate of Deposits
 D) Junk Bonds
- (IX) Invitation to public for subscription of shares requires a document called
 A) Registration certificate
 B) Memorandum of association
 C) Prospectus
 D) Articles of association
- (X) Which of the following sources of funds for capital investment involves a tax adjustment to determine the cost of capital?
 A) Retained profits
 B) Issuing debt
 C) Issuing common stock
 D) All of the above involve a tax adjustment
- (XI) The assets that are readily convertible into money reflect a firm's
 A) Insolvency
 B) Efficiency
 C) Liquidity
 D) Collection.
- (XII) The term 'inventory' contains

- A) Raw material in Stock
C) Bank balance
- B) Cash in hand
D) All of these
- (XIII) Corporate wealth maximization is the value maximization for
- A) Equity shareholders
C) Employees
- B) Stakeholders
D) Debt capital owners
- (XIV) United nations industrial development organisation (UNIDO) approach
- A) For analysis of member country`s profitability
C) Approaching for finance of a project
- B) Approaching of loss of the project
D) Cost benefit analysis approach of a project
- (XV) Which of the following is an example of a capital investment project
- A) Replacement of worn out equipment
C) Development of employee training programs
- B) Expansion of production facilities
D) All of these are examples of capital investment projects
- (XVI) Unlisted company can be valued at
- A) Net asset Method
C) Net asset Method and Market value method
- B) Market value method
D) None of these
- (XVII) Merchant banker plays the role of _____ for a corporate enterprise
- A) Promoter
C) Critic
- B) Valuer
D) Observer
- (XVIII) The contribution of the borrower in financing is called
- A) Self- Finance
C) Installment
- B) Margin
D) Self -Contribution
- (XIX) Which of the following sources of funds has an Implicit Cost of Capital?
- A) Equity Share Capital
C) Debentures
- B) Preference Share Capital
D) Retained earnings
- (XX) If a bank accept a bill and pays immediately against a deal of credit sales, it is called
- A) Factoring
C) Discounting
- B) Collection
D) Overdraft
- (XXI) Which of the following is a form of capital as the term is used in economics?
- A) Houses owned by individuals
C) Education
- B) Factories owned by businesses
D) Money
- (XXII) Capital budgeting is the process of identifying, analyzing and selecting investment projects whose return are expected to expend beyond
- A) one month
C) two years
- B) one year
D) more than two years
- (XXIII) Which of the performance evaluation methods takes into consideration tax effects
- A) Economic value added
C) Residual income
- B) Return on sales
D) Return on investment
- (XXIV) Which is the most expensive source of funds
- A) New Equity Shares
C) New Debts
- B) New Preference Shares
D) Retained Earnings.
- (XXV) What is PPP Model
- A) Promotion of Project Profitability
C) Private Profitability Project
- B) Private Public Partnership
D) Partnership on poor project
- (XXVI) Project formulation phase is also known as
- A) Definition phase
C) Conception phase
- B) Evaluation phase
D) Monitoring phase
- (XXVII) The final step in the specifications and design of roadway elements is
- A) Specifications
C) Geometric design
- B) Design elements
D) Safety and audit of the design elements

- (XXVIII) Permanent working capital
- A) Varies with seasonal needs
B) Includes fixed assets
C) Is the amount of current assets required to meet a firm's long-term minimum W C
D) Includes accounts payable
- (XXIX) ADR'S mean
- A) Australian Depository Receipt
B) American Depository Receipt
C) African Depository Receipt
D) All-purpose Depository Receipt
- (XXX) Under letter of credit arrangement, the risk is borne by
- A) Customer
B) Customer Banker
C) Supplier
D) Supplier`s Banker
- (XXXI) Profitability Index, when applied to Divisible Projects, impliedly assumes that:
- A) Project cannot be taken in parts
B) NPV is linearly proportionate to part of the project taken up,
C) NPV is additive in nature
D) Both NPV is linearly proportionate to part of the project taken up and NPV is additive in nature
- (XXXII) Which of the following method the time value of money
- A) Net present value
B) Internal rate of return
C) Profitability index
D) Average accounting rate of return
- (XXXIII) The cost of storing goods is
- A) Ordering cost
B) Storing cost
C) Carrying cost
D) Material cost
- (XXXIV) Which of the following helps analyzing return to equity Shareholders?
- A) Return on Assets
B) Earnings Per Share
C) Net Profit Ratio
D) Return on Investment
- (XXXV) Study of international market and export possibilities is done under
- A) commercial appraisal
B) financial appraisal
C) economic appraisal
D) technical appraisal
- (XXXVI) The common stock of a company must provide a higher expected return than the debt of the same company because
- A) There is less demand for stock than for bonds.
B) there is greater demand for stock than for bonds
C) there is more systematic risk involved for the common stock
D) there is a market premium required for bonds
- (XXXVII) Financial appraisal considers
- A) Financial soundness and profitability
B) Return on investment
C) Both Financial soundness and profitability and Return on investment
D) None of these
- (XXXVIII) Social cost benefit analysis of a project is considered for the
- A) Upper class population
B) General public of the nation
C) For Bank finance
D) None of these
- (XXXIX) Which of the following is a primary security on housing finance
- A) Mortgage
B) NSC
C) Guarantee
D) LIC Policy
- (XL) Resources refers to
- A) Manpower
B) Machine
C) Material
D) All of these
- (XLI) High P/E ratios tend to indicate that a company will
- A) grow quickly
B) grow at the same speed as the average company
C) grow slowly
D) not grow
- (XLII) A mutually exclusive decision means
- A) Accepting of an alternative, leads to rejecting of other
B) Accepting of both alternatives
C) Rejecting of both alternatives
D) Both Accepting of an alternative, leads to rejecting of other and Rejecting of both alternatives

- (XLIII) Which is the first stage of project life cycle?
 A) Financial analysis
 B) Conception
 C) Economic analysis
 D) Implementation
- (XLIV) A budget covering all aspects of a firm's working is called
 A) Master Budget
 B) Company Budget
 C) Operating Budget
 D) Production Budget
- (XLV) Broad parameter of project selection is
 A) Economic viability
 B) Availability of funds
 C) Environmental opportunities
 D) Expected rate of return
- (XLVI) Turned around strategies of a project is
 A) Transfer the running project in to profit
 B) Transfer the staff in and around the company's head office
 C) Turn down the managing director of a company
 D) None of these
- (XLVII) A-B-C analysis is based on
 A) Total annual consumption value
 B) Total purchase value
 C) Unit highest price
 D) Total inventory cost
- (XLVIII) Promotion of welfare of human by corporate is called a
 A) Social service
 B) Philosophy
 C) NGO work
 D) Corporate philanthropy
- (XLIX) The overall budget covering the whole enterprise is known as
 A) master budget
 B) transaction budget
 C) management
 D) budget
- (L) A project is select when its profitability index is
 A) Less than 1
 B) Equal to 1
 C) More than 1
 D) None of these
- (LI) An arrangement that allows a firm to use and control assets without buying and owning them, is known as
 A) Leasing
 B) Factoring
 C) Hire Purchase
 D) Venture Capital
- (LII) Which of the following statements is incorrect regarding a normal project?
 A) If the NPV of a project is greater than 0, then its PI will exceed 1.
 B) If the IRR of a project is 8%, its NPV, using a discount rate, k , greater than 8%, will be less than 0.
 C) If the PI of a project equals 0, then the project's initial cash outflow equals the PV of its cash flows.
 D) If the IRR of a project is greater than the discount rate, k , then its PI will be greater than 1
- (LIII) A service provided for financing and collection receivables is known as
 A) Term Loan
 B) Leasing
 C) Bill Purchased
 D) Factoring
- (LIV) For an all-equity financed firm, a project whose expected rate of return plots should be rejected.
 A) above characteristic line
 B) above security market line
 C) below security market line
 D) below characteristic line
- (LV) The difference between current assets and current liabilities is called
 A) Gross working capital
 B) Net working capital
 C) Total working capital
 D) Current working capital
- (LVI) Gross Profit Ratio for a firm remains same but the Net Profit Ratio is decreasing. The reason for such behavior could be
 A) Increase in Costs of Goods Sold
 B) If Increase in Expense
 C) Increase in Dividend
 D) Decrease in Sales
- (LVII) Evaluating the quality of project management's handling of project finances is done by
 A) Cost benefit analysis
 B) Audit
 C) Result evaluation
 D) Impact analysis
- (LVIII) Monitoring of project is preceded by

- A) Formulation
- C) Implementation

- B) Appraisal
- D) Evaluation

(LIX) The cost of equity capital is all of the following EXCEPT

- A) The minimum rate that a firm should earn on the equity-financed part of an investment.
- C) By far the most difficult component cost to estimate.

- B) A return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged
- D) Generally lower than the before-tax cost of debt

(LX) A profitability index (PI) of .92 for a project means that

- A) the project's costs (cash outlay) are (is) less than the present value of the project's benefits

- B) the project's NPV is greater than zero

- C) the project's NPV is greater than 1

- D) the project returns 92 cents in present value for each current dollar invested (cost)