



BRAINWARE UNIVERSITY
Term End Examination 2020 - 21
Programme – Master of Business Administration
Course Name – Project Appraisal and Finance
Course Code - FM302

Semester / Year - Semester III

Time allotted : 75 Minutes

Full Marks : 60

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A

(Multiple Choice Type Question)

1 x 60=60

1. *(Answer any Sixty)*

(i) 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 |

(ii) The contribution of the borrower in financing is called

- | | |
|------------------|-----------------------|
| a) Self- Finance | b) Margin |
| c) Installment | d) Self -Contribution |

(iii) A service provided for financing and collection receivables is known as

- | | |
|-------------------|--------------|
| a) Term Loan | b) Leasing |
| c) Bill Purchased | d) Factoring |

(iv) Venture capital is an investment in highly risky project with the objectives of earning _____ rate of return

- | | |
|--------------------------|-------------------------|
| a) Unpredictable | b) Lower rate of return |
| c) Higher rate of return | d) Fixed |

(v) A budget covering all aspects of a firms working is

- | | |
|-----------------|------------------|
| a) Total budget | b) Master Budget |
|-----------------|------------------|

c) Capital budget d) Gross budget

(vi) Working capital management is concerned with

a) Current asset b) Current liability
c) Both current assets and current liabilities d) Fixed assets and current liabilities

(vii) 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

(viii) Which of the following is not a current liability

a) Trade creditor b) Inventor
c) Provision of Tax d) Bank Overdraft

(ix) Short term promising notes with a fixed maturity period, issued by reputed corporations, are known as

a) Note lending b) Letter of credit
c) Commercial paper d) Public deposit

(x) The term 'inventory' Contains

a) Raw material in Stock b) Cash in hand
c) Bank balance d) All of these

(xi) EOQ is the level at which

a) Ordering cost is minimum b) Carrying cost is minimum
c) Total cost is minimum d) Set-up cost is minimum

(xii) Which financial institution is the oldest

a) IFCI b) IDBI
c) LIC d) ICICI

(xiii) The assets that are readily convertible into money reflect a firm's

- a) Insolvency
- b) Efficiency
- c) Liquidity
- d) Collection.

(xiv) If a bank accepts a bill and pays immediately against a deal of credit sales, it is called

- a) Factoring
- b) Collection
- c) Discounting
- d) Overdraft

(xv) Merchant banker plays the role of _____ for a corporate enterprise

- a) Promoter
- b) Valuer
- c) Critic
- d) Observer

(xvi) Which type of mutual funds are also known as 'Nest Eggs' investment

- a) Income fund
- b) Growth Funds
- c) Equity Funds
- d) Specialized Fund

(xvii) The cost of storing goods is

- a) Ordering cost
- b) Storing cost
- c) Carrying cost
- d) Material cost

(xviii) Invitation to public for subscription of shares requires a document called

- a) Registration certificate
- b) Memorandum of association
- c) Prospectus
- d) Articles of association

(xix) The study of project viability is done in this phase

- a) Conception
- b) Formulation
- c) Appraisal
- d) Monitoring

(xx) The objective of environment protection Act is

- a) Protection of environment
- b) Improvement of environment

c) Prevention of hazards to living creatures d) All of these

(xxi) Payback period is

- | | |
|-----------------------------------------------------------------------|---------------------------------------------------------------|
| a) The period in which a firm enables to pay its creditors | b) The period in which a debtors payback the loan to the firm |
| c) The period in which the investment on the project may be recovered | d) The period in which all liabilities are paid back |

(xxii) 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 |

(xxiii) The rate at which NPV become zero

- | | |
|------------------------------|----------------------------|
| a) Accounting rate of return | b) Internal rate of return |
| c) Net rate of return | d) Present rate of return |

(xxiv) One of the limitation of ratio analysis is

- | | |
|------------------------------------|-------------------------------------------------|
| a) It indicates trend | b) It help in understanding financial statement |
| c) It assess liquidity of the firm | d) It is useful only in comparative study |

(xxv) The overall budget covering the whole enterprise is known as

- | | |
|------------------|-----------------------|
| a) master budget | b) transaction budget |
| c) management | d) budget |

(xxvi) Which is the first stage of project life cycle?

- | | |
|-----------------------|-------------------|
| a) Financial analysis | b) Conception |
| c) Economic analysis | d) Implementation |

(xxvii) United nations industrial development organisation (UNIDO) approach

- | | |
|-------------------------------------|---------------------------------------|
| a) For analysis of member country's | b) Approaching of loss of the project |
|-------------------------------------|---------------------------------------|

profitability

- c) Approaching for finance of a project
- d) Cost benefit analysis approach of a project

(xxviii) Working Capital Turnover measures the relationship of Working Capital with

- a) Fixed Assets
- b) Sales
- c) Purchases
- d) Stock

(xxix) 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

(xxx) Financial planning starts with the preparation of:

- a) Master Budget
- b) Cash Budget
- c) Balance Sheet,
- d) Noneof these

(xxxii) Which of the following may not be a part of projected Financial Statements

- a) Projected Income Statement
- b) Projected Trial Balance
- c) Projected Cash Flow Statement,
- d) Projected Balance Sheet

(xxxii) Which of the following sources of funds has an Implicit Cost of Capital?

- a) Equity Share Capital
- b) Preference Share Capital
- c) Debentures
- d) Retained earnings

(xxxiii) Which of the following has the highest cost of capital?

- a) Equity shares
- b) Loans
- c) Loans
- d) Preference

(xxxiv) ABC Analysis is used in.

- a) Inventory Management,
- b) Receivables Management
- c) Accounting Policies
- d) Corporate Governance

(xxxv) Which of the following is a liability of a bank?

- a) Treasury Bills,
- b) Commercial papers
- c) Certificate of Deposits
- d) Junk Bonds

(xxxvi) Which of the following is not regulated by SEBI?

- a) Foreign Institutional Investors
- b) Foreign Direct Investment
- c) Mutual Funds
- d) Depositories

(xxxvii) The process of planning expenditures that will influence the operation of a firm over a number of years is called

- a) investment
- b) Capital budgeting
- c) Net present valuation.
- d) Dividend valuation.

(xxxviii) Which of the following is an example of a capital investment project

- a) Replacement of worn out equipment
- b) Expansion of production facilities
- c) Development of employee training programs
- d) All of these are examples of capital investment projects

(xxxix) The net present value method and the internal rate of return method will always yield the same decision when

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

(xl) Which of the following is an internal source of investment funding?

- a) Issuing bonds
- b) Sale of stocks

- c) both Opportunities and threats and Strengths and weakness d) None of these

(xlviii) The first step in the detail checklist of DPR is

- a) Executive summary b) Background
c) Roadway features d) General details of the project

(xlix) The strength of the materials can be checked by

- a) Visual inspection b) Quality control
c) By asking the manufacturer d) By referring to various codes

(l) Developing a technology is an example of

- a) Process b) Project
c) Scope d) All of these

(li) 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

(lii) 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

(liii) Some projects that a firm accepts will undoubtedly result in zero or negative returns. In light of this fact, it is best if the firm

- a) Adjusts its hurdle rate (i.e., cost of capital) upward to compensate for this fact. b) Adjusts its hurdle rate (i.e., cost of capital) downward to compensate for this fact.

- c) Does not adjust its hurdle rate up or down regardless of this fact. d) Raises its prices to compensate for this fact.

(liv) Return on Assets and Return on Investment Ratios belong to:

- a) Liquidity Ratios b) Profitability Ratios
c) Solvency Ratios d) Turnover

(lv) Capital Budgeting deals with:

- a) Long-term Decisions b) Short-term Decisions
c) Both Long-term Decisions and Short-term Decisions d) Neither Long-term Decisions and Short-term Decisions

(lvi) Capital Budgeting Decisions are

- a) Reversible b) Irreversible
c) Unimportant d) All of these

(lvii) In case of divisible projects, which of the following can be used to attain maximum NPV?

- a) Feasibility Set Approach b) Internal Rate of Return
c) Profitability Index d) Any of these

(lviii) Which is the most expensive source of funds

- a) New Equity Shares b) New Preference Shares
c) New Debts d) Retained Earnings.

(lix) Marginal cost of capital is the cost of

- a) Additional Sales b) Additional Funds
c) Additional Interests d) None of these

(lx) The term capital structure denotes

- a) Total of Liability side of Balance Sheet b) Equity Funds, Preference Capital and

c) Total Shareholders' Equity,

Long term Debt

d) Types of Capital Issued by a Company