

Sheth TJ Education Society's
Sheth NKTT College of Commerce & JTT College of Arts

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- Subject: **Financial Management**
- Class: **M.com Part-II, Sem- IV**

Question bank of MCQ's

Unit-I

1. _____ is the type of collateral security used for short term loan. (a) Stock of goods, b) real estate, c) equity share, d) bonus shares)
2. Stock of goods is the type of _____ security. (a) Real, b) collateral, c) fictitious, d) tangible)
3. Bonds are _____ debt capital. (a) Long term, b) Short term, c) Medium term, d) Large Term
4. Retained Earnings is _____ cash. (a) Surplus, b) nominal c) negligible d) excess
5. Credit purchase can be _____ source of finance (a) Long term b) Short term, c) Medium, d) annual)
6. Short-term _____ debenture are not popular among Indian corporates. (a) Unsecured b) secured c) redeemable, d) convertible)
7. _____ is short term source of finance (a) Trade credit b) preference shares c) Bonds, d) Debentures)
8. _____ is long term source of finance (a) Trade credit b) preference shares c) Bonds, d) Debentures)
9. _____ is long medium source of finance (a) Trade credit b) preference shares c) Bonds, d) letter of intent)
10. Retained Earnings belongs to _____ (a) customer b) share holder c) dealer, d) stakeholders)

Unit-II

11. Capital budgeting deals with _____. (a) Long term decision, b) short term decisions, c) both, d) none of the above)
12. _____ cost is not relevant cost in capital budgeting (a) Opportunity b) Sunk cost c) real cost, d) nominal cost)
13. _____ cost is relevant cost in capital budgeting (a) Opportunity b) Sunk cost c) real cost, d) indirect cost)
14. Cash inflows from project include _____ (a) Tax shield of depreciation b) Raising if fund c) Tax liability, d) depreciation
15. _____ not used in capital budgeting (a) NPV, b) time value of money c) Sensitivity analysis, d) fundamental analysis)

16) The cost of the Machine is Rs.20,00,000 & Expected life is 5 years What will be Depreciation of Machine? (a) 400,000 b) 3,00,000 c) 3,50,000, d) 4,50,000)

17) PV of Cash InFlow is Rs. 4,35,671 and PV of Cash Out is Rs. 2,70,000. What is the Profitability Index? (a) 1.61 b) 2.31 c) 1.68, d) 1.98)

18) PV of Cash InFlow is Rs. 45,698 and NPV is Rs. 4,256. What is the Cost of Investment? (a) 41,000 b) 41,442 c) 40,000, d) 30,000)

19) Present Value of cash inflow for 15% is Rs. 10,10,930 and 16% is Rs. 9,70,222. Cost of Machinery being Rs. 10,05,000 Calculate IRR. (a) 15.612% b) 15.145% c) 15.800%, d) 15.801)

20) The basic rule in capital budgeting is that if a project's NPV exceeds its IRR, then the project should be _____ (a) canceled b) accepted c) Rejected, d) honored)

Unit-III

21) Float management is related to_____ (a) Cash Management (b) Inventory Management (c) Receivables Management (d) Raw Materials Management

22) Which of the following is not an objective of cash management_____ a) Maximization of cash balance (b) Minimization of cash balance (c) Optimization of cash balance (d) Zero cash balance.

23) Baumol's Model of Cash Management attempts to_____ (a) Minimize the holding cost b) Minimization of transaction cost c) Minimization of total cost d) Minimization of cash balance)

24) Which of the following is not considered by Miller-Orr Model_____ (a) Variability in cash requirement b) Cost of transaction c) Holding cost d) Total annual requirement of cash

25) Basic characteristic of short-term marketable securities (a) High Return b) High Risk c) High Marketability d) High Safety

26) Marketable securities are primarily_____ (a) Equity shares b) Preference shares c) Fixed deposits with companies d) Short-term debt investments.

27) During the four busiest days in a month, the finance manager estimates the cash outflows to be Rs.12,000, Rs.18,000, Rs.24,000 and Rs.36,000. The finance manager desires sufficient cash to cover Payments for 5 days during the peak periods. The safety level of cash to be maintained is. _____ (a)Rs. 40,000, b) Rs.60,000 c) Rs.90,000 d) Rs. 80,000)

28) ABC Ltd's 6 days cash outflows in the month of April are Rs.6,000, Rs. 5,000, Rs.7,000, Rs.4,000 Rs.5,000, Rs.3,000. The company desires to have sufficient cash to cover payments for 4 days during peak periods. The safety level of cash is _____(a) Rs.10,000, b) Rs.20,000 c)Rs. 30,000 d) Rs. 40,000.

29) Suppose, the upper limit and lower limit of cash balances are Rs.80,000 and Rs. 20,000 respectively. The return-point according to Miller and Orr Model will be_____ (a) Rs. 20,000 b)Rs.25,000 c) Rs.30,000 d) 40,000.

- 30) Which of the following is not an element of credit policy ___(a)Credit Terms b) Collection Policy c) Cash Discount Terms (d) Sales Price
- 31) Which of the following is not a technique of receivables Management____(a) Funds Flow Analysis b) Ageing Schedule c) Days sales outstanding d) Collection Matrix)
- 32) Which of the following is not a part of credit policy____(a) Collection Effort b)Cash Discount c) Credit Standard d) Paying Practices of debtors)
- 33) When a company offers credit terms of 2/10, net 30, the annual interest cost, based on a 360day year, is____(24.0% (b) 35.3% c) 36.0% d) 36.73%)
- 34) What can be the annual cost for a firm, for maintaining accounts receivables if its daily sales are Rs. 40,000, average collection period is 4 days, and cost of funds is 8% p.a.____ (a) 12,800 b) 10,000 c) 7,500 d) 5,500)
- 35) A manufacturer used 400 units of component every month and he buys them entirely from an outside supplier @ Rs.40 per unit. The order placing and receiving cost is Rs.100 and storage & carrying cost is 15% of the value of stock. To get maximum benefit, he should place an order for ____ units at a time. ((a) 300 (b) 400 units (c) 450 units (d) 500 units)
- 36) VED analysis is for ____ (A) Monitoring and controlling of stores and spare parts
b) Monitoring and controlling of finished goods c) Monitoring and controlling of production process d) Monitoring and controlling of raw material.

Unit: IV

- 37) When a flexible budget is used, a decrease in the actual production level within a relevant range would ____((a) Decrease variable cost per unit (b) Decrease variable costs
(c) Increase total fixed costs (d) Increase variable cost per unit)
- 38) If the activity level is reduced from 80% to 70%, the fixed cost ____ (a)will decrease by 10% (b) will increase by 10% (c) per unit will decrease(d) per unit will increase.
- 39) Which of the information below should be contained in a budget manual?____
(a) An organization chart (b) Timetable for budget preparation (c) A list of account codes (d) All (a), (b) and (c)
- 40) ABC Ltd. uses the following flexible budget formula for annual maintenance cost:
Total cost = Rs.6, 720 + 0.64 per machine hour
The current month's budget is based on 20,000 hours of planned machine time. The maintenance cost included in this flexible budget for the current month is____ (a) Rs. 12,240 (b) Rs.12,800 (c)Rs.13,360 (d)Rs.13,600.
- 41) The budgeted cost of electricity is Rs.62,500 for 5,000 units of production per month and Rs.71 ,500 for 6,200 units of production per month. If the company manufactures 6,900 units in the month of May 2014, the budgeted amount of electricity for the month is_____

(a) Rs. 74,360 (b) Rs. 76,750 (c) Rs. 77,770 (d) Rs. 79,572

42) _____ budget is calculated from the desired ending inventory and the sales forecast. (a) Production b) sales c) Flexible budget d) Master)

43) ____ Budget is a Budget of income or expenditure appropriate to, or the responsibility of, a particular function." (Production b) sales c) Flexible budget d) functional Budget)

44) CIMA has defined a Budget _____ as - "A section of the organization of an undertaking defined for the purpose of Budgetary Control."(a) Unit b) center c) area d) office)

45) CIMA has defined _____ Budget as - "A budget which, by recognizing the difference between fixed, semi-fixed and variable costs, is designed to change in relation to the level of activity attained." (a) Master b) Flexible c) functional Budget d) Production)

46) CIMA has defined a _____ Factor as - "the factor the extent of whose influence must first be assessed in order to ensure that the functional Budgets are reasonably capable of fulfillment."(a) Principal b) down payment c) Interest c) Principal + Interest)

Unit-V

47) The goal of profit maximization would result in priority for _____ (a) cash flows available to stockholders b) risk of the investment c) earning's per share d) timing of the returns

48) Which of the following describe the Control function of Management?

(a) Setting short and long-term objectives (b) Comparing actual to budgeted results and taking corrective action (c) Taking actions to implement the plan(d) Arranging the necessary resource to carry out the plan)

49) Strategy is a broad term that usually means the selection of overall objectives. Strategic analysis ordinarily excludes the _____(a) trends that will affect the entity's markets b) Target product mix and production schedule to be maintained during the year c) Forms of organizational structure that would best serve the entity d) Best ways to invest in research, design, production, distribution, marketing, and administrative activities.

50) Which one of the following management considerations is usually addressed first in strategic planning? _____(a) Outsourcing b) Overall objectives of the firm c) Organizational structure d) Recent annual budgets.