

MCQ ON FINANCIAL MANAGEMENT

1. "Shareholder wealth" in a firm is represented by:
 - a) the number of people employed in the firm.
 - b) the book value of the firm's assets less the book value of its liabilities
 - c) the amount of salary paid to its employees.
 - d) the market price per share of the firm's common stock.

2. The long-run objective of financial management is to:
 - a) maximize earnings per share.
 - b) maximize the value of the firm's common stock.
 - c) maximize return on investment.
 - d) maximize market share.

3. What are the earnings per share (EPS) for a company that earned Rs. 100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs. 1.2 million in retained earning at the year end?
 - a) Rs. 100,000
 - b) Rs. 6.00
 - c) Rs. 0.50
 - d) Rs. 6.50

4. A(n) _____ would be an example of a *principal*, while a(n) _____ would be an example of an *agent*.
 - a) shareholder; manager
 - b) manager; owner
 - c) accountant; bondholder
 - d) shareholder; bondholder

5. The market price of a share of common stock is determined by:
- a) the board of directors of the firm.
 - b) the stock exchange on which the stock is listed.
 - c) the president of the company.
 - d) individuals buying and selling the stock.
6. The focal point of financial management in a firm is:
- a) the number and types of products or services provided by the firm.
 - b) the minimization of the amount of taxes paid by the firm.
 - c) the creation of value for shareholders.
 - d) the dollars profits earned by the firm.
7. _____ of a firm refers to the composition of its long-term funds and its capital structure.
- a) Capitalisation
 - b) Over-capitalisation
 - c) Under-capitalisation
 - d) Market capitalization
8. In the _____, the future value of all cash inflow at the end of time horizon at a particular rate of interest is calculated.
- a) Risk-free rate
 - b) Compounding technique
 - c) Discounting technique
 - d) Risk Premium

9. _____ is the price at which the bond is traded in the stock exchange.
- a) Redemption value
 - b) Face value
 - c) Market value
 - d) Maturity value
10. _____ enhance the market value of shares and therefore equity capital is not free of cost.
- a) Face value
 - b) Dividends
 - c) Redemption value
 - d) Book value
11. In _____ approach, the capital structure decision is relevant to the valuation of the firm.
- a) Net income
 - b) Net operating income
 - c) Traditional
 - d) Miller and Modigliani
12. When _____ is greater than zero the project should be accepted.
- a) Internal rate of return
 - b) Profitability index
 - c) Net present value
 - d) Modified internal rate of return
13. _____ is defined as the length of time required to recover the initial cash out-lay.
- a) Payback-period
 - b) Inventory conversion period
 - c) Discounted payback-period
 - d) Budget period

14. _____ refers to the amount invested in various components of current assets.

- a) Temporary working capital
- b) Net working capital
- c) Gross working capital
- d) Permanent working capital

15. _____ is the length of time between the firm's actual cash expenditure and its own cash receipt.

- a) Net operating cycle
- b) Cash conversion cycle
- c) Working capital cycle
- d) Gross operating cycle

16. _____ refers to a firm holding some cash to meet its routine expenses that are incurred in the ordinary course of business.

- a) Speculative motive
- b) Transaction motive
- c) Precautionary motive
- d) Compensating motive

17. _____ refers to the length of time allowed by a firm for its customers to make payment for their purchases.

- a) Holding period
- b) Pay-back period
- c) Average collection period
- d) Credit period

18. Amounts due from customers when goods are sold on credit are called _____.

- a) Trade balance
- b) Trade debits
- c) Trade discount
- d) Trade off

19. _____ and _____ are the two versions of goals of the financial management of the firm.

- a) Profit maximisation, Wealth maximization
- b) Production maximisation, Sales maximisation
- c) Sales maximisation, Profit maximization
- d) Value maximisation, Wealth maximisation

20. Consider the below mentioned statements: 1. A company is considered to be over-capitalised when its actual capitalisation is lower than the proper capitalisation as warranted by the earning capacity 2. Both over-capitalisation and under-capitalisation are detrimental to the interests of the society. State True or False:

- a) 1-True, 2-True
- b) 1-False, 2-True
- c) 1-False, 2-False
- d) 1-True, 2-False

21. Consider the below mentioned statements: 1. The dividends are not cumulative for equity shareholders, that is, they cannot be accumulated and distributed in the later years. 2. Dividends are taxable. State True or False:

- a) 1-True, 2-True
- b) 1-False, 2-True
- c) 1-False, 2-False
- d) 1-True, 2-False

22. _____ and _____ carry a fixed rate of interest and are to be paid off irrespective of the firm's revenues.

- a) Debentures, Dividends
- b) Debentures, Bonds
- c) Dividends, Bonds
- d) Dividends, Treasury notes

23. Consider the below mentioned statements: 1. A debt-equity ratio of 2:1 indicates that for every 1 unit of equity, the company can raise 2 units of debt. 2. The cost of floating a debt is greater than the cost of floating an equity issue. State True or False:

- a) 1-True, 2-True
- b) 1-False, 2-True
- c) 1-False, 2-False
- d) 1-True, 2-False

24. Credit policy of every company is largely influenced by _____ and _____.

- a) Liquidity, accountability
- b) Liquidity, profitability
- c) Liability, profitability
- d) Liability, liquidity

25. XYZ is an oil based business company, which does not have adequate working capital. It fails to meet its current obligation, which leads to bankruptcy. Identify the type of decision involved to prevent risk of bankruptcy.

- a) Investment decision
- b) Dividend decision
- c) Liquidity decision
- d) Finance decision

26. The rate of interest offered by the fixed deposit scheme of a bank for 365 days and above is 12%. What will be the status of Rs. 20000, after two years if it is invested at this point of time?

- a) Rs. 28032
- b) Rs. 24048
- c) Rs. 22056
- d) Rs. 25088

27. How are earnings per share calculated?

- a) Use the income statement to determine earnings after taxes (net income) and divide by the previous period's earnings after taxes. Then subtract 1 from the previously calculated value.
- b) Use the income statement to determine earnings after taxes (net income) and divide by the number of common shares outstanding.
- c) Use the income statement to determine earnings after taxes (net income) and divide by the number of common and preferred shares outstanding.
- d) Use the income statement to determine earnings after taxes (net income) and divide by the forecasted period's earnings after taxes. Then subtract 1 from the previously calculated value

28. Which of the following would **NOT** improve the current ratio?

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

29. The gross profit margin is unchanged, but the net profit margin declined over the same period. This could have happened if

- a) cost of goods sold increased relative to sales.
- b) sales increased relative to expenses.
- c) Govt. increased the tax rate.
- d) dividends were decreased.

30. Palo Alto Industries has a debt-to-equity ratio of 1.6 compared with the industry average of 1.4. This means that the company

- a) will not experience any difficulty with its creditors.
- b) has less liquidity than other firms in the industry.
- c) will be viewed as having high creditworthiness.
- d) has greater than average financial risk when compared to other firms in its industry.

31. Kanji Company had sales last year of Rs. 265 million, including cash sales of Rs. 25 million. If its average collection period was 36 days, its ending accounts receivable balance is closest to _____. (Assume a 365-day year.)

- a) Rs. 26.1 million
- b) Rs. 23.7 million
- c) Rs. 7.4 million
- d) Rs. 18.7 million

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

- a) Borrow more.
- b) Shift short-term to long-term debt.
- c) Shift long-term to short-term debt.
- d) Sell common stock.

33. Which of the following statements (in general) is correct?

- a) A low receivables turnover is desirable.
- b) The lower the total debt-to-equity ratio, the lower the financial risk for a firm.
- c) An increase in net profit margin with no change in sales or assets means a poor ROI.
- d) The higher the tax rate for a firm, the lower the interest coverage ratio.

34. Debt-to-total assets (D/TA) ratio is .4. What is its debt-to-equity (D/E) ratio?

- a) .2
- b) .6
- c) .667
- d) .333

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

- a) plus its receivable turnover in days (RTD).
- b) minus its RTD.
- c) plus its RTD minus its payable turnover in days (PTD).
- d) minus its RTD minus its PTD.

36. If the following are balance sheet changes:

Rs. 5,005 decrease in accounts receivable

Rs. 7,000 decrease in cash

Rs. 12,012 decrease in notes payable

Rs. 10,001 increase in accounts payable

a "use" of funds would be the:

- a) Rs. 7,000 decrease in cash.
- b) Rs. 5,005 decrease in accounts receivable.
- c) Rs. 10,001 increase in accounts payable.
- d) Rs. 12,012 decrease in notes payable.

37. Uses of funds include a (an):

- a) decrease in cash.
- b) increase in any liability.
- c) increase in fixed assets.
- d) tax refund.

38. Which of the following would be included in a cash estimation/ budget?

- a) depreciation charges.
- b) dividends.
- c) goodwill.
- d) patent amortization.

39. Which of the following is **NOT** a cash outflow for the firm?

- a) depreciation.
- b) dividends.
- c) interest payments.
- d) taxes.

40. Which of the following would be considered a application of funds?

- a) a decrease in accounts receivable.
- b) a decrease in cash.
- c) an increase in account payable.
- d) an increase in cash.

41. All of the following influence capital budgeting cash flows **EXCEPT**:

- a) accelerated depreciation.
- b) salvage value.
- c) tax rate changes.
- d) method of project financing used.

42. The estimated benefits from a project are expressed as cash flows instead of income flows because:

- a) it is simpler to calculate cash flows than income flows.
- b) it is cash, not accounting income, that is central to the firm's capital budgeting decision.
- c) this is required by the Internal Revenue Service.
- d) this is required by the Securities and Exchange Commission.

43. A capital investment is one that

- a) has the prospect of long-term benefits.
- b) has the prospect of short-term benefits.
- c) is only undertaken by large corporations.
- d) applies only to investment in fixed assets.

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

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

45. Which of the following statements is correct?

- a) If the NPV of a project is greater than 0, its PI will equal 0.
- b) If the IRR of a project is 0%, its NPV, using a discount rate, k , greater than 0, will be 0.
- c) If the PI of a project is less than 1, its NPV should be less than 0.
- d) If the IRR of a project is greater than the discount rate, k , its PI will be less than 1 and its NPV will be greater than 0.

46. A project's *profitability index* is equal to the ratio of the ____ of a project's future cash flows to the project's ____.

- a) present value; initial cash outlay
- b) net present value; initial cash outlay
- c) present value; depreciable basis
- d) net present value; depreciable basis

47. The discount rate at which two projects have identical ____ is referred to as *Fisher's rate of intersection*.

- a) present values
- b) net present values
- c) IRRs
- d) profitability indexes

48. Two mutually exclusive investment proposals have "scale differences" (i.e., the cost of the projects differ). Ranking these projects on the basis of IRR, NPV, and PI methods ____ give contradictory results.

- a) will never
- b) will always
- c) may
- d) will generally

49. Preferred shareholders' claims on assets and income of a firm come ____ those of creditors ____ those of common shareholders.

- a) before; and also before
- b) after; but before
- c) after; and also after
- d) equal to; and equal to

50. You are considering two mutually exclusive investment proposals, project A and project B. B's expected value of net present value is \$1,000 less than that for A and A has less dispersion. On the basis of risk and return, you would say that

- a) Project A dominates project B.
- b) Project B dominates project A.
- c) Project A is more risky and should offer greater expected value.
- d) Each project is high on one variable, so the two are basically equal.

51. To increase a given present value, the discount rate should be adjusted

- a) upward.
- b) downward.
- c) No change.
- d) constant

52. In finance, "working capital" means the same thing as

- a) total assets.
- b) fixed assets.
- c) current assets.
- d) current assets minus current liabilities.

53. Which of the following would be consistent with a more aggressive approach to financing working capital?

- a) Financing short-term needs with short-term funds.
- b) Financing permanent inventory buildup with long-term debt.
- c) Financing seasonal needs with short-term funds.
- d) Financing some long-term needs with short-term funds.

54. Which asset-liability combination would most likely result in the firm's having the greatest risk of technical insolvency?
- a) Increasing current assets while lowering current liabilities.
 - b) Increasing current assets while incurring more current liabilities.
 - c) Reducing current assets, increasing current liabilities, and reducing long-term debt.
 - d) Replacing short-term debt with equity.
55. Which of the following illustrates the use of a hedging (or matching) approach to financing?
- a) Short-term assets financed with long-term liabilities.
 - b) Permanent working capital financed with long-term liabilities.
 - c) Short-term assets financed with equity.
 - d) All assets financed with 50 percent equity, 50 percent long-term debt mixture.
56. In deciding the appropriate level of current assets for the firm, management is confronted with
- a) a trade-off between profitability and risk.
 - b) a trade-off between liquidity and marketability.
 - c) a trade-off between equity and debt.
 - d) a trade-off between short-term versus long-term borrowing.
57. _____ varies inversely with profitability.
- a) Liquidity.
 - b) Risk.
 - c) Financing.
 - d) Liabilities.

58. *Spontaneous financing* includes

- a) accounts receivable.
- b) accounts payable.
- c) short-term loans.
- d) a line of credit.

59. *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 needs.
- d) includes accounts payable

60. Financing a long-lived asset with short-term financing would be

- a) an example of "moderate risk -- moderate (potential) profitability" asset financing.
- b) an example of "low risk -- low (potential) profitability" asset financing.
- c) an example of "high risk -- high (potential) profitability" asset financing.
- d) an example of the "hedging approach" to financing.

61. *Net working capital* refers to

- a) total assets minus fixed assets.
- b) current assets minus current liabilities.
- c) current assets minus inventories.
- d) current assets.

62. Marketable securities are primarily

- a) short-term debt instruments.
- b) short-term equity securities.
- c) long-term debt instruments.
- d) long-term equity securities.

63. Which would be an appropriate investment for temporarily idle corporate cash that will be used to pay quarterly dividends three months from now?
- a) A long-term AAA-rated corporate bond with a current annual yield of 9.4 percent.
 - b) A 30-year Treasury bond with a current annual yield of 8.7 percent.
 - c) Ninety-day commercial paper with a current annual yield of 6.2 percent.
 - d) Common stock that has been appreciating in price 8 percent annually, on average, and paying a quarterly dividend that is the equivalent of a 5 percent annual yield.
64. Which of the following marketable securities is the obligation of a commercial bank?
- a) Commercial paper
 - b) Negotiable certificate of deposit
 - c) Repurchase agreement
 - d) T-bills
65. The basic requirement for a firm's marketable securities.
- a) Safety
 - b) Yield
 - c) Marketability
 - d) All of the above.
66. A firm's inventory turnover (IT) is 5 times on a cost of goods sold (COGS) of \$800,000. If the IT is improved to 8 times while the COGS remains the same, a substantial amount of funds is released from or additionally invested in inventory. In fact,
- a) \$160,000 is released.
 - b) \$100,000 is additionally invested.
 - c) \$60,000 is additionally invested.
 - d) \$60,000 is released.

67. Ninety-percent of X company's total sales of \$600,000 is on credit. If its year-end receivables turnover is 5, the average collection period (based on a 365-day year) and the year-end receivables are, respectively:

- a) 365 days and \$108,000.
- b) 73 days and \$120,000.
- c) 73 days and \$108,000.
- d) 81 days and \$108,000.

68. Costs of not carrying enough inventory include:

- a) lost sales.
- b) customer disappointment.
- c) possible worker layoffs.
- d) all of these.

69. Which of the following relationships hold true for safety stock?

- a) the greater the risk of running out of stock, the smaller the safety of stock.
- b) the larger the opportunity cost of the funds invested in inventory, the larger the safety stock.
- c) the greater the uncertainty associated with forecasted demand, the smaller the safety stock.
- d) the higher the profit margin per unit, the higher the safety stock necessary.

70. Increasing the credit period from 30 to 60 days, in response to a similar action taken by all of our competitors, would likely result in:

- a) an increase in the average collection period.
- b) a decrease in bad debt losses.
- c) an increase in sales.
- d) higher profits.

71. The credit policy of Spurling Products is "1.5/10, net 35." At present 30% of the customers take the discount, 62% pay within the net period, and the rest pay within 45 days of invoice. What would receivables be if all customers took the cash discount?

- a) Lower than the present level.
- b) No change from the present level.
- c) Higher than the present level.
- d) Unable to determine without more information.

72. An increase in the firm's receivable turnover ratio means that:

- a) it is collecting credit sales more quickly than before.
- b) cash sales have decreased.
- c) it has initiated more liberal credit terms.
- d) inventories have increased.

73. A single, overall cost of capital is often used to evaluate projects because:

- a) it avoids the problem of computing the required rate of return for each investment proposal.
- b) it is the only way to measure a firm's required return.
- c) it acknowledges that most new investment projects have about the same degree of risk.
- d) it acknowledges that most new investment projects offer about the same expected return.

74. 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.
- b) a return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged.
- c) by far the most difficult component cost to estimate.
- d) generally lower than the before-tax cost of debt.

75. In calculating the proportional amount of equity financing employed by a firm, we should use:
- a) the common stock equity account on the firm's balance sheet.
 - b) the sum of common stock and preferred stock on the balance sheet.
 - c) the book value of the firm.
 - d) the current market price per share of common stock times the number of shares outstanding.
76. In calculating the costs of the individual components of a firm's financing, the corporate tax rate is important to which of the following component cost formulas?
- a) common stock.
 - b) debt.
 - c) preferred stock.
 - d) none of the above.
77. 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.
78. A quick approximation of the typical firm's cost of equity may be calculated by
- a) adding a 5 percent risk premium to the firm's before-tax cost of debt.
 - b) adding a 5 percent risk premium to the firm's after-tax cost of debt.
 - c) subtracting a 5 percent risk discount from the firm's before-tax cost of debt.
 - d) subtracting a 5 percent risk discount from the firm's after-tax cost of debt.

79. Market values are often used in computing the weighted average cost of capital because

- a) this is the simplest way to do the calculation.
- b) this is consistent with the goal of maximizing shareholder value.
- c) this is required in the U.S. by the Securities and Exchange Commission.
- d) this is a very common mistake.

80. Rank in ascending order (i.e., 1 = lowest, while 3 = highest) the likely after-tax component costs of a Company's long-term financing.

- a) 1 = bonds; 2 = common stock; 3 = preferred stock.
- b) 1 = bonds; 2 = preferred stock; 3 = common stock.
- c) 1 = common stock; 2 = preferred stock; 3 = bonds.
- d) 1 = preferred stock; 2 = common stock; 3 = bonds.

81. Lei-Feng, Inc.'s \$100 par value preferred stock just paid its \$10 per share annual dividend. The preferred stock has a current market price of \$96 a share. The firm's marginal tax rate (combined federal and state) is 40 percent, and the firm plans to maintain its current capital structure relationship into the future. The component cost of preferred stock to Lei-Feng, Inc. would be closest to _____.

- a) 6 percent
- b) 6.25 percent
- c) 10 percent
- d) 10.4 percent

82. The term "capital structure" refers to:

- a) long-term debt, preferred stock, and common stock equity.
- b) current assets and current liabilities.
- c) total assets minus liabilities.
- d) shareholders' equity.

83. A critical assumption of the net operating income (NOI) approach to valuation is:

- a) that debt and equity levels remain unchanged.
- b) that dividends increase at a constant rate.
- c) that k_0 remains constant regardless of changes in leverage.
- d) that interest expense and taxes are included in the calculation.

84. The traditional approach towards the valuation of a company assumes:

- a) that the overall capitalization rate holds constant with changes in financial leverage.
- b) that there is an optimum capital structure.
- c) that total risk is not altered by changes in the capital structure.
- d) that markets are perfect.

85. Two firms that are virtually identical except for their capital structure are selling in the market at different values. According to M&M

- a) one will be at greater risk of bankruptcy.
- b) the firm with greater financial leverage will have the higher value.
- c) this proves that markets cannot be efficient.
- d) this will not continue because arbitrage will eventually cause the firms to sell at the same value.

86. What is the value of the tax shield if the value of the firm is \$5 million, its value if unlevered would be \$4.78 million, and the present value of bankruptcy and agency costs is \$360,000?

- a) \$140,000
- b) \$220,000
- c) \$360,000
- d) \$580,000

87. Reserves & Surplus are which form of financing?

- a) Security Financing
- b) Internal Financing
- c) Loans Financing
- d) International Financing

88. What are the different options other than cash used for distributing profits to shareholders?

- a) Bonus shares
- b) Stock split
- c) Stock purchase
- d) All of these

89. In Walter model formula D stands for

- a) Dividend per share
- b) Direct Dividend
- c) Dividend Earning
- d) None of these

90. In MM model MM stands for...

- a. M.Khan and Modigliani

- b. Miller and M.Khan
 - c. Modigliani and M.Khan
 - d. Miller and Modigliani
91. The addition of all current assets investment is known as...
- a. Net Working Capital
 - b. Gross Working capital
 - c. Temporary Working Capital
 - d. All of these
92. When total current assets exceeds total current liabilities it refers to.
- a. Gross Working Capital
 - b. Temporary Working Capital
 - c. Both a and b
 - d. Net Working Capital
93. If the weighting of equity in total capital is $\frac{1}{3}$, that of debt is $\frac{2}{3}$, the return on equity is 15% that of debt is 10% and the corporate tax rate is 32%, what is the Weighted Average Cost of Capital (WACC)?
- a) 10.533%
 - b) 7.533%
 - c) 9.533%
 - d) 11.350%
94. Which of the following would **not** be financed from working capital?
- a) Cash float.
 - b) Accounts receivable.
 - c) Credit sales.
 - d) A new personal computer for the office.

95. What is the difference between the current ratio and the quick ratio?
- a) The current ratio includes inventories and the quick ratio does not.
 - b) The current ratio does not include inventories and the quick ratio does.
 - c) The current ratio includes physical capital and the quick ratio does not.
 - d) The current ratio does not include physical capital and the quick ratio does.
96. Which of the following working capital strategies is the most aggressive?
- a) Making greater use of short term finance *and* maximizing net short term asset.
 - b) Making greater use of long term finance *and* minimizing net short term asset.
 - c) Making greater use of short term finance *and* minimizing net short term asset.
 - d) Making greater use of long term finance *and* maximizing net short term asset.
97. Which of the following is **not** a metric to use for measuring the length of the cash cycle?
- a) Acid test days.
 - b) Accounts receivable days.
 - c) Accounts payable days.
 - d) Inventory days.
98. Which of the following is not the responsibility of financial management?
- a) allocation of funds to current and capital assets
 - b) obtaining the best mix of financing alternatives
 - c) preparation of the firm's accounting statements
 - d) development of an appropriate dividend policy
99. Which of the following are not among the daily activities of financial management?
- a) sale of shares and bonds
 - b) credit management
 - c) inventory control
 - d) the receipt and disbursement of funds

100. Debt Equity Ratio is 3:1, the amount of total assets Rs.20 lac, current ratio is 1.5:1 and owned funds Rs.3 lac. What is the amount of current asset?

- a) Rs.5 lac
- b) Rs.3 lac
- c) Rs.12 lac
- d) none of the above.

101. Banks generally prefer Debt Equity Ratio at :

- a) 1:1
- b) 1:3
- c) 2:1
- d) 3:1

102. An asset is a-

- a. Source of fund
- b. Use of fund
- c. Inflow of funds
- d. none of the above.

103. If a company issues bonus shares the debt equity ratio will

- a) Remain unaffected
- b) Will be affected
- c) Will improve
- d) none of the above.

104. In the balance sheet amount of total assets is Rs.10 lac, current liabilities Rs.5 lac & capital & reserves are Rs.2 lac .What is the debt equity ratio?
- a) a)1;1
 - b) 1.5:1
 - c) c)2:1
 - d) none of the above.
105. In last year the current ratio was 3:1 and quick ratio was 2:1.Presently current ratio is 3:1 but quick ratio is 1:1.This indicates comparably
- a. high liquidity
 - b. higher stock
 - c. lower stock
 - d. low liquidity
106. Authorised capital of a company is Rs.5 lac, 40% of it is paid up. Loss incurred during the year is Rs.50,000. Accumulated loss carried from last year is Rs.2 lac. The company has a Tangible Net Worth of
- a. Nil
 - b. Rs.2.50 lac
 - c. (-)Rs.50,000
 - d. Rs.1 lac.
107. Proprietary ratio is calculated by
- a. Total assets/Total outside liability
 - b. Total outside liability/Total tangible assets
 - c. Fixed assets/Long term source of fund
 - d. Proprietors'' Funds/Total

108. Current ratio of a concern is 1, its net working capital will be
- a) Positive
 - b) Negative
 - c) Nil
 - d) None of the above
109. Current ratio is 4:1. Net Working Capital is Rs.30,000. Find the amount of current Assets.
- a) Rs.10,000
 - b) Rs.40,000
 - c) Rs.24,000
 - d) Rs.6,000
110. Current ratio is 2:5. Current liability is Rs.30,000. The Net working capital is
- a) Rs.18,000
 - b) Rs.45,000
 - c) Rs.(-) 45,000
 - d) Rs.(-)18,000
111. Quick assets do not include
- a) Govt. bond
 - b) Book debts
 - c) Advance for supply of raw materials
 - d) Inventories.

112. The ideal quick ratio is

a) 2:1

b) 1:1

c) 5:1

d) None of the above

Answer Keys

| | | | | | | | | | | | |
|----|---|----|---|----|---|----|---|-----|---|-----|---|
| 1 | d | 21 | d | 41 | d | 61 | b | 81 | d | 101 | c |
| 2 | b | 22 | b | 42 | b | 62 | a | 82 | a | 102 | b |
| 3 | c | 23 | d | 43 | a | 63 | c | 83 | c | 103 | c |
| 4 | a | 24 | b | 44 | c | 64 | b | 84 | b | 104 | d |
| 5 | d | 25 | c | 45 | c | 65 | d | 85 | d | 105 | b |
| 6 | c | 26 | d | 46 | a | 66 | d | 86 | d | 106 | c |
| 7 | a | 27 | b | 47 | b | 67 | c | 87 | b | 107 | d |
| 8 | c | 28 | a | 48 | c | 68 | d | 88 | d | 108 | c |
| 9 | c | 29 | c | 49 | b | 69 | d | 89 | a | 109 | b |
| 10 | b | 30 | d | 50 | a | 70 | a | 90 | d | 110 | d |
| 11 | a | 31 | b | 51 | b | 71 | a | 91 | b | 111 | d |
| 12 | c | 32 | d | 52 | c | 72 | a | 92 | d | 112 | b |
| 13 | a | 33 | b | 53 | d | 73 | a | 93 | c | | |
| 14 | c | 34 | c | 54 | c | 74 | d | 94 | d | | |
| 15 | a | 35 | a | 55 | b | 75 | d | 95 | a | | |
| 16 | b | 36 | d | 56 | a | 76 | b | 96 | c | | |
| 17 | d | 37 | c | 57 | a | 77 | c | 97 | a | | |
| 18 | b | 38 | b | 58 | b | 78 | a | 98 | c | | |
| 19 | a | 39 | a | 59 | c | 79 | b | 99 | a | | |
| 20 | b | 40 | d | 60 | c | 80 | b | 100 | c | | |