MCQ SET FOR TYBCOM (BUSINESS MANAGEMENT 2) FINANCIAL MANAGEMENT

Q 1) ----- ensures better forecasting in Capital Budgeting.

a) Project evaluation b) Project execution c) Project selection d) Project follow up

Q 2) ------ defines Capital Budgeting as " Capital Budgeting is long term planning for making and financing proposed capital outlays"

a) J.J. Hampton b) C.T. Horngren c) G.C. Philiphatos d) E.A. Helfert

Q 3) Initial Cash Outflows --------------

a) Cost of assets + Installation expenses –Salvage – working capital
b) Cost of assets + Installation expenses + Salvage + working capital
c) Cost of assets + Cost Installation expenses + working capital
d) Cost of assets + Installation expenses – Salvage + working capital

Q 4) The expenditure incurred on fixed assets are expected to give return over

a) One year
b) Two years
c) A number of years
d) Five years

Q 5) ------ factor is given utmost importance under payback period method.

a) Liquidity
b) Flexibility
c) Time value of money
d) Interest

Q 6) Profitability ratio is also known as-----

a) Benefit cost ratio
b) Profit cost ratio
c) Income expense ratio
d) Gross profit ratio

Q 7) The aggregate money infused in current assets is called -----

a) Net working capital
b) Gross working capital
c) Surplus capital
d) None of these

Q 8) The idle fund which earns no return is known as -----

a) Scarcity of working capital
b) Excess working capital
c) Fluctuating working capital

d) Permanent working capital

Q 9) If the net working capital is negative then it shows that

a) Long term funds have been used for financing long term assets
b) Short term funds have been used for financing short term assets
c) Short term funds have been used for financing long term assets
d) Long term funds have been used for financing short term assets

Q 10) ------ is not an item of current liabilities.

a) Bills payable
b) Creditors
c) Outstanding expenses
d) Debenture

Q 11) Net operating cycle period is

a) The time taken to convert raw material into finished goods
b) The length of time taken for a rupee invested in current assets to come back with profit to the company
c) Period from raw material procurement to sale of finished goods
d) The time between payment of purchase raw materials and the collection of cash for sales

Q 12) The size of assets , the profitability and competitiveness are all affected by

a) Working capital decisions
b) Capital budgeting decisions
c) Financing decisions
d) Dividend decisions

Q 13) A proposal is not a Capital Budgeting proposal if it

a) Is related to fixed assets
b) long term benefits Brings
c) Brings short term benefits only
d) Has very large investment

Q 14) Net present values represents immediate increase in

a) Firm's wealth
b) Firm's profit
c) Efficiency
d) Solvency

Q 15) The method which does not consider investment profitability is

a) Pay back
b) ARR
c) NPV
d) IRR

Q 16) Capital Budgeting decisions involve huge amount of risk due to

a) Time factor
b) Money factor
c) Human factor
d) Natural factor

Q 17) Subsidy from government is treated as

a) Cash inflow of the respective year
b) Cash outflow of the respective year
c) Both a and b
d) None of the above

Q 18) Project A cost Rs 40,000 . Profit before depreciation and tax is :

Years	1	2	3	4
Profit	8,000	10,000	15,000	19,000

Tax rate 40%

Cost of capital is 12%

The NPV of the project A is

a) Rs 5,600
b) Rs 5,266
c) Rs 5,206
d) Rs 6,500

Q 19) A company having ample stock of liquid current assets will require

a) More amount of working capital
b) Lesser amount of working capital
c) Adequate amount of working capital
d) No working capital required

Q 20) Sale of goods on cash basis

a) Increases working capital requirement
b) Decreases working capital requirement
c) Nullifies working capital requirement
d) Increases the operating cycle of working capital

Q 21) From the following information calculate raw material storage period

Annual raw material consumption Rs 27,000

Opening stock of raw material Rs 5,000

Closing stock of raw material Rs 4,000

Assume 1 year = 360 days

a) 90 days

b) 60 days
c) 30 days
d) 45 days

Q 22) Permanent working capital is also known as

a) Core working capital
b) Net working capital
c) Permanently blocked in stock
d) Fixed working capital

Q 23) Which of the following is not a non cost item?

a) Provision for taxation
b) Interest on loan
c) Salaries to staff
d) Goodwill w/off

Q 24) Branch office expenses is an example of

a) Prime cost
b) Factory overheads
c) Office overheads
d) Selling overheads

Q 25) If prime cost is Rs 25,00,000 & factory overheads are Rs 10,00,000 then the factory overheads will be

a) Rs 15,00,000
b) Rs 35,00,000
c) Rs 20,00,000
d) Rs 30,00,000

Q 26) Which of the following is not a direct expense?

a) Cost of patents
b) Hire charges of special equipments
c) Factory lighting
d) Cost of drawing & designs

Q 27) Overheads are

a) Direct cost
b) Indirect cost
c) Abnormal cost
d) Avoidable cost

Q 28) Sale of defective material should be deducted from

a) Cost of production
b) Cost of materials

c) Factory overheads
d) Sales

Q 29) Contribution is equal to

a) Sales – cost of sales
b) Sales – cost of production
c) Sales – variable cost
d) Sales – fixed cost

Q 30) Profit volume ratio is improved by reduced

a) Variable cost
b) Fixed asset
c) Variable and fixed cost
d) Output

Q 31) Which of the following can improve break even point?
a) Increase in variable cost

b) Increase in fixed cost
c) Increase in sale price
d) Increase in sales volume

Q 32) Fixed cost is equal to

a) Break even sales x margin of safety
b) Sales x margin of safety
c) Sales x PV ratio
d) PV ratio x break even sales

Q 33) Other factors remaining same , a reduction in selling price will

a) Increase contribution margin
b) Reduce fixed cost
c) Increase variable cost
d) Reduce operating income

Q 34) If margin of safety is Rs 80,000 & profit is Rs 20,000 then PV ratio will be

a) 20 %
b) 25 %
c) 40 %
d) 30 %

Q 35) Which of the following equation is not correct?

a) PV ratio = contribution / sales
b) Sales – variable cost = contribution
c) BEP = Fixed cost / PV ratio
d) Profit – variable cost = sales

Q 36) Cash term implies

a) Sales on cash
b) Sales on credit
c) Consignment
d) Purchase on credit

Q 37) 5 C's does not include

a) Character
b) Capacity
c) Capital
d) Credit

Q 38) Following is not the source of credit information

a) Bank references
b) Trade checking
c) Credit bureaus
d) Credit network

Q 39) Increase in accounts receivable

a) Decrease working capital
b) Increase working capital
c) Increases fixed capital
d) Decreases fixed capital

Q 40) Net float can be maximized by

a) Delaying payment
b) Prompt payment
c) Delaying collection
d) Prompt collection

Q 41) Methods of accelerating cash collections include all of the following except

a) Decentralized collections
b) Electronic funds transfer
c) Compensating balances
d) Lockbox system

Q 42) Which of the following is related to receivable management ?

a) Cash budget
b) Economic order quantity
c) Ageing schedule

d) Balance sheet

Q 43) In response to market expectations the credit period has been increased from 45 days to 60 days. This would result in

a) Decrease in sales
b) Decrease in debtors
c) Increase in bad debts
d) Increase in average collection period

Q 44) ---- methods can be used for evaluation capital budget

a) NPV method
b) Linear method
c) Percentage method
d) Profit method

Q 45) Cash working capital is similar to

a) Liquid assets
b) Cash cost working capital
c) Cash and bank balance + stock
d) Goodwill

Q 46) Working capital source of finance is a

a) Short term finance
b) Medium term finance
c) Long term finance
d) Permanent source

Q 47) Fixed cost per unit decreases when

a) Production volume increases
b) Production volume decreases
c) Variable cost per unit decreases
d) Prime cost per unit decreases

Q 48) Which of the following is not a selling & distribution overheads?

a) Advertisement
b) Factory lighting
c) Warehouse rent
d) Showroom expenses

Q 49) If the average balance of debtors has increased which of the following might not show a change in general?

a) Total sales
b) Average payables
c) Current ratio

d) Bad debts loss

Q 50) Availability of working capital will ------ if the company has a high dividend pay-out ratio.

a) Decrease
b) Increase
c) Not affected
d) Remain adequate
