Sample QuestionsClass: T.Y.B.Com. (Accounting and Finance)Examination Code: 2C00456 Semester: VI / CBCS
Subject: Financial Management Paper Code: 85603

Sr. No.	Question	Option A	Option B	Option C	Option D	Correct Answer	Unit Wise
1	________value is used when an investor wants 'true' or 'real' value based on an analysis of fundamentals without considering the prevailing price in the market.	Intrinsic	Market	Fair	Book	**Intrinsic**	**Unit 1**
2	The accounting record value of assets that is shown in the balance sheet is known as___________.	Fair Value	Book Value	Intrinsic Value	Market Value	**Book Value**	
3	________is excess of net operating profit after tax over Overall Cost of Capital	Economic Value Addition	Market Value Addition	Book Value Addition	Profitability Addition	**Economic Value Addition**	
4	__________value is also called as Asset backing value	Intrinsic Value	Liquidation value	Gross Asset Value	Net Asset Value	**Net Asset Value**	
5	______is Excess of future maintenance profit over normal expected profit	Normal Profit	Net Profit	Super Profit	Natural Profit	**Super Profit**	
6	______= Market capitalization – invested equity capital	Economic Value Addition	Market Value Addition	Book Value Addition	Profitability Addition	**Market Value Addition**	
7	Growing positive EVA indicates that financial performance is ________over time	Improving	Deteriorating	unchanged	Changing fast	**Improving**	
8	______value is the scrap value of an old asset after its usage.	Market value	Liquidation	Replacement value	Salvage value	**Salvage value**	

9	Fair value of a share is equal to_______.	Yield Value	Intrinsic Value	Total of Yield and Intrinsic Value	Average of Yield and Intrinsic Value	**Average of Yield and Intrinsic Value**	
10	The Present value of all the incremental future cash flows can be termed as the_______value.	Book value	intrinsic Value	Market value	Book Value	**Intrinsic Value**	
11	______is the cost of purchasing or replacing new assets which is of equal utility to the business.	Replacement value	Salvage value	Economic value	Present Value	**Replacement value**	
12	Under_______method, shares are valued based on expected earnings and normal rate of return.	Net Asset method	Fair value method	Dividend yield method	Earning yield method	**Earning yield method**	
13	What are the circumstances under which Valuation of shares or enterprise becomes essential?	Making investment in a joint venture	When issuing shares to public	Scheme of merger	All of these	**All of these**	
14	Asset-based company valuations do not include the ________ method.	Book value	Replacement cost	Marginal cost	Realisable value	**Marginal cost**	
15	Earnings-based company valuations do not include the	ABC Method	ARR method	DCF Method	P/E Method	**ABC method**	
16	Which of these is not a method of Goodwill valuation?	Amortisation of goodwill	Average Profit	Super Profit	Capitalisation	**Amortisation of goodwill**	

17	IF Average Profit is Rs. 60000, Normal rate of return is 10% and capital Employed is Rs. 500000 then what will be Super Profit	Rs. 6000	Rs. 10000	50000	None of these	**Rs. 10000**	

18	If Average Profit is Rs. 50000, Normal Profit is Rs. 30000 then what will be value of Goodwill at 2 years purchase of Super Profit?	Rs. 40000	Rs.60000	Rs.80000	Rs.100000	**Rs. 40000**	
19	If yield Value of share is Rs. 40 and Fair Value of share is RS. 50 then what is intrinsic value of Share?	10	45	60	90	**60**	
20	What will be NRR, if Rate of interest on investment is 10% and Rate of Risk is 1.5%?	8.50%	10%	11.50%	20%	**11.50%**	
21	Calculate EVA. when NOPAT =RS.250000, Capital employed = RS. 500000 and WACC = 10%	Rs. 300000	Rs. 200000	Rs. 475000	Rs. 525000	**Rs.200000**	
22	If Earning per share is Rs. 2 and P/E ratio is 25 then Market per share will be Rs. ________	2	12.5	27	50	**50**	
23	If Market capitalization is Rs. 540000, Equity Capital is Rs. 300000 and Reserves are Rs. 200000 as per balance sheet then how much will be MVA	Rs. 500000	Rs. 5400000	Rs. 1040000	RS.40000	**Rs. 40000**	
24	Calculate MVA, If P/E ratio is 10, EPS is Rs. 4, Net worth at book value is Rs. 500000 and no. of. Ordinary shares is 20000.	Zero	Rs. 80000	RS. 300000	Rs. 500000	**Rs. 300000**	
25	What will be P/E Ratio if Market price of share is RS. 40 per share and Earning per share is Rs. 10	0.25	4	50	400	**4**	
26	A_______is an attractive strategic option for managers of private companies to gain public company status	Reverse merger	Merger	Takeover	Join Venture	**Reverse merger**	**Unit 2**

27	Justifications for M&As do not include:__________.	to enter new markets	to increase risk	to achieve synergy	to gain economies of scale	**to increase risk**	
28	A horizontal merger is a merger between___________.	Two or more firms from different and unrelated markets	Two or more firms at different stages of the production process.	A producer and its supplier.	Two or more firms in the same market	**Two or more firms in the same market**	
29	_______is the benefit that results when two or more agents work together to achieve something either one could not have achieved on its own.	Energy	Strength	Synergy	Growth	**Synergy**	
30	The acquisition of a retail mobile store by a Mobile manufacturer is an example of__________.	Horizontal.	Vertical.	Diversification	Conglomerate	**Vertical.**	
31	The merger of General Motors and Ford would be categorized as a	Horizontal.	Vertical.	Joint venture.	Conglomerate	**Horizontal.**	
32	Which Accounting Standard deal with Amalgamation?	AS 10	AS 11	AS 14	AS 17	**AS 14.**	
33	In________valuation it is assumed that the company will be dissolved.	Liquidation	Assets	Goodwill	Share	**Liquidation**	
34	An acquisition and__________are same.	a merger	an amalgamation	a takeover	a spin-off	**a takeover**	

35	Which of these is not the ways in which mergers and acquisitions (M&As) occur?	Diversification	Horizontal integration	Vertical integration	Conglomerate takeover	**Diversification**	

36	When firm B merges with firm C to create firm BC, what has occurred?	An acquisition of assets.	A consolidation.	A tender offer.	An acquisition of stock.	**A consolidation.**	
37	Which of the following is a combination involving the absorption of one firm by another?	Merger.	Consolidation.	Proxy fight.	Joint Venture	**Merger.**	
38	Which of these is not the Financial motives for Merger & Acquisition?	corporation tax	earnings per share	Goods and service Tax	unemployed tax shields	**Goods and service Tax**	
39	A public offer by A ltd. to directly buy shares of B Ltd. is an example of_________.	Spin Off	Tender Offer	Merger	Consolidation	**Tender Offer**	
40	An agreement between firms to create a separate, co-owned entity established to pursue a joint goal is called a:	Merger.	Consolidation.	Proxy fight.	Joint Venture	**Joint Venture**	
41	All the following are true of mergers except________.	Mergers are legally straightforward.	Approval by shareholder vote of each firm involved in the merger is required.	The acquiring firm maintains its name and identity in a merger.	A merger may never result from a public offer to the shareholders of the target firm to buy its shares directly.	**A merger may never result from a public offer to the shareholders of the target firm to buy its shares directly.**	

42	The three broad approaches to company valuation do not include:	asset valuation	future earnings valuation	stock market valuation	inventory valuation	**inventory valuation**	
43	Which of these is incorrect statement?	A leveraged buyout involves the purchase of a company financed primarily by debt	A merger is a combination of two firms in which only one firm's identity survives.	In a consolidation, two or more firms combine to form a new company.	M&A's rarely pay off for target firm shareholders	**M&A's rarely pay off for target firm shareholders**	
44	Which of the following are commonly cited reasons for M&As? A. Synergy B. Market power C. Strategic realignment	A and B	A and C	B and C	A, B and C	**A, B and C**	
45	A merger is a combination of businesses in which ___________ A. two businesses combine to form a new business. B. one of the two firms becomes a wholly owned subsidiary of the other firm.	Only A	Only B	Neither A nor B	Both A and B	**Neither A nor B**	
46	Suppose that the market price of Company X is Rs.90 per share and that of Company Y is R s.60. If X offers three shares of common stock for 4 shares of Y, the ratio of exchange of market prices would be:	0.667	1	1.125	1.25	**1.125**	

47	No of Equity shares of a company are 100000 and NPAT is Rs. 500000 preference Dividend is Rs. 100000.What is the EPS a company?	RS. 1	RS. 4	Rs. 5	Rs.10	**Rs. 4**	
48	No of Equity shares of PQ Ltd. are 10000 and NPAT is Rs. 1000000 preference Dividend is Rs. 100000.What is the MPS of PQ Ltd. If P/E ratio is 10?	Rs. 100	Rs. 90	Rs. 900	Rs. 1000	**Rs. 900**	
49	The following reasons are good motives for mergers except: (I) Economies of scale (II) Complementary resources (III) Diversification (IV) Eliminating Inefficiencies	I and III only	II and IV only	I and III only	III only	**III only**	
50	Firm X has a value of Rs.100 Crores, and Y has a value of Rs.70 Crores. Merging the two would allow a cost savings with a present value of Rs.20 Crores. Firm A purchases B for Rs.75 Crores. How much do firm A's shareholders gain from this merger?	Rs.30 Crores	Rs.20 Crores Rs.	15 Crores	Rs.5 Crores	**Rs. 15 Crores**	