



Dr.G.R.Damodaran College of Science

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II MIB [2016-2018]

SEMESTER III

ELECTIVE I : CORPORATE FINANCE - 353W1

Multiple Choice Questions.

1. Finance is the art and science of managing

- A. People
- B. Money
- C. Materials
- D. Machine

ANSWER: B

2. Main aim of any kind of economic activity is earning

- A. Profit
- B. Goodwill
- C. Reputation
- D. Surplus

ANSWER: A

3. Capital market is the market for

- A. short-term funds
- B. long-term funds
- C. medium term funds
- D. mutual funds

ANSWER: B

4. Primary market is known as

- A. New issue market
- B. Bond market
- C. Debenture market
- D. Secondary market

ANSWER: A

5. A market, which deals in securities that have been already issued by companies is known as

- A. primary market
- B. secondary market
- C. bond market
- D. securities market

ANSWER: B

6. The activities of buying and selling of securities in a secondary market are carried out through the mechanism of

- A. bullion market
- B. primary market
- C. secondary market
- D. bond market

ANSWER: C

7. The market for long-term government securities is

- A. gilt-edged market
- B. bond market
- C. new issue market
- D. secondary market

ANSWER: A

8. Debentures and bonds are also called

- A. Owners capital
- B. Money market instruments
- C. Debt capital
- D. Equity capital

ANSWER: C

9. If the finance is mobilized through issue of securities such as shares and debenture, it is called as

- A. Security Finance
- B. Government Finance
- C. Global Finance
- D. Private Finance

ANSWER: A

10. Security finance is

- A. Short term finance
- B. Medium term finance
- C. Long term finance
- D. Short period finance

ANSWER: C

11. Equity shareholders are the ----- of the company.

- A. Owners
- B. Creditors
- C. Debtors
- D. Suppliers

ANSWER: A

12. Equity shares capital ----- be redeemed during the lifetime of the company.

- A. Can
- B. Cannot
- C. May be

D. Could
ANSWER: B

13. The liability of the equity shareholders is the value of unpaid value of
- A. Capital
 - B. Debenture
 - C. Shares
 - D. Bonds

ANSWER: C

14. Debenture and bonds are
- A. Ownership securities
 - B. Creditorship securities
 - C. Ownership instruments
 - D. Legal documents

ANSWER: B

15. ----- have preferential right to get dividend and get back the initial investment at the time of winding up of the company.

- A. Equity shares
- B. Preference shares
- C. Debenture
- D. Bond

ANSWER: B

16. Preference shareholders are eligible to get fixed rate of

- A. Interest
- B. Dividend
- C. Commission
- D. Profit

ANSWER: B

17. -----have right to claim dividends for those years which have no profits.

- A. Non-cumulative preference shares
- B. Cumulative preference shares
- C. Redeemable preference shares
- D. Irredeemable preference shares

ANSWER: B

18. ----- are eligible to get only dividend if the company earns profit during the years.

- A. Redeemable preference shares
- B. Irredeemable preference shares
- C. Non-cumulative preference shares
- D. Cumulative preference shares

ANSWER: C

19. -----can be redeemable during the lifetime of the company.

- A. Redeemable preference shares

- B. Irredeemable preference shares
- C. Non-cumulative preference shares
- D. Cumulative preference shares

ANSWER: A

20. -----can be redeemed only when the company goes for liquidator.

- A. Redeemable preference shares
- B. Irredeemable preference shares
- C. Non-cumulative preference shares
- D. Cumulative preference shares

ANSWER: B

21. -----have right to participate extra profits after distributing the equity shareholders.

- A. Participating Preference Shares
- B. Non-Participating Preference Shares
- C. Convertible Preference Shares
- D. Non-Convertible Preference Shares

ANSWER: A

22. -----are not having any right to participate extra profits after distributing to the equity shareholders.

- A. Participating Preference Shares
- B. Non-Participating Preference Shares
- C. Convertible Preference Shares
- D. Non-Convertible Preference Shares

ANSWER: B

23. -----have right to convert their holding into equity shares after a specific period.

- A. Participating Preference Shares
- B. Non-Participating Preference Shares
- C. Convertible Preference Shares
- D. Non-Convertible Preference Shares

ANSWER: C

24. -----cannot be converted into equity shares from preference shares.

- A. Participating Preference Shares
- B. Non-Participating Preference Shares
- C. Convertible Preference Shares
- D. Non-Convertible Preference Shares

ANSWER: D

25. Deferred shares also called as

- A. Preference shares
- B. No par shares
- C. Founder shares
- D. Bonus shares

ANSWER: C

26. When the shares are having no face value, it is said to be

- A. Founder shares
- B. Preference shares
- C. No par shares
- D. Bonus shares

ANSWER: C

27. ----- are not given any security on assets of the company.

- A. Unsecured debentures
- B. secured debentures
- C. Redeemable debentures
- D. Irredeemable debentures

ANSWER: A

28. ----- are given security on assets of the company.

- A. Unsecured debentures
- B. secured debentures
- C. Redeemable debentures
- D. Irredeemable debentures

ANSWER: B

29. ----- are to be redeemed on the expiry of a certain period.

- A. Unsecured debentures
- B. secured debentures
- C. Redeemable debentures
- D. Irredeemable debentures

ANSWER: C

30. ----- cannot be redeemable during the life time of the business concern.

- A. Unsecured debentures
- B. secured debentures
- C. Redeemable debentures
- D. Irredeemable debentures

ANSWER: D

31. ----- are the debentures whose holders have the option to get them converted wholly or partly into shares.

- A. Unsecured debentures
- B. secured debentures
- C. Redeemable debentures
- D. Convertible debentures

ANSWER: D

32. Retained earnings are

- A. long term finance
- B. internal source of finance
- C. medium term finance
- D. short term finance

ANSWER: B

33. Depreciation fund is
- A. internal source of finance
 - B. long term finance
 - C. short term finance
 - D. medium term finance

ANSWER: A

34. A ----- is an arrangement by which a bank allows his customer to borrow money up to certain limit against the security of the commodity.

- A. Overdraft
- B. Cash credit
- C. Mortgage
- D. Hypothecation

ANSWER: B

35. ----- is an arrangement with a bank by which a current account holder is allowed to withdraw more than the balance to his credit up to a certain limit without any securities.

- A. Overdraft
- B. Cash credit
- C. Mortgage
- D. Hypothecation

ANSWER: A

36. ----- were established mainly for the purpose of promotion and development the industrial sector in the country.

- A. Commercial bank
- B. Foreign banks
- C. Development bank
- D. Regional Rural Bank

ANSWER: C

37. Working capital is concerned with

- A. Short term finance
- B. Medium term finance
- C. Long term finance
- D. International finance

ANSWER: A

38. Current assets minus current liabilities is equal to

- A. Current ratio
- B. Liquid ratio
- C. Working capital
- D. Fixed capital

ANSWER: C

39. ----- means that capital, which is used for long-term investment of the business concern.

- A. Working capital
- B. Fixed capital
- C. Money
- D. Currency

ANSWER: B

40. ----- the capital which is needed for meeting day to day requirement of the business concern.

- A. Working capital
- B. Fixed capital
- C. Money
- D. Currency

ANSWER: A

41. Purchase of machinery is an example of

- A. Working capital
- B. Fixed capital
- C. Money
- D. Currency

ANSWER: B

42. Purchase of land is an example of

- A. Working capital
- B. Fixed capital
- C. Money
- D. Currency

ANSWER: B

43. Salary paid to workers is an example of

- A. Working capital
- B. Fixed capital
- C. Money
- D. Currency

ANSWER: A

44. Purchase of raw material is an example of

- A. Fixed capital
- B. Money
- C. Currency
- D. Working capital

ANSWER: D

45. Gross Working Capital is simply called as the total

- A. Current Assets
- B. Liquid Assets
- C. Fixed Assets
- D. Quick Assets

ANSWER: A

46. If the current assets exceed the current liabilities it is said to be

- A. Positive working capital
- B. Negative working capital
- C. Fixed Capital
- D. Working capital

ANSWER: A

47. Current asset - Current liability is

- A. Total working capital
- B. Net working capital
- C. Fixed capital
- D. Gross working capital

ANSWER: B

48. If the current liabilities is more than the current assets it is said to be

- A. Positive working capital
- B. Negative working capital
- C. Fixed Capital
- D. Working capital

ANSWER: B

49. Permanent working capital is also known as

- A. Fixed working capital
- B. Temporary working capital
- C. Semi variable working capital
- D. Seasonal working capital

ANSWER: A

50. Temporary working capital is also known as

- A. Fixed working capital
- B. Variable working capital
- C. Semi variable working capital
- D. Seasonal working capital

ANSWER: B

51. If the production cycle length is small, they need to maintain ----- amount of Working Capital.

- A. Larger
- B. Lesser
- C. Fixed
- D. Surplus

ANSWER: B

52. If the business concerns follow rigid credit policy and sell goods only for cash, can maintain ----- amount of Working Capital.

- A. Larger
- B. Lesser
- C. Fixed
- D. Surplus

ANSWER: B

53. In the booming conditions, the Working Capital requirement is

- A. Larger
- B. Lesser
- C. Fixed
- D. Surplus

ANSWER: A

54. In the depression conditions, the Working Capital requirement is

- A. Larger
- B. Lesser
- C. Fixed
- D. Surplus

ANSWER: B

55. Better business results lead to ----- the Working Capital requirements.

- A. Fixed
- B. Surplus
- C. Increase
- D. Decrease

ANSWER: C

56. A liberal credit policy leads to maintain ----- working capital

- A. Less
- B. More
- C. Fixed
- D. No

ANSWER: B

57. If the business concern consists of high level of earning capacity, they can generate ----- Working Capital.

- A. Less
- B. More
- C. Fixed
- D. No

ANSWER: B

58. Conservative Working Capital Policy refers to minimize risk by maintaining a ----- level of Working Capital.

- A. Lesser
- B. Fixed
- C. Zero
- D. Higher

ANSWER: D

59. Receivables are one of the major parts of the

- A. Fixed assets

- B. Fictitious assets
- C. Current assets
- D. Current liabilities

ANSWER: C

60. -----is collection of funds from small investors and investing large amounts out of collections in equalities and other securities

- A. Preference shares
- B. Fixed deposit
- C. Mutual funds
- D. Factoring

ANSWER: C

61. Primary market is also called

- A. Secondary market
- B. Commodity market
- C. Money market
- D. New issue market

ANSWER: D

62. Secondary Market is a market for trading ----- securities of the companies.

- A. new
- B. existing
- C. fresh issue of
- D. debt

ANSWER: A

63. Cost of capital is also called as

- A. cut-off rate
- B. target rate
- C. hurdle rate
- D. All the above

ANSWER: D

64. ----- is the rate of return that a firm must earn on its project investments to maintain its market value and attract funds.

- A. Cost of capital
- B. Cost of assets
- C. Cost of goods
- D. Cost of project

ANSWER: A

65. ----- is the rate that the firm pays to procure financing.

- A. Explicit cost
- B. Implicit cost
- C. Average cost
- D. Marginal cost

ANSWER: A

66. ----- is the rate of return associated with the best investment opportunity for the firm and its shareholders that will be forgone if the projects presently under consideration by the firm were accepted.

- A. Explicit cost
- B. Implicit cost
- C. Average cost
- D. Marginal cost

ANSWER: B

67. ----- of capital is the weighted average cost of each component of capital employed by the company.

- A. Explicit cost
- B. Implicit cost
- C. Average cost
- D. Marginal cost

ANSWER: C

68. ----- considers weighted average cost of all kinds of financing such as equity, debt, retained earnings etc.

- A. Explicit cost
- B. Implicit cost
- C. Average cost
- D. Marginal cost

ANSWER: C

69. ----- is the weighted average cost of new finance raised by the company

- A. Explicit cost
- B. Implicit cost
- C. Average cost
- D. Marginal cost

ANSWER: D

70. ----- cost is the cost which as already been incurred for financing a particular project.

- A. Historical cost
- B. Future cost
- C. Specific cost
- D. Combine cost

ANSWER: A

71. ----- is the expected cost of financing in the proposed project.

- A. Historical cost
- B. Future cost
- C. Specific cost
- D. Combine cost

ANSWER: B

72. The cost of each sources of capital such as equity, debt, retained earnings and loans is called as

----- of capital.

- A. Historical cost
- B. Future cost
- C. Specific cost
- D. Combine cost

ANSWER: C

73. ----- of capital is the combination of all sources of capital.

- A. Historical cost
- B. Future cost
- C. Specific cost
- D. Combine cost

ANSWER: D

74. ----- is used to understand the total cost associated with the total finance of the firm

- A. Historical cost
- B. Future cost
- C. Specific cost
- D. Combine cost

ANSWER: D

75. Computation of cost of capital is a very important part of the financial management to decide the ----- of the business concern

- A. Capital structure
- B. present value
- C. future value
- D. cash inflow

ANSWER: A

76. ----- capital is the rate at which investors discount the expected dividends of the firm to determine its share value.

- A. Cost of equity
- B. Cost of debt
- C. Cost of preference share
- D. Cost of retained earnings

ANSWER: A

77. ----- is the Minimum rate of return that a firm must earn on the equity financed portion of an investment project in order to leave unchanged the market price of the shares

- A. Cost of debt
- B. Cost of preference share
- C. Cost of retained earnings
- D. Cost of equity

ANSWER: D

78. ke means

- A. Cost of debt
- B. Cost of preference share

- C. Cost of equity
- D. Cost of retained earnings

ANSWER: C

79. Under ----- approach, the cost of equity capital will be that rate of expected dividend which will maintain the present market price of equity shares.

- A. Dividend price
- B. Dividend price plus growth
- C. Earning price
- D. Realized yield

ANSWER: A

80. under ----- approach, the cost of equity is calculated on the basis of the expected dividend rate per share plus growth in dividend.

- A. Dividend price
- B. Dividend price plus growth
- C. Earning price
- D. Realized yield

ANSWER: B

81. under ----- approach, cost of equity determines the market price of the shares. It is based on the future earning prospects of the equity.

- A. Dividend price
- B. Dividend price plus growth
- C. Earning price
- D. Realized yield

ANSWER: C

82. under ----- approach, cost of equity is calculated on the basis of return actually realized by the investor in a company on their equity capital.

- A. Dividend price
- B. Dividend price plus growth
- C. Earning price
- D. Realized yield

ANSWER: D

83. K_d means

- A. Cost of debt
- B. Cost of preference share
- C. Cost of equity
- D. Cost of retained earnings

ANSWER: A

84. ----- is the annual preference share dividend by the net proceeds from the sale of preference share

- A. Cost of equity
- B. Cost of debt
- C. Cost of preference share

D. Cost of retained earnings

ANSWER: C

85. ----- is the after tax cost of long-term funds through borrowing.

A. Cost of equity

B. Cost of debt

C. Cost of preference share

D. Cost of retained earnings

ANSWER: B

86. K_p means

A. Cost of debt

B. Cost of preference share

C. Cost of equity

D. Cost of retained earnings

ANSWER: B

87. K_r means

A. Cost of debt

B. Cost of preference share

C. Cost of equity

D. Cost of retained earnings

ANSWER: D

88. K_o means

A. Cost of debt

B. Cost of preference share

C. Cost of equity

D. Overall cost of capital

ANSWER: D

89. ----- is the expected average future cost of funds over the long run found by weighting the cost of each specific type of capital by its proportion in the firms capital structure.

A. Weighted average cost of capital

B. cost of equity capital

C. cost of Retained earning

D. Cost of Preference shares

ANSWER: A

90. Overall cost of capital is also called

A. cost of equity capital

B. cost of Retained earning

C. Cost of Preference shares

D. Weighted average cost of capital

ANSWER: D

91. WACC means

A. Weighted Average Cost of Capital

- B. Weighted Annual Cost of Capital
- C. Weighted Average Cost of Company
- D. Weighted Annual Cost of Company

ANSWER: A

92. ----- helps to measure the value of a currency today with that of the future, after taking into consideration returns and inflation

- A. NPV
- B. Payback period
- C. IRR
- D. Profitability Index

ANSWER: A

93. Credit rating is ----- for issue of commercial paper

- A. Optional
- B. Compulsory
- C. Not required
- D. May be rated

ANSWER: B

94. ---- are granted for more than one year and repayment of such loans is spread over a longer period

- A. Demand loan
- B. Term loan
- C. Cash credit
- D. Business loan

ANSWER: B

95. ----- as an industrial company (being a company registered for not less than five years) which has at the end of any financial year accumulated losses equal to or exceeding its entire networth.

- A. Private company
- B. Public company
- C. Government company
- D. Sick company

ANSWER: D

96. BIFR means

- A. Board of Industrial and Financial Reconstruction
- B. Board of International and Financial Reconstruction
- C. Board of India and Financial Reconstruction
- D. Board of Institutional and Financial Reconstruction

ANSWER: A

97. Board of Industrial and Financial Reconstruction is a

- A. quasi judicial body
- B. private company
- C. government company
- D. trust

ANSWER: A

98. Board of Industrial and Financial Reconstruction deals with

- A. private companies
- B. public companies
- C. foreign companies
- D. sick companies

ANSWER: D

99. IRCI means

- A. Industrial Reconstruction Company of India
- B. Industrial Remedy Company of India
- C. Industrial Reconstruction Corporation of India
- D. Industrial Rehabilitation Corporation of India

ANSWER: C

100. Industrial Reconstruction Corporation of India mainly deals with problem of

- A. finance
- B. working capital
- C. industrial sickness
- D. workers

ANSWER: C

101. IRBI means

- A. Industrial Reconstruction Bank of India
- B. Industrial Re-finance Bank of India
- C. Industrial Regional Bank of India
- D. Industrial Related Bank of India

ANSWER: A

102. The Board of Directors of a sick industrial company is required, by law, to report the sickness to the BIFR within ----- of finalisation of audited accounts, for the financial year at the end of which the company has become sick.

- A. 50 days
- B. 60 days
- C. 70 days
- D. 80 days

ANSWER: B

103. BIFR means

- A. Board of Institutional and Financial Reconstruction
- B. Board of Industrial and Financial Reorganisation
- C. Board of Industrial and Financial Reconstruction
- D. Board of Institutional and Financial Reorganisation

ANSWER: C

104. Public deposit offer ---- rate of interest than those offered by banks.

- A. Lower

- B. Higher
 - C. Moderate
 - D. very low
- ANSWER: B

105. Public deposit accepted by a company is

- A. secured borrowing
- B. unsecured borrowing
- C. fully secured
- D. partly secured

ANSWER: B

106. Public deposit accepted by a company shall not be repayable on

- A. demand
- B. notice
- C. within a period of 6 months
- D. All the above

ANSWER: D

107. Public deposit shall be for a

- A. long period
- B. very short period
- C. short period
- D. fixed period

ANSWER: D

108. A company may accept deposits upto ----- of its paid up capital and free reserves from its shareholders

- A. 10%
- B. 20%
- C. 30%
- D. 40%

ANSWER: A

109. A Government Company may accept deposits upto ----- of its paid up capital and free reserves from its shareholders

- A. 5%
- B. 15%
- C. 25%
- D. 35%

ANSWER: D

110. The rate of interest to be charged on loans must not be ---- the prevailing bank rate of interest.

- A. more than
- B. less than
- C. greater than
- D. moderate

ANSWER: B

111. EXIM bank is owned by

- A. public
- B. financial institutions
- C. Central Government
- D. State Government

ANSWER: C

112. The EXIM Bank is established for providing financial assistance to

- A. exporters
- B. importers
- C. reexport
- D. export and import

ANSWER: D

113. Packing credit is.

- A. an advance made for packing goods for export.
- B. pre-shipment finance for export
- C. a priority sector advance.
- D. advance for importer.

ANSWER: B

114. The substitution of commodity/fresh export of adjustment of packing credit is not available for.

- A. advance against sensitive commodities.
- B. transactions of sister/associate/group concerns.
- C. exports availing running account facility.
- D. exports with imports.

ANSWER: B

115. For direct export the packing credit should normally be granted only against.

- A. a letter of credit.
- B. firm order.
- C. export licence.
- D. a letter of credit or firm order.

ANSWER: D

116. If an export bill which was purchased /negotiated is not realized within reasonable time from the due date the bank should

- A. reserve the bill from the export bill purchase portfolio.
- B. make a claim with ECGC.
- C. report to RBI.
- D. take further bills from the exporter only on collection basis

ANSWER: A

117. Realisation of export proceeds in a period of 15 months from the date of shipment is allowed in the case of.

- A. all consignment exports

- B. exports on deferred payment terms
- C. exports to Nepal.
- D. Exports to Indian owned warehouses in Europe.

ANSWER: D

118. Generally, on exports the proceeds are to be realized within

- A. six months from the date of shipment.
- B. one year from the date of shipment
- C. six months from the date of negotiation of documents.
- D. one year from the date of negotiation of documents.

ANSWER: A

119. Post-shipment credit in foreign currency can be availed by.

- A. use of on-shore foreign currency funds.
- B. banks raising foreign currency funds abroad.
- C. exporters arranging funds abroad.
- D. any of the above methods.

ANSWER: D

120. A bank may refuse to accept an export bill for collection.

- A. when the customer has sufficient limits under bill discounting facility.
- B. when the documents have discrepancies when compared to letter of credit requirements.
- C. when the documents are received from a non customer
- D. when the documents are received from a customer.

ANSWER: C

121. If export cargo is lost in transit, the exporter should

- A. claim under marine insurance.
- B. claim with ECGC.
- C. seek write off of post-shipment credit.
- D. seek refund of customs duty.

ANSWER: A

122. For export oriented units, Exim bank finances.

- A. term loans only
- B. both working capital and term loans.
- C. term loans, working capital and long term working capital.
- D. for investment from overseas.

ANSWER: C

123. Which of the following is not a common feature of direct lending by Exim bank?

- A. They are for medium or long term.
- B. The size of the loan is high.
- C. Security is not insisted upon
- D. Interest rates are relatively low

ANSWER: C

124. Exim bank lending to foreign governments take the form of.

- A. soft loans.
- B. commercial loans.
- C. lines of credit.
- D. relending facility.

ANSWER: C

125. . The facility that is available to commercial banks in India from Exim bank is.

- A. refinancing of export credit.
- B. export bill re-discounting.
- C. syndication of export credit risks.
- D. all the above.

ANSWER: D

126. Exim bank issues guarantees on behalf of .

- A. all exporters from India
- B. exporters of construction and turnkey projects
- C. banks in India.
- D. Govt. of India.

ANSWER: B

127. . Exim bank issues guarantees to commercial for.

- A. all export advances.
- B. all export advances repayable beyond one year.
- C. post-shipment suppliers credit from one year to three years.
- D. loans with refinance from Exim bank

ANSWER: C

128. Export factoring is available for.

- A. short term exports
- B. medium term exports.
- C. all exports.
- D. export under consignment basis

ANSWER: A

129. Export factoring encourages the following method of payment.

- A. open account system.
- B. letter of credit method.
- C. documentary bill.
- D. advance payment

ANSWER: A

130. Factoring refers to.

- A. discounting of any export bill.
- B. discounting of medium term export bill.
- C. writing off unrealized export bill.
- D. waiver of charges on export bills.

ANSWER: B

131. Which one of the following is not a common features of direct lending by Exim Bank?

- A. They are for medium or long-term
- B. The size of the loan is high.
- C. Security is not insisted upon.
- D. Interest rates are relatively low

ANSWER: C

132. The facility that is available to commercial banks in India from Exim Bank is.

- A. refinance of export credit
- B. export bills rediscounting
- C. syndication of export credit risks.
- D. all the above.

ANSWER: D

133. Which method while calculating the risk in capital budgeting increase cut of rate or discount factor by certain percentage an account of risk.

- A. Risk-adjusted cut off rate
- B. Certainly equivalent method
- C. Sensitivity technique
- D. Probability technique

ANSWER: A

134. Fixed Assets are those which are of a ----- nature

- A. Fixed
- B. Current
- C. Acid
- D. Liquid

ANSWER: A

135. The simplest capital budgeting technique is

- A. Net Present Value Method
- B. Pay-back Period Method
- C. Internal Rate of Return Method
- D. Average Rate of Return Method

ANSWER: B

136. The rate which equates the present value of expected future cash flows with the cost of the investment.

- A. Average Rate of Return
- B. Discounted Rate of Return
- C. . Internal Rate of Return
- D. Time Adjusted Rate of Return

ANSWER: C

137. the relationship that exists between the present value of net cash inflows and the present values of cash outflows.

- A. Profitability Index
- B. Distribution of Capital

- C. Discounted Benefit-Cost Ratio
- D. Cut-off Point

ANSWER: A

138. While evaluating capital investment proposals, the time value of money is considered in the case of

- A. Pay-back method
- B. Discount Cash Flow Method
- C. Accounting Rate of Return Method
- D. Net Present Value Method

ANSWER: B

139. Depreciation is included in cost in case of

- A. Average Rate of Return Method
- B. Accounting Rate of Return Method
- C. Pay-back Period Method
- D. Present Value Index Method

ANSWER: B

140. The Minimum Rate of Return expected of a capital investment project is termed as

- A. Single Point Rate
- B. Cut-off Rate
- C. Normal Rate
- D. Both a and b

ANSWER: D

141. The annual average yield on a project

- A. Internal Rate of Return
- B. Cut-off Rate
- C. Accounting Rate of Return
- D. None of the above

ANSWER: C

142. Capital budgeting is also known as

- A. Investment Decision Making
- B. Planning Capital Expenditure
- C. Capital Expenditure Decisions
- D. All the above

ANSWER: D

143. Risk with reference to capital (budgeting) investment decisions may be defined as the variability which is likely to occur in future between estimated return and actual return.

- A. Return
- B. Risk
- C. Profit
- D. Loss

ANSWER: B

144. In which method, discount rate is adjusted in accordance with the degree of risk.

- A. Risk Adjusted Discount Rate
- B. Shorter Payback Period
- C. Sensitivity Analysis
- D. Probability Analysis

ANSWER: A

145. period denotes the risk tolerance level of the firms

- A. cut off rate
- B. cut off period
- C. cut off date
- D. cut off percent

ANSWER: B

146. If the Net Present Value is negative, the project would be

- A. Rejected
- B. accepted
- C. postponed
- D. preponed

ANSWER: A

147. The risk of a project when the project is considered in isolation.

- A. Market risk
- B. Beta risk
- C. . Stand alone risk
- D. specific risk

ANSWER: C

148. . ----- are those that affect all the firms in the industry.

- A. Project - specific risk
- B. Competitive risk
- C. Industry - specific risk
- D. International risk

ANSWER: C

149. ----- affect all the firms not capable of adapting themselves to emerging new technology.

- A. Technological risk
- B. . Commodity risk
- C. legal risk
- D. international risk

ANSWER: A

150. The dividend paid to shareholders in cash is

- A. Bond dividend
- B. Cash dividend
- C. Property dividend
- D. Stock dividend

ANSWER: B

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