

MGT 201 - Financial Management
(Quiz # 5) 450+ Quizzes solved by Muhammad Afaaq
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Date Monday 31st January and Tuesday 1st February 2011

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 1 of 15 (Start time: 10:08:42 AM) Total Marks: 1

How dividend yield on a stock is similar to the current yield on a bond?

Select correct option:

Both represent how much each security's price will increase in a year

Both represent the security's annual income divided by its price

Both are an accurate representation of the total annual return an

investor can expect to earn by owning the security

Both are quarterly yields that must be annualized

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 2 of 15 (Start time: 10:09:38 AM) Total Marks: 1

Which of the following is NOT the type of Hybrid organizations?

Select correct option:

S-Type Corporation

Limited Liability Partnership

Sole Proprietorship

Professional Corporation

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 10:10:07 AM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Quiz Start Time: 10:08 AM

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sec(s)

Question # 4 of 15 (Start time: 10:10:42 AM) Total Marks: 1

How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Quiz Start Time: 10:08 AM

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sec(s)

Question # 5 of 15 (Start time: 10:11:15 AM) Total Marks: 1

Which of the following can not be the drawback of using payback period technique of capital budgeting?

Select correct option:

It does not account for time value of money

It neglects cash flows after the payback period

It does not use interest rate while making calculations

It is a tricky and complicated method

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 6 of 15 (Start time: 10:11:54 AM) Total Marks: 1

Which of the following is similar between Return on investment and Payback period techniques of Capital budgeting?

Select correct option:

Involvement of interest rate while making calculations

Do not account for time value of money

Tricky and complicated methods

All of the given options

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 7 of 15 (Start time: 10:12:33 AM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

: Quiz Start Time: 10:08 AM

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sec(s)

Question # 8 of 15 (Start time: 10:13:11 AM) Total Marks: 1

Which of the following factors might affect stock returns?

Select correct option:

Business cycle

Interest rate fluctuations

Inflation rates

All of the above

Quiz Start Time: 10:08 AM

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sec(s)

Question # 9 of 15 (Start time: 10:13:43 AM) Total Marks: 1

A company whose stock is selling at a P/E ratio greater than the P/E ratio of a market index most likely has _____.

Select correct option:

An anticipated earnings growth rate which is less than that of the average firm

A dividend yield which is less than that of the average firm

Less predictable earnings growth than that of the average firm

Greater cyclical of earnings growth than that of the average firm

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 10 of 15 (Start time: 10:14:31 AM) Total Marks: 1

Which of the following is the value of beta for the market portfolio?

Select correct option:

0.25

-1.0

1.0

0.5

Quiz Start Time: 10:08 AM

Time Left 88

sec(s)

Question # 11 of 15 (Start time: 10:15:01 AM) Total Marks: 1

Which of the following is the stability of a firm's operating income?

Select correct option:

Financial leverage
Weighted-average cost of capital
Capital structure
Business risk

: Quiz Start Time: 10:08 AM

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sec(s)

Question # 12 of 15 (Start time: 10:16:13 AM) Total Marks: 1

Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Quiz Start Time: 10:08 AM

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sec(s)

Question # 13 of 15 (Start time: 10:16:50 AM) Total Marks: 1

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital

Limited liability of shareholders

Limited life of the corporate form

Quiz Start Time: 10:08 AM

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sec(s)

Question # 14 of 15 (Start time: 10:17:27 AM) Total Marks: 1

Choose among the followings, the correct statement regarding every journal entry.

Select correct option:

Sum of Debits = Sum of Credits

Sum of Debits > Sum of Credits

Sum of Debits < Sum of Credits

None of the given options

Quiz Start Time: 10:08 AM

Time Left 89

sec(s)

Question # 15 of 15 (Start time: 10:17:58 AM) Total Marks: 1

Which of the following techniques would be used for a project that has non-normal cash flows?

Select correct option:

Internal rate of return

Multiple internal rate of return

Modified internal rate of return

Net present value

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 1 of 15 (Start time: 06:46:00 PM) Total Marks: 1

Nominal Interest Rate is also known as:

Select correct option:

Effective interest Rate

Annual percentage rate

Periodic interest rate

Required interest rate

Quiz Start Time: 06:46 PM

Time Left 83

sec(s)

Question # 2 of 15 (Start time: 06:46:55 PM) Total Marks: 1

Which of the following statements is correct for a firm that currently has total costs of carrying and ordering inventory that is 50% higher than total carrying costs?

Select correct option:

Current order size is greater than optimal

Current order size is less than optimal

Per unit carrying costs are too high

The optimal order size is currently being used

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 06:48:09 PM) Total Marks: 1

Which of the following can be used to calculate the risk of the larger portfolio?

Select correct option:

Standard deviation

EPS approach

Matrix approach

Gordon's Approach

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 4 of 15 (Start time: 06:48:53 PM) Total Marks: 1

_____ is paid by companies with lower grade bonds like CC or C ratings.

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 5 of 15 (Start time: 06:49:37 PM) Total Marks: 1

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - QBE)/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 6 of 15 (Start time: 06:50:17 PM) Total Marks: 1

Which statement is NOT true regarding the market portfolio?

Select correct option:

It includes all publicly traded financial assets

It is the tangency point between the capital market line and the indifference curve

All securities in the market portfolio are held in proportion to their market values

It lies on the efficient frontier

Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 7 of 15 (Start time: 06:51:18 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 8 of 15 (Start time: 06:51:57 PM) Total Marks: 1

Where the stock points will lie, if a stock is a part of totally diversified portfolio?

Select correct option:

It will lie below the regression line

It will line above the regression line

It will line exactly on the regression line

It will be tangent to the regression line

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 9 of 15 (Start time: 06:52:46 PM) Total Marks: 1

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 10 of 15 (Start time: 06:53:57 PM) Total Marks: 1

How "Shareholder wealth" is represented in a firm?

Select correct option:

The number of people employed in the firm

The book value of the firm's assets less the book value of its liabilities

The market price per share of the firm's common stock

The amount of salary paid to its employees

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 11 of 15 (Start time: 06:54:39 PM) Total Marks: 1

Which of the following is a limitation of a Corporation?

Select correct option:

Easy to set up

Double-taxation

Inexpensive to maintain

Unlimited liability

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 12 of 15 (Start time: 06:55:38 PM) Total Marks: 1

Which of the following is related to the use Lower financial leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 13 of 15 (Start time: 06:56:13 PM) Total Marks: 1

Which of the following is/are the characteristic(s) of Perpetuity?

Select correct option:

It is an annuity

It has no definite end

It is a constant stream of identical cash flows

All of the given options

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 14 of 15 (Start time: 06:56:57 PM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity
Fixed-charge burden

Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 15 of 15 (Start time: 06:57:29 PM) Total Marks: 1

Which of the following is related to the use of higher operating leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

Question # 1 of 15 (Start time: 07:04:34 PM) Total Marks: 1

The weighted average of possible returns, with the weights being the probabilities of occurrence is referred to as _____.

Select correct option:

Probability distribution

Expected return

Standard deviation

Coefficient of variation

Question # 2 of 15 (Start time: 07:05:44 PM) Total Marks: 1

If a firm has a DOL of 5 at Q units, what would be the effect on sales and EBIT?

Select correct option:

If sales rise by 5%, EBIT will rise by 5%

If sales rise by 1%, EBIT will rise by 1%

If sales rise by 5%, EBIT will fall by 25%

If sales rise by 1%, EBIT will rise by 5%

Question # 3 of 15 (Start time: 07:06:41 PM) Total Marks: 1

According to timing difference problem a good project might suffer from _____ IRR even though its NPV is _____.

Select correct option:

Higher; lower
Lower; Lower
Lower; higher
Higher; higher

Question # 4 of 15 (Start time: 07:07:31 PM) Total Marks: 1
Calculate the break-even point for sales revenues given the following information. The firm has Rs.1, 000,000 in fixed costs. The firm anticipates that variable costs will be Rs.1 for every Rs.5 in sales.
Select correct option:

Rs.1, 250,000
Rs.1, 000,000
Rs.250, 000
Rs.200, 000

Question # 5 of 15 (Start time: 07:08:15 PM) Total Marks: 1
Effective interest rate is different from nominal rate of interest because:
Select correct option:

Nominal interest rate ignores compounding
Nominal interest rate includes frequency of compounding
Periodic interest rate ignores the effect of inflation
All of the given options

Question # 6 of 15 (Start time: 07:08:53 PM) Total Marks: 1
Which type of responsibilities are primarily assigned to Controller and Treasurer respectively?
Select correct option:

Operational; financial management
Financial management; accounting
Accounting; financial management
Financial management; operations

Question # 7 of 15 (Start time: 07:09:21 PM) Total Marks: 1
Who determine the market price of a share of common stock?

Select correct option:

The board of directors of the firm

The stock exchange on which the stock is listed

The president of the company

Individuals buying and selling the stock

Question # 8 of 15 (Start time: 07:10:19 PM) Total Marks: 1

Which of the following is NOT an example of a financial intermediary?

Select correct option:

Wisconsin S&L, a savings and loan association

Strong Capital Appreciation, a mutual fund

Microsoft Corporation, a software firm

College Credit, a credit union

Question # 9 of 15 (Start time: 07:11:26 PM) Total Marks: 1

Which of the following is a limitation of a Corporation?

Select correct option:

Easy to set up

Double-taxation

Inexpensive to maintain

Unlimited liability

Question # 10 of 15 (Start time: 07:11:56 PM) Total Marks: 1

If we were to increase ABC company cost of equity assumption, what would we expect to happen to the present value of all future cash flows?

Select correct option:

An increase

A decrease

No change

Incomplete information

Question # 11 of 15 (Start time: 07:12:27 PM) Total Marks: 1

Which group of ratios shows the extent to which the firm is financed with debt?

Select correct option:

Liquidity ratios

Debt ratios

Coverage ratios

Profitability ratios

Question # 12 of 15 (Start time: 07:12:58 PM) Total Marks: 1
Which of the followings are the propositions of Modigliani and Miller's?
Select correct option:

The market value of a firm's common stock is independent of its capital structure

The market value of a firm's debt is independent of its capital structure

The market value of any firm is independent of its capital structure

None of the given options

Question # 13 of 15 (Start time: 07:13:43 PM) Total Marks: 1

Question # 9 of 15 (Start time: 09:16:19 AM) Total Marks: 1

Which of the following is the value of beta for the market portfolio?
Select correct option:

0.25

-1.0

1.0

0.5

Question # 14 of 15 (Start time: 07:14:08 PM) Total Marks: 1

Which of the following is FALSE about Perpetuity?

Select correct option:

It is a series of cash flows

Cash flows occur for a specific time period

Its cash flows are identical

None of the given options

Question # 15 of 15 (Start time: 07:15:35 PM) Total Marks: 1

Study the time line and accompanying 5-period cash-flow pattern below. 0 1 2 3 4 5 6 Time line

|-----|-----|-----|-----|-----|-----| Rs.10 Rs.10 Rs.10

Rs.10 Rs.10 Cash flows | | A B The present value of the 5-period

annuity shown above as of Point A is the present value of a 5-period _____ , whereas the future value of the same annuity as of Point B is the future value of a 5-period _____ .

Select correct option:

Ordinary annuity; ordinary annuity

Ordinary annuity; annuity due

Annuity due; annuity due

Annuity due; ordinary annuity

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 1 of 15 (Start time: 06:46:00 PM) Total Marks: 1

Nominal Interest Rate is also known as:

Select correct option:

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Periodic interest rate

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Quiz Start Time: 06:46 PM

Time Left 83

sec(s)

Question # 2 of 15 (Start time: 06:46:55 PM) Total Marks: 1

Which of the following statements is correct for a firm that currently has total costs of carrying and ordering inventory that is 50% higher than total carrying costs?

Select correct option:

Current order size is greater than optimal

Current order size is less than optimal

Per unit carrying costs are too high

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: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 06:48:09 PM) Total Marks: 1

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portfolio?

Select correct option:

Standard deviation

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Gordon's Approach

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 4 of 15 (Start time: 06:48:53 PM) Total Marks: 1

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: Quiz Start Time: 06:46 PM

Time Left 89

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Select correct option:

$(Q - Q_{BE})/Q$

$(EBIT) / (EBIT - FC)$

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: Quiz Start Time: 06:46 PM

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Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 7 of 15 (Start time: 06:51:18 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 8 of 15 (Start time: 06:51:57 PM) Total Marks: 1

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: Quiz Start Time: 06:46 PM

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Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 10 of 15 (Start time: 06:53:57 PM) Total Marks: 1

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The amount of salary paid to its employees

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 11 of 15 (Start time: 06:54:39 PM) Total Marks: 1

Which of the following is a limitation of a Corporation?

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Inexpensive to maintain

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Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 12 of 15 (Start time: 06:55:38 PM) Total Marks: 1

Which of the following is related to the use Lower financial leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

: Quiz Start Time: 06:46 PM

Time Left 89

sec(s)

Question # 13 of 15 (Start time: 06:56:13 PM) Total Marks: 1

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Select correct option:

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It is a constant stream of identical cash flows

All of the given options

Quiz Start Time: 06:46 PM

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sec(s)

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Debt-service burden

Adequacy capacity

Fixed-charge burden

Quiz Start Time: 06:46 PM

Time Left 88

sec(s)

Question # 15 of 15 (Start time: 06:57:29 PM) Total Marks: 1

Which of the following is related to the use of higher operating leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 1 of 15 (Start time: 06:59:15 PM) Total Marks: 1

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as _____.

Select correct option:

Probability distribution

The expected return

The standard deviation
Coefficient of variation

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 2 of 15 (Start time: 07:00:15 PM) Total Marks: 1

Which of the following statements regarding covariance is correct?

Select correct option:

Covariance always lies in the range -1 to +1

Covariance, because it involves a squared value, must always be a positive number (or zero)

Low covariances among returns for different securities leads to high portfolio risk

Covariances can take on positive, negative, or zero values

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 07:01:08 PM) Total Marks: 1

What are the Indirect securities?

Select correct option:

The securities whose value depends on the cash flows generated by the underlying assets

The securities whose value depends on the value of the underlying assets

The securities that indirectly generate returns for its investors

All of the given options

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 4 of 15 (Start time: 07:02:09 PM) Total Marks: 1

Which of the following would be consistent with an aggressive approach to financing working capital?

Select correct option:

Financing short-term needs with short-term funds

Financing permanent inventory buildup with long-term debt

Financing seasonal needs with short-term funds

Financing some long-term needs with short-term funds

: Quiz Start Time: 06:59 PM

Time Left 88

sec(s)

Question # 5 of 15 (Start time: 07:03:17 PM) Total Marks: 1

Given no change in required returns, the price of a stock whose dividend is constant will_____.

Select correct option:

Decrease over time at a rate of $r\%$

Remain unchanged

Increase over time at a rate of $r\%$

Decrease over time at a rate equal to the dividend growth rate

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 6 of 15 (Start time: 07:03:51 PM) Total Marks: 1

Which of the following term may be defined as incidental cash flows that arise because of the effect of new project on the running business?

Select correct option:

Sunk cost

Opportunity cost

Externalities

Contingencies

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 7 of 15 (Start time: 07:04:25 PM) Total Marks: 1

If all things equal, when diversification is most effective?

Select correct option:

Securities' returns are positively correlated

Securities' returns are uncorrelated

Securities' returns are high

Securities' returns are negatively correlated

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 8 of 15 (Start time: 07:05:10 PM) Total Marks: 1

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 9 of 15 (Start time: 07:05:45 PM) Total Marks: 1

When a bond will sell at a discount?

Select correct option:

The coupon rate is greater than the current yield and the current yield is greater than yield to maturity

The coupon rate is greater than yield to maturity

The coupon rate is less than the current yield and the current yield is greater than the yield to maturity

The coupon rate is less than the current yield and the current yield is less than yield to maturity

Quiz Start Time: 06:59 PM

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sec(s)

Question # 10 of 15 (Start time: 07:06:46 PM) Total Marks: 1

Which of the following is simply the weighted average of the possible returns, with the weights being the probabilities of occurrence?

Select correct option:

Probability distribution

Expected return

Standard deviation

Coefficient of variation

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 11 of 15 (Start time: 07:07:25 PM) Total Marks: 1
Why we need Capital rationing? (

Select correct option:

Because, there are not enough positive NPV projects

Because, companies do not always have access to all of the funds they could make use of

Because, managers find it difficult to decide how to fund projects

Because, banks require very high returns on projects

: Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 12 of 15 (Start time: 07:08:07 PM) Total Marks: 1

A capital budgeting technique through which discount rate equates the present value of the future net cash flows from an investment project with the project's initial cash outflow is known as:

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 13 of 15 (Start time: 07:08:37 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Quiz Start Time: 06:59 PM

Time Left 89

sec(s)

Question # 14 of 15 (Start time: 07:09:07 PM) Total Marks: 1

Which of the following statements is correct for a firm that currently

has total costs of carrying and ordering inventory that is 50% higher than total carrying costs?

Select correct option:

Current order size is greater than optimal

Current order size is less than optimal

Per unit carrying costs are too high

The optimal order size is currently being used

sec(s)

Question # 15 of 15 (Start time: 07:09:59 PM) Total Marks: 1

In the dividend discount model, _____ which of the following are not incorporated into the discount rate?

Select correct option:

Real risk-free rate

Risk premium for stocks

Return on assets

Expected inflation rate

Quiz Start Time: 07:12 PM

Time Left 88

sec(s)

Question # 1 of 15 (Start time: 07:12:48 PM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Quiz Start Time: 07:12 PM

Time Left 88

sec(s)

Question # 2 of 15 (Start time: 07:13:24 PM) Total Marks: 1

The explicit costs associated with corporate default, such as legal expenses, are the _____ of the firm.

Select correct option:

Flotation costs

Default beta coefficients

Direct bankruptcy costs

Indirect bankruptcy costs

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 07:13:54 PM) Total Marks: 1

Which of the following would be consistent with a hedging (maturity matching) approach to financing working capital?

Select correct option:

Financing short-term needs with short-term funds

Financing short-term needs with long-term debt

Financing seasonal needs with long-term funds

Financing some long-term needs with short-term funds

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 4 of 15 (Start time: 07:15:04 PM) Total Marks: 1

Which of the following affects price of the bond?

Select correct option:

Market interest rate

Required rate of return

Interest rate risk

All of the given options

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 5 of 15 (Start time: 07:15:40 PM) Total Marks: 1

What is the present value of Rs.8,000 to be paid at the end of three years if interest rate is 11%?

Select correct option:

Rs.6,015

Rs.4,872

Rs.6,725

Rs.1,842

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 6 of 15 (Start time: 07:16:13 PM) Total Marks: 1

_____ is equal to (common shareholders' equity/common shares outstanding).

Select correct option:

Book value per share

Liquidation value per share

Market value per share

None of the above

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 7 of 15 (Start time: 07:16:45 PM) Total Marks: 1

What is potentially the biggest advantage of a small partnership over a sole proprietorship?

Select correct option:

Unlimited liability

Single tax filing

Difficult ownership resale

Raising capital

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 8 of 15 (Start time: 07:17:13 PM) Total Marks: 1

Which of the following refers to financial risk?

Select correct option:

Risk of owning equity securities

Risk faced by equity holders when debt is used

General business risk of the firm

Possibility that interest rates will increase

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 9 of 15 (Start time: 07:17:43 PM) Total Marks: 1

Companies and individuals running different types of businesses have to make the choices of the asset according to which of the following?

Select correct option:

Life span of the project

Cost of the capital

Return on asset

None of the given options

: Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 10 of 15 (Start time: 07:18:16 PM) Total Marks: 1

Which of the following refers to bringing the future cash flow to the present time?

Select correct option:

Net present value

Discounting

Opportunity cost

Internal rate of return

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 11 of 15 (Start time: 07:18:45 PM) Total Marks: 1

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 12 of 15 (Start time: 07:19:18 PM) Total Marks: 1

Which of the following statistic measures the returns of two risky assets that move together?

Select correct option:

Correlation

Standard deviation

Square root

Variance

Quiz Start Time: 07:12 PM

Time Left 88

sec(s)

Question # 13 of 15 (Start time: 07:19:44 PM) Total Marks: 1

Which of the following would be consistent with a conservative approach to financing working capital?

Select correct option:

Financing short-term needs with short-term funds

Financing short-term needs with long-term debt

Financing seasonal needs with short-term funds

Financing some long-term needs with short-term funds

Quiz Start Time: 07:12 PM

Time Left 88

sec(s)

Question # 14 of 15 (Start time: 07:21:06 PM) Total Marks: 1

_____ means expanding the number of investments which cover different kinds of stocks.

Select correct option:

Diversification

Standard deviation

Variance

Covariance

Quiz Start Time: 07:12 PM

Time Left 89

sec(s)

Question # 15 of 15 (Start time: 07:21:35 PM) Total Marks: 1

Choose among the followings, the correct statement regarding every journal entry.

Select correct option:

Sum of Debits = Sum of Credits

Sum of Debits > Sum of Credits

Sum of Debits < Sum of Credits

None of the given options

Question # 1 of 15 (Start time: 01:53:35 PM) Total Marks: 1

An implicit cost of adding debt to the capital structure is that it:

Select correct option:

Adds interest expense to the operating statement

Increases the required return on equity

Reduces the expected return on assets

Decreases the firm's beta

Question # 2 of 15 (Start time: 01:54:41 PM) Total Marks: 1

Which of the following includes the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization?

Select correct option:

Financial accounting

Financial management

Financial engineering

Financial budgeting

Question # 3 of 15 (Start time: 01:55:42 PM) Total Marks: 1

Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 4 of 15 (Start time: 01:56:49 PM) Total Marks: 1

Investors may be willing to pay a premium for stable dividends because of the informational content of _____, the desire of investors for _____, and certain _____.

Select correct option:

Institutional considerations; dividends; current income

Dividends; current income; institutional considerations

Current income; dividends; institutional considerations

Institutional considerations; current income; dividends

Question # 5 of 15 (Start time: 01:57:49 PM) Total Marks: 1
All of the following are the financial statements used for the purpose of reporting and analysis EXCEPT:
Select correct option:

Balance Sheet
Income Statement
Cash budget
Statement of Retained Earnings

Question # 6 of 15 (Start time: 02:10:59 PM) Total Marks: 1
Why common stock of a company must provide a higher expected return than the debt of the same company?
Select correct option:

There is less demand for stock than for bonds
There is greater demand for stock than for bonds
There is more systematic risk involved for the common stock
There is a market premium required for bonds

Question # 7 of 15 (Start time: 02:12:00 PM) Total Marks: 1
Which of the following can be used to calculate the risk of the larger portfolio?
Select correct option:

Standard deviation
EPS approach
Matrix approach
Gordon's Approach

Question # 8 of 15 (Start time: 02:13:10 PM) Total Marks: 1
The overall (weighted average) cost of capital is composed of weighted averages of which of the following?
Select correct option:

The cost of common equity and the cost of debt
The cost of common equity and the cost of preferred stock
The cost of preferred stock and the cost of debt
The cost of common equity, the cost of preferred stock, and the cost of debt

Question # 9 of 15 (Start time: 02:13:57 PM) Total Marks: 1
What is the long-run objective of financial management?
Select correct option:

Maximize earnings per share

Maximize the value of the firm's common stock

Maximize return on investment

Maximize market share

Question # 10 of 15 (Start time: 02:15:11 PM) Total Marks: 1

Expected Portfolio Return = _____.

Select correct option:

$r_P^* = x_A r_A + x_B r_B$

$r_P^* = x_A r_A - x_B r_B$

$r_P^* = x_A r_A / x_B r_B$

$r_P^* = x_A r_A * x_B r_B$

Question # 11 of 15 (Start time: 02:16:25 PM) Total Marks: 1

If risk and return combination of any stock is above the SML, what does it mean?

Select correct option:

If risk and return combination of any stock is above the SML, what does it mean?

Select correct option:

It is offering lower rate of return as compared to the efficient stock

It is offering higher rate of return as compared to the efficient stock

Its rate of return is zero as compared to the efficient stock

It is offering rate of return equal to the efficient stock

Question # 12 of 15 (Start time: 02:17:38 PM) Total Marks: 1

MIRR (discount rate) equates which of the following?

Select correct option:

Future value of cash inflows to the present value of cash outflows

Future value of cash flows to the present value of cash flows

Future value of all cash flows to zero

Present value of all cash flows to zero

Question # 13 of 15 (Start time: 02:19:13 PM) Total Marks: 1

In which of the following approach you need to bring all the projects to the same length in time?

Select correct option:

MIRR approach

Going concern approach

Common life approach

Equivalent annual approach

Question # 14 of 15 (Start time: 02:20:17 PM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 15 of 15 (Start time: 02:21:34 PM) Total Marks: 1

What is the present value of Rs. 3,500,000 to be paid at the end of 50 years if the correct risk adjusted interest rate is 18%?

Select correct option:

Rs.105,000

Rs.1,500,000

Rs.3975,000

Rs. 350,000

Question # 1 of 15 (Start time: 02:07:22 PM)

Why a single, overall cost of capital is often used to evaluate projects?

Select correct option:

It avoids the problem of computing the required rate of return for each investment

Proposal

It is the only way to measure a firm's required return

It acknowledges that most new investment projects have about the same degree of risk

It acknowledges that most new investment projects offer about the same expected return

Question # 2 of 15 (Start time: 02:08:13 PM)

Companies and individuals running different types of businesses have to make the choices of the asset according to which of the following?

Select correct option:

Life span of the project

Cost of the capital

Return on asset

None of the given options

Question # 3 of 15 (Start time: 02:08:59 PM)

Total portfolio risk is _____.

Select correct option:

Equal to systematic risk plus non-diversifiable risk

Equal to avoidable risk plus diversifiable risk

Equal to systematic risk plus unavoidable risk

Equal to systematic risk plus diversifiable risk

Question # 4 of 15 (Start time: 02:09:39 PM)

When coupon bonds are issued, they are typically sold at which of the following value?

Select correct option:

Above par value

Below par

At or near par value

At a value unrelated to par

Question # 5 of 15 (Start time: 02:10:42 PM)

If a firm has a DOL of 5 at Q units, what would be the effect on sales and EBIT?

Select correct option:

If sales rise by 5%, EBIT will rise by 5%

If sales rise by 1%, EBIT will rise by 1%
If sales rise by 5%, EBIT will fall by 25%
If sales rise by 1%, EBIT will rise by 5%

Question # 6 of 15 (Start time: 02:11:19 PM)

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 7 of 15 (Start time: 02:12:20 PM)

Which of the following is the value of beta for the market portfolio?

Select correct option:

0.25

-1.0

1.0

0.5

Question # 8 of 15 (Start time: 02:13:12 PM)

The value of a bond is directly derived from which of the following?

Select correct option:

Cash flows

Coupon receipts

Par recovery at maturity

All of the given options

Question # 9 of 15 (Start time: 02:14:10 PM)

Under the idealized conditions of MM, which statement is correct when a firm issues new stock in order to pay a cash dividend on existing shares?

Select correct option:

The new shares are worth less than the old shares
The old shares drop in value to equal the new price
The value of the firm is reduced by the amount of the dividend
The value of the firm is unaffected

Question # 10 of 15 (Start time: 02:15:19 PM)

Which of the followings expressed the proposition that the cost of equity is a positive linear function of capital structure?

Select correct option:

The Capital Asset Pricing Model

M&M Proposition I

M&M Proposition II

The Law of One Price

Question # 11 of 15 (Start time: 02:16:33 PM)

_____ is the variability of return on stocks or portfolios not explained by general market movements. It is avoidable through diversification.

Select correct option:

Systematic risk

Standard deviation

Unsystematic risk

Coefficient of variation

Question # 12 of 15 (Start time: 02:17:57 PM)

Which if the following refers to capital budgeting?

Select correct option:

Investment in long-term liabilities

Investment in fixed assets

Investment in current assets

Investment in short-term liabilities

Question # 13 of 15 (Start time: 02:19:21 PM)

Why we need Capital rationing? (

Select correct option:

Because, there are not enough positive NPV projects

Because, companies do not always have access to all of the funds they could make use of

Because, managers find it difficult to decide how to fund projects

Because, banks require very high returns on projects

Question # 14 of 15 (Start time: 02:20:39 PM)

If stock is a part of totally diversified portfolio then its company risk must be equal to:

Select correct option:

0

0.5

1

-1

Question # 15 of 15 (Start time: 02:21:53 PM)

Which of the following factor(s) do NOT affects the movements in the market index?

Macroeconomic factors

Socio political factors

Social factors

All of the given options

Question # 1 of 15 (Start time: 03:41:45 PM)

Which of the following is called the tax savings of the firm derived from the deductibility of interest expense?

Select correct option:

Interest tax shield

Depreciable basis
Financing umbrella
Current yield

Question # 2 of 15 (Start time: 03:42:28 PM)

Which of the following refers to the risk associated with interest rate uncertainty?

Select correct option:

- Default risk premium
- Sovereign Risk Premium
- Market risk premium
- Maturity risk premium

Question # 3 of 15 (Start time: 03:43:24 PM)

Which of the following is simply the weighted average of the possible returns, with the weights being the probabilities of occurrence?

Select correct option:

- Probability distribution
- Expected return
- Standard deviation
- Coefficient of variation

Question # 4 of 15 (Start time: 03:43:53 PM)

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

- $(Q - Q_{BE})/Q$
- $(EBIT) / (EBIT - FC)$
- $[Q(P-V) + FC] / [Q(P-V)]$
- $Q(P-V) / [Q(P-V) - FC]$

Question # 5 of 15 (Start time: 03:44:53 PM)

What should be the focal point of financial management in a firm?

Select correct option:

The number and types of products or services provided by the firm

The minimization of the amount of taxes paid by the firm

The creation of value for shareholders

The dollars profits earned by the firm

Question # 6 of 15 (Start time: 03:46:21 PM)

For Company A, plow back ratio is 30%. What will be its Pay-out ratio?

Select correct option:

3.33%

30%

31%

70%

Question # 7 of 15 (Start time: 03:47:41 PM)

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - QBE)/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

Question # 8 of 15 (Start time: 03:48:13 PM)

A 5-year ordinary annuity has a present value of Rs.1,000. If the interest rate is 8 percent, the amount of each annuity payment is closest to which of the following?

Select correct option:

Rs. 250.44

Rs. 231.91

Rs.181.62

Rs.184.08

Question # 9 of 15 (Start time: 03:48:52 PM)

Why we need Capital rationing? (

Select correct option:

Because, there are not enough positive NPV projects

Because, companies do not always have access to all of the funds they could make use of

Because, managers find it difficult to decide how to fund projects

Because, banks require very high returns on projects

Question # 10 of 15 (Start time: 03:49:22 PM)

The value of a bond is directly derived from which of the following?

Select correct option:

Cash flows

Coupon receipts

Par recovery at maturity

All of the given options

Question # 11 of 15 (Start time: 03:49:55 PM)

Which of the following is as EBIT?

Select correct option:

Funds provided by operations

Earnings before taxes

Net income

Operating profit

Question # 12 of 15 (Start time: 03:50:41 PM)

Above the breakeven EBIT, increased financial leverage will

_____ EPS, all else

the same. Assume there are no taxes

Select correct option:

Increase

Decrease

Either increase or decrease

None of the given options

Question # 13 of 15 (Start time: 03:51:18 PM)

Which of the following is NOT true regarding the capital market?
Select correct option:

- Where long-term funds can be raised
- Money is invested for periods longer than a year
- Where TFCs and NIT are exchanged and traded
- Where overnight lending & borrowing takes place

Question # 14 of 15 (Start time: 03:52:41 PM)

Which of the following techniques would be used for a project that has non-normal cash flows?
Select correct option:
Internal rate of return
Multiple internal rate of return
Modified internal rate of return
Net present value

Question # 15 of 15 (Start time: 03:53:30 PM)

Security market line gives the relationship between _____ and _____.

- Select correct option:
- Market risk and the required return
 - Systematic risk and the required return
 - Non-diversified risk and the required return
 - All of the given options

Where there is single period capital rationing, what is the most sensible way of making investment decisions?

- Select correct option:
- Choose all projects with a positive NPV
 - Group projects together to allocate the funds available and select the group of projects with the highest NPV
 - Choose the project with the highest NPV
 - Calculate IRR and select the projects with the highest IRRs

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Which group of ratios measures a firm's ability to meet short-term obligations?

Select correct option:

Liquidity ratios

Debt ratios

Coverage ratios

Profitability ratios

Which of the following affects price of the bond?

Select correct option:

Market interest rate

Required rate of return

Interest rate risk

All of the given options

Which of the following are known as Discretionary Financing?

Select correct option:

Current liabilities

Current assets

Fixed assets

Long-term liabilities

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

What is the expected return of a zero-beta security?

Select correct option:

The risk-free rate

Zero rate of return

A negative rate of return

The market rate of return

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

Select correct option:

Depreciation

Dividends

Interest

Taxes

A company whose stock is selling at a P/E ratio greater than the P/E ratio of a market index most likely has _____.

Select correct option:

An anticipated earnings growth rate which is less than that of the average firm

A dividend yield which is less than that of the average firm

Less predictable earnings growth than that of the average firm

Greater cyclical growth of earnings than that of the average firm

Where the efficient stock combination of risk and return in efficient market should lie?

Select correct option:

On the SML

Below the SML

Above the SML

It may lie anywhere for efficient combination

Who or what is a person or institution designated by a bond issuer as the official representative of the bondholders?

Select correct option:

Indenture

Debenture

Bond

Bond trustee

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital

Limited liability of shareholders

Limited life of the corporate form

Which of the following is NOT true regarding an annuity due?

Select correct option:

It is a series of equal cash flows

It is also known as deferred annuity

Cash flows occur for a specific time period

Payments are made at the start of each period

Question # 1 of 15 (Start time: 04:22:51 PM)

Total Marks: 1

Which of the following is NOT The cost of equity?

Select correct option:

The minimum rate that a firm should earn on the equity-financed part of an investment

A return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged

By far the most difficult component cost to estimate

Generally lower than the before-tax cost of debt

Question # 2 of 15 (Start time: 04:24:19 PM)

Total Marks: 1

What is potentially the biggest advantage of a small partnership over a sole proprietorship?

Select correct option:

Unlimited liability

Single tax filing

Difficult ownership resale

Raising capital

Question # 3 of 15 (Start time: 04:25:25 PM)

Total Marks: 1

An arbitrage opportunity exists if an investor can construct a _____ investment portfolio that will yield a sure profit.

Select correct option:

Positive

Negative

Zero

All of the above

Question # 4 of 15 (Start time: 04:26:43 PM) Total Marks: 1
Choose the correct statement regarding the calculations of NPV (Net Present Value).

Exclude sunk costs and include opportunity costs and externalities
Exclude sunk costs and externalities and include opportunity costs
Include sunk costs, opportunity costs, and externalities
Exclude sunk costs and opportunity costs and include externalities

Question # 5 of 15 (Start time: 04:28:10 PM) Total Marks: 1

Which of the following would express the negative net worth of a firm?

Select correct option:

Experiencing a business failure

In legal bankruptcy

Experiencing technical insolvency

Experiencing accounting insolvency

Question # 6 of 15 (Start time: 04:29:00 PM) Total Marks: 1

The return in excess to risk free rate that investors require for bearing the market risk is known as:

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

Question # 7 of 15 (Start time: 04:29:49 PM) Total Marks: 1

The RBS pays 5.60%, compounded daily (based on 360 days), on a 9-month certificate of deposit, if you deposit Rs.20, 000 you would expect to earn around _____ in

interest.

Select correct option:

Rs.840

Rs.858

Rs.1,032

Rs.1,121

Question # 8 of 15 (Start time: 04:31:16 PM)

Total Marks: 1

In the dividend discount model, _____ which of the following are not incorporated into the discount rate?

Select correct option:

Real risk-free rate

Risk premium for stocks

Return on assets

Expected inflation rate

Question # 9 of 15 (Start time: 04:32:35 PM)

Total Marks: 1

Which of the following refers to financial risk?

Select correct option:

Risk of owning equity securities

Risk faced by equity holders when debt is used

General business risk of the firm

Possibility that interest rates will increase

Question # 10 of 15 (Start time: 04:33:14 PM)

Total Marks: 1

Investors may be willing to pay a premium for stable dividends because of the

informational content of _____, the desire of investors for _____, and certain _____.

Select correct option:

Institutional considerations; dividends; current income

Dividends; current income; institutional considerations

Current income; dividends; institutional considerations

Institutional considerations; current income; dividends

Question # 11 of 15 (Start time: 04:33:58 PM)

Total Marks: 1

Which of the following are known as Discretionary Financing?

Select correct option:

Current liabilities

Current assets

Fixed assets

Long-term liabilities

Question # 12 of 15 (Start time: 04:34:45 PM)

Total Marks: 1

A 5-year annuity due has periodic cash flows of Rs.100 each year. If

the interest rate is 8 percent, the future value of this annuity is closest to which of the following equations?

Select correct option:

(Rs.100)(FVIFA at 8% for 5 periods)

(Rs.100)(FVIFA at 8% for 4 periods)(1.08)

(Rs.100) (FVIFA at 8% for 5 periods)(1.08)

(Rs.100)(FVIFA at 8% for 4 periods) + Rs.100

Question # 13 of 15 (Start time: 04:35:44 PM) Total Marks: 1

Which of the following is NOT the step of Percentage of sales to be used in Financial

Forecasting?

Select correct option:

Estimate year-by-year Sales Revenue and Expenses

Estimate Levels of Investment Needs required to Meet Estimated Sales

Estimate the Financing Needs

Estimate the retained earnings

Question # 14 of 15 (Start time: 04:36:24 PM) Total Marks: 1

Which of the following statements is true?

Select correct option:

The financial risk of a firm decreases when it takes on a risky project

The financial risk of a firm increases when it takes on more equity

The business risk of a firm increases when it takes on a risky project

The business risk of a firm increases when it takes on more debt

Question # 15 of 15 (Start time: 04:37:21 PM) Total Marks: 1

What is the expected return of a zero-beta security?

Select correct option:

The risk-free rate

Zero rate of return

A negative rate of return

The market rate of return

Quiz Start Time: 06:29 PM

Time Left 88 sec(s)

Question # 1 of 15 (Start time: 06:29:20 PM) Total Marks: 1

Which statement is NOT true regarding the market portfolio?

Select correct option:

It includes all publicly traded financial assets

It is the tangency point between the capital market line and the indifference curve

All securities in the market portfolio are held in proportion to their market values

It lies on the efficient frontier

Question # 2 of 15 (Start time: 06:30:38 PM) Total Marks: 1

Which of the following is type a Temporary Account?

Select correct option:

Asset

Liability

Reserves

Revenue

Quiz Start Time: 06:29 PM

Time Left 89 sec(s)

Question # 3 of 15 (Start time: 06:32:00 PM) Total Marks: 1

For which of the following costs is it generally necessary to apply a tax adjustment to a yield measure?

Select correct option:

Cost of debt

Cost of preferred stock

Cost of common equity

Cost of retained earnings

Question # 4 of 15 (Start time: 06:32:50 PM) Total Marks: 1

Total portfolio risk is a combination of:

Select correct option:

Systematic risk plus non-diversifiable risk

Avoidable risk plus diversifiable risk

Systematic risk plus unavoidable risk

Systematic risk plus diversifiable risk

Question # 5 of 15 (Start time: 06:33:32 PM) Total Marks: 1

What is the additional amount a borrower must pay to lender to compensate for assuming the risk associated with non-payment?

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

Question # 6 of 15 (Start time: 06:34:04 PM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 7 of 15 (Start time: 06:34:36 PM) Total Marks: 1

Which of the following refers to time value of money concept?

Select correct option:

A rupee in one's hand at present is worth less than the rupee that one is going to receive tomorrow

A rupee in one's hand at present is worth more than the rupee that one is going to receive tomorrow

A rupee in one's hand at present is worth same as the rupee that one is going to receive tomorrow

All of the given options

Question # 8 of 15 (Start time: 06:35:15 PM) Total Marks: 1

Which of the following statements is TRUE regarding Permanent Accounts?

Select correct option:

Accounts that are found on Income Statement

Accounts that are found on Statement of Retained Earnings

Accounts that are found on Balance Sheet

All of the given options

Question # 9 of 15 (Start time: 06:35:56 PM) Total Marks: 1

In which of the following approach you need to bring all the projects to the same length in time?

Select correct option:

MIRR approach

Going concern approach

Common life approach

Equivalent annual approach

Question # 10 of 15 (Start time: 06:36:31 PM) Total Marks: 1

What is the difference between economic profit and accounting profit?

Select correct option:

Economic profit includes a charge for all providers of capital while accounting profit includes only a charge for debt

Economic profit covers the profit over the life of the firm, while accounting profit only covers the most recent accounting period
Accounting profit is based on current accepted accounting rules while economic profit is based on cash flows

All of the given options are correct

Question # 11 of 15 (Start time: 06:37:13 PM) Total Marks: 1

Which of the following can not be the drawback of using payback period technique of capital budgeting?

Select correct option:

It does not account for time value of money

It neglects cash flows after the payback period

It does not use interest rate while making calculations

It is a tricky and complicated method

Question # 12 of 15 (Start time: 06:37:43 PM) Total Marks: 1

Which of the following would be considered a cash-flow item from an "investing" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Cash outflow to purchase bonds issued by another company

Question # 13 of 15 (Start time: 06:38:24 PM) Total Marks: 1

What is difference between shares and bonds?

Select correct option:

Bonds are representing ownership whereas shares are not

Shares are representing ownership whereas bonds are not

Shares and bonds both represent equity

Shares and bond both represent liabilities

Question # 14 of 15 (Start time: 06:39:06 PM) Total Marks: 1

Which of the following are known as Discretionary Financing?

Select correct option:

Current liabilities

Current assets

Fixed assets

Long-term liabilities

Question # 15 of 15 (Start time: 06:39:56 PM) Total Marks: 1

Which of the following is similar between Return on investment and Payback period techniques of Capital budgeting?

Select correct option:

Involvement of interest rate while making calculations

Do not account for time value of money

Tricky and complicated methods

All of the given options

Question # 1 of 15 (Start time: 06:42:06 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Question # 2 of 15 (Start time: 06:42:41 PM) Total Marks: 1

As interest rates go up, the present value of a stream of fixed cash flows ____.

Select correct option:

Goes down

Goes up

Stays the same

Can not be found from the given information

Question # 3 of 15 (Start time: 06:43:30 PM) Total Marks: 1

All of the following are the financial statements used for the purpose of reporting and analysis

EXCEPT:

Select correct option:

Balance Sheet

Income Statement

Cash budget

Statement of Retained Earnings

Question # 4 of 15 (Start time: 06:44:12 PM) Total Marks: 1

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

Real assets of the business

Liquid assets of the business

Fixed assets of the business

Long term assets of the business

Question # 5 of 15 (Start time: 06:44:45 PM) Total Marks: 1

Which of the following statistic measures the returns of two risky assets that move together?

Select correct option:

Correlation

Standard deviation

Square root

Variance

Question # 6 of 15 (Start time: 06:45:43 PM) Total Marks: 1

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Question # 7 of 15 (Start time: 06:46:15 PM) Total Marks: 1

What is the present value of Rs.8,000 to be paid at the end of three years if interest rate is 11%?

Select correct option:

Rs.6,015

Rs.4,872

Rs.6,725

Rs.1,842

Question # 8 of 15 (Start time: 06:47:00 PM) Total Marks: 1

What is the present value of Rs. 3,500,000 to be paid at the end of 50 years if the correct risk adjusted interest rate is 18%?

Select correct option:

Rs.105,000

Rs.1,500,000

Rs.3975,000

Rs. 350,000

Question # 9 of 15 (Start time: 06:47:37 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Question # 10 of 15 (Start time: 06:48:10 PM) Total Marks: 1
All of the following are the reasons for Uncertain NPV calculations EXCEPT:

Select correct option:

Estimated discount rate does not change with the markets

Estimated Life of project is doubtful

Annual after-tax cash flows are difficult to estimate

Timing of cash flows is not exactly predictable

Question # 11 of 15 (Start time: 06:49:32 PM) Total Marks: 1
Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - Q_{BE})/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

Question # 12 of 15 (Start time: 06:50:02 PM) Total Marks: 1
How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Question # 13 of 15 (Start time: 06:50:27 PM) Total Marks: 1
Which of the following would be considered a cash-flow item from an "investing" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Cash outflow to purchase bonds issued by another company

Question # 14 of 15 (Start time: 06:51:23 PM) Total Marks: 1
Consider two bonds, A and B. Both bonds presently are selling at their par value of Rs. 1,000.

Each pays interest of Rs. 120 annually. Bond A will mature in 5 years while bond B will mature in 6 years. If the yields to maturity on the two bonds change from 12% to 10%, _____.

Select correct option:

Both bonds will increase in value, but bond A will increase more than bond B

Both bonds will increase in value, but bond B will increase more than bond A

Both bonds will decrease in value, but bond A will decrease more than bond B

Both bonds will decrease in value, but bond B will decrease more than bond A

Question # 15 of 15 (Start time: 06:52:04 PM) Total Marks: 1

Coefficient of variation is NOT the measure of _____.

Select correct option:

Risk

Probability

Relative dispersion

Risk per unit of expected return

Question # 1 of 15 (Start time: 06:57:33 PM) Total Marks: 1

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 2 of 15 (Start time: 06:58:16 PM) Total Marks: 1

You are considering two investment proposals, project A and project B. B's expected net present value is Rs. 1,000 greater than that for A and A's dispersion of net present value is less than that for B. On the basis of risk and return, what would be your conclusion?

Select correct option:

Project A dominates project B

Project B dominates project A

Neither project dominates the other in terms of risk and return

Incomplete information

Question # 3 of 15 (Start time: 06:59:04 PM) Total Marks: 1

How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Question # 4 of 15 (Start time: 06:59:40 PM) Total Marks: 1

The current yield on a bond is equal to _____.

Select correct option:

Annual interest divided by the current market price

The yield to maturity

Annual interest divided by the par value

The internal rate of return

Question # 5 of 15 (Start time: 07:00:32 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Question # 6 of 15 (Start time: 07:01:07 PM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

Larger; Larger

Larger; Smaller

Smaller; Larger

Smaller; Smaller

Question # 7 of 15 (Start time: 07:02:05 PM) Total Marks: 1

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital

Limited liability of shareholders

Limited life of the corporate form

Question # 8 of 15 (Start time: 07:02:53 PM) Total Marks: 1

Which of the following includes the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization?

Select correct option:

Financial accounting

Financial management

Financial engineering

Financial budgeting

Question # 9 of 15 (Start time: 07:03:24 PM) Total Marks: 1

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Question # 10 of 15 (Start time: 07:04:10 PM) Total Marks: 1

What is the present value of Rs.1,000 to be paid at the end of 5 years if the correct risk adjusted interest rate is 8%?

Select correct option:

Rs.714

Rs.1,462

Rs.322.69

Rs.401.98

Question # 11 of 15 (Start time: 07:05:13 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Question # 12 of 15 (Start time: 07:05:45 PM) Total Marks: 1

If a firm has a DOL of 5 at Q units, what would be the effect on sales and EBIT?

Select correct option:

If sales rise by 5%, EBIT will rise by 5%

If sales rise by 1%, EBIT will rise by 1%

If sales rise by 5%, EBIT will fall by 25%

If sales rise by 1%, EBIT will rise by 5%

Question # 13 of 15 (Start time: 07:06:22 PM) Total Marks: 1

When bonds are issued, under which of the following category the value of the bond appears?

Select correct option:

Equity

Fixed assets

Short term loan

Long term loan

Question # 14 of 15 (Start time: 07:07:31 PM) Total Marks: 1

Which of the following could be defined as the capital structure of the Company?

Select correct option:

The firm's mix of different securities

The firm's debt-equity ratio

The market imperfection that the firm's manager can exploit

All of the above

Question # 15 of 15 (Start time: 07:08:09 PM) Total Marks: 1

_____ means expanding the number of investments which cover different kinds of stocks.

Select correct option:

Diversification

Standard deviation

Variance

Covariance

Question # 1 of 15 (Start time: 07:09:11 PM) Total Marks: 1

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 2 of 15 (Start time: 07:10:39 PM) Total Marks: 1

Companies and individuals running different types of businesses have to make the choices of the asset according to which of the following?

Select correct option:

Life span of the project

Cost of the capital

Return on asset

None of the given options

Question # 3 of 15 (Start time: 07:11:29 PM) Total Marks: 1

Consider two bonds, A and B. Both bonds presently are selling at their par value of Rs. 1,000.

Each pays interest of Rs. 120 annually. Bond A will mature in 5 years while bond B will mature in

6 years. If the yields to maturity on the two bonds change from 12% to 10%, _____.

Select correct option:

Both bonds will increase in value, but bond A will increase more than bond B

Both bonds will increase in value, but bond B will increase more than bond A

Both bonds will decrease in value, but bond A will decrease more than bond B

Both bonds will decrease in value, but bond B will decrease more than bond A

Question # 4 of 15 (Start time: 07:12:15 PM) Total Marks: 1

If the probability is written on Y-axis and the rate of return is mentioned on the X-axis, Which kind of relationship it shows when there is higher the standard deviation the higher the risk.

Select correct option:

Indirect relationship

Inverse relationship

Direct relationship

No relationship

Question # 5 of 15 (Start time: 07:12:49 PM) Total Marks: 1

Which of the following formula relates beta of the stock to the standard deviation?

Select correct option:

Covariance of stock with market * variance of the market

Covariance of stock with market / variance of the market

Variance of the market / Covariance of stock with market

Slope of the regression line

Question # 6 of 15 (Start time: 07:13:54 PM) Total Marks: 1

At the termination of project, which of the following needs to be considered relating to project assets?

Select correct option:

Salvage value

Book value

Intrinsic value

Fair value

Question # 7 of 15 (Start time: 07:14:50 PM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

Larger; Larger

Larger; Smaller

Smaller; Larger

Smaller; Smaller

Question # 8 of 15 (Start time: 07:15:17 PM) Total Marks: 1

Who or what is a person or institution designated by a bond issuer as the official representative of the bondholders?

Select correct option:

Indenture

Debenture

Bond

Bond trustee

Question # 9 of 15 (Start time: 07:15:52 PM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 10 of 15 (Start time: 07:16:21 PM) Total Marks: 1

Which of the following equations is the correct one?

Select correct option:

Net incremental after tax cash flows = net operating income + depreciation + Tax savings from depreciation + net working capital + other cash flow

Net incremental after tax cash flows = net operating income - depreciation + Tax savings from depreciation + net working capital + other cash flow

Net incremental after tax cash flows = net operating income + depreciation - Tax savings from depreciation - net working capital + other cash flow

Net incremental after tax cash flows = net operating income + depreciation + Tax savings from depreciation + net working capital - other cash flow

Question # 11 of 15 (Start time: 07:17:46 PM) Total Marks: 1
Which of the following is NOT an example of a financial intermediary?

Select correct option:

Wisconsin S&L, a savings and loan association

Strong Capital Appreciation, a mutual fund

Microsoft Corporation, a software firm

College Credit, a credit union

Question # 12 of 15 (Start time: 07:18:52 PM) Total Marks: 1

What should be used to calculate the proportional amount of equity financing employed by a firm?

Select correct option:

The common stock equity account on the firm's balance sheet

The sum of common stock and preferred stock on the balance sheet

The book value of the firm

The current market price per share of common stock times the number of shares Outstanding

Question # 13 of 15 (Start time: 07:19:44 PM) Total Marks: 1

When Investors want high plowback ratios?

Select correct option:

Whenever $ROE > k$

Whenever $k > ROE$

Only when they are in low tax brackets

Whenever bank interest rates are high

Question # 14 of 15 (Start time: 07:20:17 PM) Total Marks: 1

Which of the following is/are the component(s) of working capital management?

Select correct option:

Current assets

Fixed assets

Fixed assets and long-term liabilities

Current assets and current liabilities

Question # 15 of 15 (Start time: 07:20:43 PM) Total Marks: 1

Which of the following refers to the cost of taking up one option while sacrificing the other?

Select correct option:

Opportunity cost

Operating cost

Sunk cost

Floatation cost

Question # 1 of 15 (Start time: 09:28:53 AM) Total Marks: 1
Which of the following could NOT be defined as the capital structure of the Company?

Select correct option:

The firm's mix of Assets and liabilities

The firm's common stocks only

The firm's debt-equity ratio

All of the given options

Question # 2 of 15 (Start time: 09:29:41 AM) Total Marks: 1

Which of the following is NOT an example of hybrid equity

Select correct option:

Convertible Bonds

Convertible Debenture

Common shares

Preferred shares

Question # 3 of 15 (Start time: 09:30:15 AM) Total Marks: 1

Which of the following should be included while calculating the cash flows associated with a project?

Select correct option:

Cash flows at the time of investment

Cash flows during the life of project

Cash flows at the termination date

All of the given options

Question # 4 of 15 (Start time: 09:31:28 AM) Total Marks: 1

Which of the following is type a Temporary Account?

Select correct option:

Asset

Liability

Reserves

Revenue

Question # 5 of 15 (Start time: 09:31:56 AM) Total Marks: 1

The overall (weighted average) cost of capital is composed of weighted averages of which of the following?

Select correct option:

The cost of common equity and the cost of debt

The cost of common equity and the cost of preferred stock

The cost of preferred stock and the cost of debt

The cost of common equity, the cost of preferred stock, and the cost of debt

Question # 6 of 15 (Start time: 09:32:46 AM) Total Marks: 1

Which of the following could be defined as the capital structure of the Company?

Select correct option:

The firm's mix of different securities

The firm's debt-equity ratio

The market imperfection that the firm's manager can exploit

All of the above

Question # 7 of 15 (Start time: 09:33:13 AM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 8 of 15 (Start time: 09:33:52 AM) Total Marks: 1

Consider two bonds, A and B. Both bonds presently are selling at their par value of Rs. 1,000. Each pays interest of Rs. 120 annually. Bond A will mature in 5 years while bond B will mature in 6 years. If the yields to maturity on the two bonds change from 12% to 10%, _____.

Select correct option:

Both bonds will increase in value, but bond A will increase more than bond B

Both bonds will increase in value, but bond B will increase more than bond A

Both bonds will decrease in value, but bond A will decrease more than bond B

Both bonds will decrease in value, but bond B will decrease more than bond A

Question # 9 of 15 (Start time: 09:34:26 AM) Total Marks: 1

The explicit costs associated with corporate default, such as legal expenses, are the _____ of the firm.

Select correct option:

Flotation costs

Default beta coefficients

Direct bankruptcy costs

Indirect bankruptcy costs

Question # 10 of 15 (Start time: 09:35:00 AM) Total Marks: 1

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Question # 11 of 15 (Start time: 09:35:39 AM) Total Marks: 1

Calculate the break-even point for sales revenues given the following information. The firm has Rs.1, 000,000 in fixed costs. The firm anticipates that variable costs will be Rs.1 for every Rs.5 in sales.

Select correct option:

Rs.1, 250,000

Rs.1, 000,000

Rs.250, 000

Rs.200, 000

Question # 12 of 15 (Start time: 09:36:02 AM) Total Marks: 1

Which of the following equation is NOT correct?

Select correct option:

Gross Revenue – Admin & Operating Expenses = Operating Revenue

Other Expenses + Other Revenue = EBIT

EBIT – Financial Charges & Interest = EBT

Net Income – Dividends = Retained Earning

Question # 13 of 15 (Start time: 09:36:40 AM) Total Marks: 1

If 2 stocks move in the same direction together then what will be the correlation coefficient?

Select correct option:

0

1.0

-1.0

1.5

Question # 14 of 15 (Start time: 09:37:02 AM) Total Marks: 1

Which of the following is NOT an example of a financial intermediary?

Select correct option:

Wisconsin S&L, a savings and loan association

Strong Capital Appreciation, a mutual fund

Microsoft Corporation, a software firm

College Credit, a credit union

Question # 15 of 15 (Start time: 09:37:29 AM) Total Marks: 1

Which of the following could be taken same as minimizing the weighted average cost of capital?

Select correct option:

Maximizing the market value of the firm

Maximizing the market value of the firm only if MM's Proposition I

Minimizing the market value of the firm only if MM's Proposition I holds

Maximizing the profits of the firm

Sent at 9:37 AM on Wednesday

Quiz Start Time: 09:42 AM

Time Left 75

sec(s)

Question # 2 of 15 (Start time: 09:49:39 AM) Total Marks: 1

Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Quiz Start Time: 09:42 AM

Time Left 76

sec(s)

Question # 6 of 15 (Start time: 09:53:17 AM) Total Marks: 1

An arbitrage opportunity exists if an investor can construct a _____ investment portfolio that will yield a sure profit.

Select correct option:

Positive

Negative

Zero

All of the above

Question # 7 of 15 (Start time: 09:53:43 AM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 8 of 15 (Start time: 09:54:06 AM) Total Marks: 1

Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 9 of 15 (Start time: 09:54:27 AM) Total Marks: 1

Where the stock points will lie, if a stock is a part of totally diversified portfolio?

Select correct option:

It will lie below the regression line

It will line above the regression line

It will line exactly on the regression line

It will be tangent to the regression line

Question # 10 of 15 (Start time: 09:54:55 AM) Total Marks: 1

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as _____.

Select correct option:

Probability distribution

The expected return

The standard deviation

Coefficient of variation

Question # 11 of 15 (Start time: 09:55:20 AM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

Larger; Larger

Larger; Smaller

Smaller; Larger

Smaller; Smaller

Question # 12 of 15 (Start time: 09:55:40 AM) Total Marks: 1

You are considering two investment proposals, project A and project B. B's expected net present value is Rs. 1,000 greater than that for A and A's dispersion of net present value is less than that for B. On the basis of risk and return, what would be your conclusion?

Select correct option:

Project A dominates project B

Project B dominates project A

Neither project dominates the other in terms of risk and return

Incomplete information

Question # 13 of 15 (Start time: 09:55:58 AM) Total Marks: 1

Which of the following could be taken same as minimizing the weighted average cost of capital?

Select correct option:

Maximizing the market value of the firm

Maximizing the market value of the firm only if MM's Proposition I

Minimizing the market value of the firm only if MM's Proposition I holds

Maximizing the profits of the firm

Question # 14 of 15 (Start time: 09:56:22 AM) Total Marks: 1

Which of the following statements is TRUE regarding Permanent Accounts?

Select correct option:

Accounts that are found on Income Statement

Accounts that are found on Statement of Retained Earnings

Accounts that are found on Balance Sheet

All of the given options

Question # 15 of 15 (Start time: 09:56:49 AM) Total Marks: 1

Why companies invest in projects with negative NPV?

Select correct option:

Because there is hidden value in each project

Because there may be chance of rapid growth

Because they have invested a lot

All of the given options

Question # 1 of 15 (Start time: 09:59:57 AM) Total Marks: 1

Total portfolio risk is _____.

Select correct option:

Equal to systematic risk plus non-diversifiable risk

Equal to avoidable risk plus diversifiable risk

Equal to systematic risk plus unavoidable risk

Equal to systematic risk plus diversifiable risk

Question # 2 of 15 (Start time: 10:00:52 AM) Total Marks: 1

A statistical measure of the variability of a distribution around its mean is referred to as _____.

Select correct option:

- Probability distribution
- Expected return
- Standard deviation**
- Coefficient of variation

Question # 3 of 15 (Start time: 10:01:18 AM) Total Marks: 1

Who or what is a person or institution designated by a bond issuer as the official representative of the bondholders?

Select correct option:

- Indenture
- Debenture
- Bond
- Bond trustee**

Question # 4 of 15 (Start time: 10:01:39 AM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

- Sales variability
- Level of fixed operating costs
- Closeness to its operating break-even point**
- Debt-to-equity ratio

Question # 5 of 15 (Start time: 10:02:00 AM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

- Larger; Larger**
- Larger; Smaller
- Smaller; Larger
- Smaller; Smaller

Question # 6 of 15 (Start time: 10:02:23 AM) Total Marks: 1

Which of the following is type a Temporary Account?

Select correct option:

- Asset
- Liability
- Reserves
- Revenue**

Question # 7 of 15 (Start time: 10:02:50 AM) Total Marks: 1

What should be the focal point of financial management in a firm?

Select correct option:

- The number and types of products or services provided by the

firm

The minimization of the amount of taxes paid by the firm

The creation of value for shareholders

The dollars profits earned by the firm

Question # 8 of 15 (Start time: 10:03:13 AM)

Total Marks: 1

Where the stock points will lie, if a stock is a part of totally diversified portfolio?

Select correct option:

It will lie below the regression line

It will line above the regression line

It will line exactly on the regression line

It will be tangent to the regression line

Question # 9 of 15 (Start time: 10:03:35 AM)

Total Marks: 1

_____ are also known as Spontaneous Financing.

Select correct option:

Current liabilities

Current assets

Fixed assets

Long-term liabilities

Question # 10 of 15 (Start time: 10:03:54 AM)

Total Marks: 1

The RBS pays 5.60%, compounded daily (based on 360 days), on a 9-month certificate of deposit, if you deposit Rs.20, 000 you would expect to earn around _____ in interest.

Select correct option:

Rs.840

Rs.858

Rs.1,032

Rs.1,121

Question # 11 of 15 (Start time: 10:04:13 AM)

Total Marks: 1

The logic behind _____ is that instead of looking at net cash flows you look at cash inflows and outflows separately for each point in time.

Select correct option:

IRR

MIRR

PV

NPV

Question # 12 of 15 (Start time: 10:04:33 AM)

Total Marks: 1

Which of the following factor(s) do NOT affects the movements in the market index?

Select correct option:

- Macroeconomic factors
- Socio political factors
- Social factors**
- All of the given options

Question # 13 of 15 (Start time: 10:04:55 AM)

Total Marks: 1

Which of the following is as EBIT?

Select correct option:

- Funds provided by operations
- Earnings before taxes
- Net income
- Operating profit**

Question # 14 of 15 (Start time: 10:05:13 AM)

Total Marks: 1

Which of the following refers to a policy of dividend "smoothing"?

Select correct option:

- Maintaining a constant dividend payout ratio
- Keeping the regular dividend at the same level indefinitely
- Maintaining a steady progression of dividend increases over time**
- Alternating cash dividends with stock dividends

Question # 15 of 15 (Start time: 10:05:43 AM)

Total Marks: 1

If risk and return combination of any stock is above the SML, what does it mean?

Select correct option:

- It is offering lower rate of return as compared to the efficient stock
- It is offering higher rate of return as compared to the efficient stock**
- Its rate of return is zero as compared to the efficient stock
- It is offering rate of return equal to the efficient stock

Question # 1 of 15 (Start time: 10:10:03 AM)

Total Marks: 1

Which of the following is NOT an example of hybrid equity

Select correct option:

- Convertible Bonds
- Convertible Debenture
- Common shares**
- Preferred shares

Question # 3 of 15 (Start time: 10:11:00 AM)

Total Marks: 1

What should be used to calculate the proportional amount of equity financing employed by a firm?

Select correct option:

- The common stock equity account on the firm's balance sheet
- The sum of common stock and preferred stock on the balance sheet
- The book value of the firm
- The current market price per share of common stock times the number of shares Outstanding**

Question # 5 of 15 (Start time: 10:12:23 AM) Total Marks: 1

Which of the following is related to the use Lower financial leverage?

Select correct option:

- Fixed costs
- Variable costs
- Debt financing
- Common equity financing**

Question # 6 of 15 (Start time: 10:12:46 AM) Total Marks: 1

A 5-year ordinary annuity has a present value of Rs.1,000. If the interest rate is 8 percent, the amount of each annuity payment is closest to which of the following?

Select correct option:

- Rs. 250.44**
- Rs. 231.91
- Rs.181.62
- Rs.184.08

Question # 7 of 15 (Start time: 10:13:08 AM) Total Marks: 1

The objective of financial management is to maximize _____ wealth.

Select correct option:

- Stakeholders
- Shareholders**
- Bondholders
- Directors

Question # 8 of 15 (Start time: 10:13:32 AM) Total Marks: 1

Which of the following stipulate a relationship between expected return and risk?

Select correct option:

- APT stipulates
- CAPM stipulates
- Both CAPM and APT stipulate**
- Neither CAPM nor APT stipulate

Question # 9 of 15 (Start time: 10:13:51 AM) Total Marks: 1
Which type of responsibilities are primarily assigned to Controller and Treasurer respectively?

Select correct option:

Operational; financial management

Financial management; accounting

Accounting; financial management

Financial management; operations

Question # 11 of 15 (Start time: 10:14:26 AM) Total Marks: 1
The stock in your portfolio was selling for Rs.40 per share yesterday, but has today declared a three for two split. Which of the following statements seems to be true?

Select correct option:

There will be two-thirds as many shares outstanding, and they will sell for Rs.60.00 each

There will be four times as many shares outstanding, and they will sell for Rs.160.00 each

There will be 50 percent more shares outstanding and they will sell for Rs.26.67 each

There will be one-and-one-half times as many shares outstanding, and they will sell for Rs.60.00 each

Question # 12 of 15 (Start time: 10:15:01 AM) Total Marks: 1
Which of the following is correct regarding the opportunity cost of capital for a project?

Select correct option:

The opportunity cost of capital is the return that investors give up by investing in the project rather than in securities of equivalent risk.

Financial managers use the capital asset pricing model to estimate the opportunity cost of capital

The company cost of capital is the expected rate of return demanded by investors in a company

All of the given options

Question # 13 of 15 (Start time: 10:15:20 AM) Total Marks: 1
When taxes are considered, the value of a levered firm equals the value of the_____.

Select correct option:

Unlevered firm

Unlevered firm plus the value of the debt

Unlevered firm plus the present value of the tax shield

Unlevered firm plus the value of the debt plus the value of the tax shield

Question # 14 of 15 (Start time: 10:15:50 AM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 15 of 15 (Start time: 10:16:14 AM) Total Marks: 1

Nominal Interest Rate is also known as:

Select correct option:

Effective interest Rate

Annual percentage rate

Periodic interest rate

Required interest rate

Question # 1 of 15 (Start time: 09:03:32 AM)Total Marks: 1

What should be the focal point of financial management in a firm?

Select correct option:

The number and types of products or services provided by the firm

The minimization of the amount of taxes paid by the firm

The creation of value for shareholders

The dollars profits earned by the firm

Question # 2 of 15 (Start time: 09:04:10 AM)Total Marks: 1

How "Shareholder wealth" is represented in a firm?

Select correct option:

The number of people employed in the firm

The book value of the firm's assets less the book value of its liabilities

The market price per share of the firm's common stock

The amount of salary paid to its employees

Question # 3 of 15 (Start time: 09:04:35 AM)Total Marks: 1

Effective interest rate is different from nominal rate of interest because:

Select correct option:

Nominal interest rate ignores compounding

Nominal interest rate includes frequency of compounding

Periodic interest rate ignores the effect of inflation

All of the given options

Question # 4 of 15 (Start time: 09:04:52 AM)Total Marks: 1
_____ is equal to (common shareholders' equity/common shares outstanding).

Select correct option:

Book value per share

Liquidation value per share

Market value per share

None of the above

Question # 5 of 15 (Start time: 09:05:04 AM)Total Marks: 1
Which one of the following selects the combination of investment proposals that will provide the greatest increase in the value of the firm within the budget ceiling constraint?

Select correct option:

Cash budgeting

Capital budgeting

Capital rationing

Capital expenditure

Question # 6 of 15 (Start time: 09:06:02 AM)Total Marks: 1
Companies and individuals running different types of businesses have to make the choices of the asset according to which of the following?

Select correct option:

Life span of the project

Cost of the capital

Return on asset

None of the given options

Question # 7 of 15 (Start time: 09:07:10 AM)Total Marks: 1
Which of the following is as EBIT?

Select correct option:
Funds provided by operations
Earnings before taxes
Net income
Operating profit

Question # 8 of 15 (Start time: 09:07:35 AM)Total Marks: 1
The RBS pays 5.60%, compounded daily (based on 360 days), on a 9-month certificate of deposit, if you deposit Rs.20, 000 you would expect to earn around _____ in interest.

Select correct option:
Rs.840
Rs.858
Rs.1,032
Rs.1,121

Question # 9 of 15 (Start time: 09:08:05 AM)Total Marks: 1
Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:
Sales variability
Level of fixed operating costs
Closeness to its operating

Question # 10 of 15 (Start time: 09:08:28 AM) Total Marks: 1
The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:
Real assets of the business
Liquid assets of the business
Fixed assets of the business
Long term assets of the business

Question # 11 of 15 (Start time: 09:08:46 AM) Total Marks: 1
The overall (weighted average) cost of capital is composed of weighted averages of which of the following?

Select correct option:

The cost of common equity and the cost of debt
The cost of common equity and the cost of preferred stock
The cost of preferred stock and the cost of debt
The cost of common equity, the cost of preferred stock, and the cost of debt

Question # 12 of 15 (Start time: 09:09:32 AM) Total Marks: 1
Total portfolio risk is a combination of:

Select correct option:
Systematic risk plus non-diversifiable risk
Avoidable risk plus diversifiable risk
Systematic risk plus unavoidable risk
Systematic risk plus diversifiable risk

Question # 13 of 15 (Start time: 09:09:49 AM) Total Marks: 1
Which of the following refers to time value of money concept?

Select correct option:
A rupee in one's hand at present is worth less than the rupee that one is going to receive tomorrow
A rupee in one's hand at present is worth more than the rupee that one is going to receive tomorrow
A rupee in one's hand at present is worth same as the rupee that one is going to receive tomorrow
All of the given options

Question # 14 of 15 (Start time: 09:10:14 AM) Total Marks: 1
In which of the following approach you need to bring all the projects to the same length in time?

Select correct option:
MIRR approach
Going concern approach
Common life approach
Equivalent annual approach

Question # 15 of 15 (Start time: 09:10:30 AM) Total Marks: 1
Which of the following costs would be considered a fixed cost?

Select correct option:
Raw materials
Depreciation

Bad-debt losses
Production labor

Question # 1 of 15 (Start time: 09:13:17 AM)Total Marks: 1
The conventional measure of dispersion is _____.

Select correct option:
A probability distribution
The expected return
The standard deviation
Coefficient of variation

Question # 2 of 15 (Start time: 09:13:34 AM)Total Marks: 1
An arbitrage opportunity exists if an investor can construct a _____ investment portfolio that will yield a sure profit.

Select correct option:
Positive
Negative
Zero
All of the above

Question # 3 of 15 (Start time: 09:13:53 AM)Total Marks: 1
In efficient market the stock price depends upon the required return which depends upon _____.

Select correct option:
Market risk
Total risk
Diversified risk
Non- systematic risk

Question # 4 of 15 (Start time: 09:14:07 AM)Total Marks: 1
Why companies invest in projects with negative NPV?

Select correct option:
Because there is hidden value in each project
Because there may be chance of rapid growth
Because they have invested a lot
All of the given options

Question # 5 of 15 (Start time: 09:14:23 AM)Total Marks: 1
What does the law of conservation of value implies?

Select correct option:

The mix of senior and subordinated debt does not affect the value of the firm

The mix of convertible and non-convertible debt does not affect the value of the firm

The mix of common stock and preferred stock does not affect the value of the firm

All of the given options

Question # 7 of 15 (Start time: 09:14:53 AM)Total Marks: 1

Study the time line and accompanying 5-period cash-flow pattern below. 0 1 2 3 4 5 6 Time line

|-----|-----|-----|-----|-----|-----| Rs.10 Rs.10 Rs.10

Rs.10 Rs.10 Cash flows | | A B The present value of the 5-period annuity shown above as of Point A is the present value of a 5-period _____, whereas the future value of the same annuity as of Point B is the future value of a 5-period _____.

Select correct option:

Ordinary annuity; ordinary annuity

Ordinary annuity; annuity due

Annuity due; annuity due

Annuity due; ordinary annuity

Question # 8 of 15 (Start time: 09:15:56 AM)Total Marks: 1

What is a legal agreement, also called the deed of trust, between the corporation issuing bonds and the bondholders that establish the terms of the bond issue?

Select correct option:

Indenture

Debenture

Bond

Bond trustee

Question # 9 of 15 (Start time: 09:16:19 AM)Total Marks: 1

Which of the following is the value of beta for the market portfolio?

Select correct option:

0.25

-1.0

1.0

0.5

Question # 10 of 15 (Start time: 09:17:07 AM) Total Marks: 1

Which of the following is FALSE about Perpetuity?

Select correct option:

It is a series of cash flows

Cash flows occur for a specific time period

Its cash flows are identical

None of the given options

Question # 11 of 15 (Start time: 09:17:46 AM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 12 of 15 (Start time: 09:17:59 AM) Total Marks: 1

According to timing difference problem a good project might suffer from _____ IRR even though its NPV is _____.

Select correct option:

Higher; lower

Lower; Lower

Lower; higher

Higher; higher

Question # 13 of 15 (Start time: 09:18:34 AM) Total Marks: 1

Which of the following refers to the risk associated with interest rate uncertainty?

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

Question # 14 of 15 (Start time: 09:18:50 AM) Total Marks: 1
Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - Q_{BE})/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

Question # 15 of 15 (Start time: 09:19:04 AM) Total Marks: 1
Why markets and market returns fluctuate?

Select correct option:

Because of political factors

Because of social factors

Because of socio-political factors

Because of macro systematic factors

Question # 1 of 15 (Start time: 01:38:46 PM) Total Marks: 1
Which of the followings are the propositions of Modigliani and Miller's?

Select correct option:

The market value of a firm's common stock is independent of its capital structure

The market value of a firm's debt is independent of its capital structure

The market value of any firm is independent of its capital structure

None of the given options

Question # 2 of 15 (Start time: 01:39:19 PM) Total Marks: 1
A capital budgeting technique through which discount rate equates the present value of the future net cash flows from an investment project with the project's initial cash outflow is known as:

Select correct option:

Payback period

Internal rate of return

Net present value
Profitability index

Question # 3 of 15 (Start time: 01:40:08 PM)Total Marks: 1
What should be the focal point of financial management in a firm?

Select correct option:

The number and types of products or services provided by the firm

The minimization of the amount of taxes paid by the firm

The creation of value for shareholders

The dollars profits earned by the firm

Question # 4 of 15 (Start time: 01:40:49 PM)Total Marks: 1
Which of the following is the risk of investing funds in another country?

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

Question # 5 of 15 (Start time: 01:41:17 PM)Total Marks: 1
Which of the following is FALSE about Perpetuity?

Select correct option:

It is a series of cash flows

Cash flows occur for a specific time period

Its cash flows are identical

None of the given options

Question # 6 of 15 (Start time: 01:41:51 PM)Total Marks: 1
According to _____, the firm's cost of equity increases with greater debt financing, but the WACC remains unchanged.

Select correct option:

M&M Proposition I with taxes
M&M Proposition I without taxes
M&M Proposition II without taxes
M&M Proposition II with taxes

Question # 7 of 15 (Start time: 01:42:44 PM) Total Marks: 1
Which of the following value of the shares changes with investor's perception about the company's future and supply and demand situation?

Select correct option:

Par value
Market value
Intrinsic value
Face value

Question # 8 of 15 (Start time: 01:43:15 PM) Total Marks: 1

Select correct option:

0

0.5
1
-1

Question # 9 of 15 (Start time: 01:43:46 PM) Total Marks: 1
Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity
Debt-service burden
Adequacy capacity
Fixed-charge burden

Question # 10 of 15 (Start time: 01:44:15 PM) Total Marks: 1
_____ is equal to (common shareholders' equity/common shares outstanding).

Select correct option:

Book value per share

Liquidation value per share

Market value per share

None of the above

Question # 11 of 15 (Start time: 01:44:47 PM)

Total Marks: 1

_____ Select correct option:

Diversification

Standard deviation

Variance

Covariance

Question # 12 of 15 (Start time: 01:45:26 PM)

Total Marks: 1

How "Shareholder wealth" is represented in a firm?

Select correct option:

The number of people employed in the firm

The book value of the firm's assets less the book value of its liabilities

The market price per share of the firm's common stock

The amount of salary paid to its employees

Question # 13 of 15 (Start time: 01:45:56 PM)

Total Marks: 1

Which of the following would generally have unlimited liability?

Select correct option:

A limited partner in a partnership

A shareholder in a corporation

The owner of a sole proprietorship

A member in a limited liability company (LLC)

Question # 14 of 15 (Start time: 01:46:32 PM)

Total Marks: 1

Which of the following is an example of restructuring the firm?

Select correct option:

Dividends are increased from Rs.1 to Rs.2 per share

A new investment increases the firm's business risk

New equity is issued and the proceeds repay debt

A new Board of Directors is elected to the firm

Question # 15 of 15 (Start time: 01:47:27 PM) Total Marks: 1

An investment proposal should be judged in whether or not it provides:

Select correct option:

A return equal to the return required by the investor

A return more than required by investor

A return less than required by investor

A return equal to or more than required by investor

Quiz Start Time: 06:29 PM

Time Left 88

sec(s)

Question # 1 of 15 (Start time: 06:29:20 PM) Total Marks: 1

Which statement is NOT true regarding the market portfolio?

Select correct option:

It includes all publicly traded financial assets

It is the tangency point between the capital market line and the indifference curve

All securities in the market portfolio are held in proportion to their market values

It lies on the efficient frontier

Question # 2 of 15 (Start time: 06:30:38 PM) Total Marks: 1

Which of the following is type a Temporary Account?

Select correct option:

Asset

Liability

Reserves

Revenue

Quiz Start Time: 06:29 PM

Time Left 89

sec(s)

Question # 3 of 15 (Start time: 06:32:00 PM) Total Marks: 1

For which of the following costs is it generally necessary to apply a tax adjustment to a yield

measure?

Select correct option:

Cost of debt

Cost of preferred stock

Cost of common equity

Cost of retained earnings

Question # 4 of 15 (Start time: 06:32:50 PM) Total Marks: 1

Total portfolio risk is a combination of:

Select correct option:

Systematic risk plus non-diversifiable risk

Avoidable risk plus diversifiable risk

Systematic risk plus unavoidable risk

Systematic risk plus diversifiable risk

Question # 5 of 15 (Start time: 06:33:32 PM) Total Marks: 1

What is the additional amount a borrower must pay to lender to compensate for assuming the risk associated with non-payment?

Select correct option:

Default risk premium

Sovereign Risk Premium

Market risk premium

Maturity risk premium

Question # 6 of 15 (Start time: 06:34:04 PM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 7 of 15 (Start time: 06:34:36 PM) Total Marks: 1

Which of the following refers to time value of money concept?

Select correct option:

A rupee in one's hand at present is worth less than the rupee that one is going to receive tomorrow

A rupee in one's hand at present is worth more than the rupee that one is going to receive tomorrow

A rupee in one's hand at present is worth same as the rupee that one is going to receive tomorrow

All of the given options

Question # 8 of 15 (Start time: 06:35:15 PM) Total Marks: 1

Which of the following statements is TRUE regarding Permanent Accounts?

Select correct option:

Accounts that are found on Income Statement

Accounts that are found on Statement of Retained Earnings

Accounts that are found on Balance Sheet

All of the given options

Question # 9 of 15 (Start time: 06:35:56 PM) Total Marks: 1

In which of the following approach you need to bring all the projects to the same length in time?

Select correct option:

MIRR approach

Going concern approach

Common life approach

Equivalent annual approach

Question # 10 of 15 (Start time: 06:36:31 PM) Total Marks: 1

What is the difference between economic profit and accounting profit?

Select correct option:

Economic profit includes a charge for all providers of capital while accounting profit includes only a charge for debt

Economic profit covers the profit over the life of the firm, while accounting profit only covers the most recent accounting period

Accounting profit is based on current accepted accounting rules while economic profit is based on cash flows

All of the given options are correct

Question # 11 of 15 (Start time: 06:37:13 PM) Total Marks: 1

Which of the following can not be the drawback of using payback period technique of capital budgeting?

Select correct option:

It does not account for time value of money

It neglects cash flows after the payback period

It does not use interest rate while making calculations

It is a tricky and complicated method

Question # 12 of 15 (Start time: 06:37:43 PM) Total Marks: 1

Which of the following would be considered a cash-flow item from an "investing" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Cash outflow to purchase bonds issued by another company

Question # 13 of 15 (Start time: 06:38:24 PM) Total Marks: 1

What is difference between shares and bonds?

Select correct option:

Bonds are representing ownership whereas shares are not
Shares are representing ownership whereas bonds are not

Shares and bonds both represent equity

Shares and bond both represent liabilities

Question # 14 of 15 (Start time: 06:39:06 PM) Total Marks: 1

Which of the following are known as Discretionary Financing?

Select correct option:

Current liabilities

Current assets

Fixed assets

Long-term liabilities

Question # 15 of 15 (Start time: 06:39:56 PM) Total Marks: 1

Which of the following is similar between Return on Investment and Payback period techniques of

Capital budgeting?

Select correct option:

Involvement of interest rate while making calculations

Do not account for time value of money

Tricky and complicated methods

All of the given options

Question # 1 of 15 (Start time: 06:42:06 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Question # 2 of 15 (Start time: 06:42:41 PM) Total Marks: 1

As interest rates go up, the present value of a stream of fixed cash flows _____.

Select correct option:

Goes down

Goes up

Stays the same

Can not be found from the given information

Question # 3 of 15 (Start time: 06:43:30 PM) Total Marks: 1

All of the following are the financial statements used for the purpose of reporting and analysis

EXCEPT:

Select correct option:

Balance Sheet

Income Statement

Cash budget

Statement of Retained Earnings

Question # 4 of 15 (Start time: 06:44:12 PM) Total Marks: 1

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

Real assets of the business

Liquid assets of the business

Fixed assets of the business

Long term assets of the business

Question # 5 of 15 (Start time: 06:44:45 PM) Total Marks: 1

Which of the following statistic measures the returns of two risky assets that move together?

Select correct option:

Correlation

Standard deviation

Square root

Variance

Question # 6 of 15 (Start time: 06:45:43 PM) Total Marks: 1

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Question # 7 of 15 (Start time: 06:46:15 PM) Total Marks: 1

What is the present value of Rs.8,000 to be paid at the end of three years if interest rate is 11%?

Select correct option:

Rs.6,015

Rs.4,872

Rs.6,725

Rs.1,842

Question # 8 of 15 (Start time: 06:47:00 PM) Total Marks: 1

What is the present value of Rs. 3,500,000 to be paid at the end of 50 years if the correct risk adjusted interest rate is 18%?

Select correct option:

Rs.105,000

Rs.1,500,000

Rs.3975,000

Rs. 350,000

Question # 9 of 15 (Start time: 06:47:37 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Question # 10 of 15 (Start time: 06:48:10 PM) Total Marks: 1

All of the following are the reasons for Uncertain NPV calculations EXCEPT:

Select correct option:

Estimated discount rate does not change with the markets

Estimated Life of project is doubtful

Annual after-tax cash flows are difficult to estimate

Timing of cash flows is not exactly predictable

Question # 11 of 15 (Start time: 06:49:32 PM) Total Marks: 1

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - Q_{BE})/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

Question # 12 of 15 (Start time: 06:50:02 PM) Total Marks: 1

How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Question # 13 of 15 (Start time: 06:50:27 PM) Total Marks: 1

Which of the following would be considered a cash-flow item from an "investing" activity?

Select correct option:

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash outflow to lenders as interest

Cash outflow to purchase bonds issued by another company

Question # 14 of 15 (Start time: 06:51:23 PM) Total Marks: 1

Consider two bonds, A and B. Both bonds presently are selling at their par value of Rs. 1,000.

Each pays interest of Rs. 120 annually. Bond A will mature in 5 years while bond B will mature in 6 years. If the yields to maturity on the two bonds change from 12% to 10%, _____.

Select correct option:

Both bonds will increase in value, but bond A will increase more than bond B

Both bonds will increase in value, but bond B will increase more than bond A

Both bonds will decrease in value, but bond A will decrease more than bond B

Both bonds will decrease in value, but bond B will decrease more than bond A

Question # 15 of 15 (Start time: 06:52:04 PM) Total Marks: 1

Coefficient of variation is NOT the measure of _____.

Select correct option:

Risk

Probability

Relative dispersion

Risk per unit of expected return

Question # 1 of 15 (Start time: 06:57:33 PM) Total Marks: 1

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 2 of 15 (Start time: 06:58:16 PM) Total Marks: 1

You are considering two investment proposals, project A and project B. B's expected net present value is Rs. 1,000 greater than that for A and A's dispersion of net present value is less than that for B. On the basis of risk and return, what would be your conclusion?

Select correct option:

Project A dominates project B

Project B dominates project A

Neither project dominates the other in terms of risk and return

Incomplete information

Question # 3 of 15 (Start time: 06:59:04 PM) Total Marks: 1

How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Question # 4 of 15 (Start time: 06:59:40 PM) Total Marks: 1

The current yield on a bond is equal to _____.

Select correct option:

Annual interest divided by the current market price

The yield to maturity

Annual interest divided by the par value

The internal rate of return

Question # 5 of 15 (Start time: 07:00:32 PM) Total Marks: 1

Which of the following is a capital budgeting technique that is NOT considered as discounted

cash flow method?

Select correct option:

Payback period

Internal rate of return

Net present value

Profitability index

Question # 6 of 15 (Start time: 07:01:07 PM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

Larger; Larger

Larger; Smaller

Smaller; Larger

Smaller; Smaller

Question # 7 of 15 (Start time: 07:02:05 PM) Total Marks: 1

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital

Limited liability of shareholders

Limited life of the corporate form

Question # 8 of 15 (Start time: 07:02:53 PM) Total Marks: 1

Which of the following includes the planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization?

Select correct option:

Financial accounting

Financial management

Financial engineering

Financial budgeting

Question # 9 of 15 (Start time: 07:03:24 PM) Total Marks: 1

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Question # 10 of 15 (Start time: 07:04:10 PM) Total Marks: 1

What is the present value of Rs.1,000 to be paid at the end of 5 years if the correct risk adjusted interest rate is 8%?

Select correct option:

Rs.714

Rs.1,462

Rs.322.69

Rs.401.98

Question # 11 of 15 (Start time: 07:05:13 PM) Total Marks: 1

In 2 years you are to receive Rs.10,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would _____.

Select correct option:

Fall

Rise

Remain unchanged

Incomplete information

Question # 12 of 15 (Start time: 07:05:45 PM) Total Marks: 1

If a firm has a DOL of 5 at Q units, what would be the effect on sales and EBIT?

Select correct option:

If sales rise by 5%, EBIT will rise by 5%

If sales rise by 1%, EBIT will rise by 1%

If sales rise by 5%, EBIT will fall by 25%

If sales rise by 1%, EBIT will rise by 5%

Question # 13 of 15 (Start time: 07:06:22 PM) Total Marks: 1

When bonds are issued, under which of the following category the value of the bond appears?

Select correct option:

Equity

Fixed assets

Short term loan

Long term loan

Question # 14 of 15 (Start time: 07:07:31 PM) Total Marks: 1

Which of the following could be defined as the capital structure of the Company?

Select correct option:

The firm's mix of different securities

The firm's debt-equity ratio

The market imperfection that the firm's manager can exploit

All of the above

Question # 15 of 15 (Start time: 07:08:09 PM) Total Marks: 1

_____ means expanding the number of investments which cover different kinds of stocks.

Select correct option:

Diversification

Standard deviation

Variance

Covariance

Question # 1 of 15 (Start time: 07:09:11 PM) Total Marks: 1

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 2 of 15 (Start time: 07:10:39 PM) Total Marks: 1

Companies and individuals running different types of businesses have to make the choices of the

asset according to which of the following?

Select correct option:

Life span of the project

Cost of the capital

Return on asset

None of the given options

Question # 3 of 15 (Start time: 07:11:29 PM) Total Marks: 1

Consider two bonds, A and B. Both bonds presently are selling at their par value of Rs. 1,000.

Each pays interest of Rs. 120 annually. Bond A will mature in 5 years while bond B will mature in 6 years. If the yields to maturity on the two bonds change from 12% to 10%, _____.

Select correct option:

Both bonds will increase in value, but bond A will increase more than bond B

Both bonds will increase in value, but bond B will increase more than bond A

Both bonds will decrease in value, but bond A will decrease more than bond B

Both bonds will decrease in value, but bond B will decrease more than bond A

Question # 4 of 15 (Start time: 07:12:15 PM) Total Marks: 1

If the probability is written on Y-axis and the rate of return is mentioned on the X-axis, Which kind of relationship it shows when there is higher the standard deviation the higher the risk.

Select correct option:

Indirect relationship

Inverse relationship

Direct relationship

No relationship

Question # 5 of 15 (Start time: 07:12:49 PM) Total Marks: 1

Which of the following formula relates beta of the stock to the standard deviation?

Select correct option:

Covariance of stock with market * variance of the market

Covariance of stock with market / variance of the market

Variance of the market / Covariance of stock with market

Slope of the regression line

Question # 6 of 15 (Start time: 07:13:54 PM) Total Marks: 1

At the termination of project, which of the following needs to be considered relating to project assets?

Select correct option:

Salvage value

Book value

Intrinsic value

Fair value

Question # 7 of 15 (Start time: 07:14:50 PM) Total Marks: 1

The _____ the coefficient of variation _____ the relative risk of the investment.

Select correct option:

Larger; Larger

Larger; Smaller

Smaller; Larger

Smaller; Smaller

Question # 8 of 15 (Start time: 07:15:17 PM) Total Marks: 1

Who or what is a person or institution designated by a bond issuer as the official representative of the bondholders?

Select correct option:

Indenture

Debenture

Bond

Bond trustee

Question # 9 of 15 (Start time: 07:15:52 PM) Total Marks: 1
Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 10 of 15 (Start time: 07:16:21 PM) Total Marks: 1

Which of the following equations is the correct one?

Select correct option:

Net incremental after tax cash flows = net operating income + depreciation + Tax savings from depreciation + net working capital + other cash flow

Net incremental after tax cash flows = net operating income - depreciation + Tax savings from depreciation + net working capital + other cash flow

Net incremental after tax cash flows = net operating income + depreciation - Tax savings from depreciation - net working capital + other cash flow

Net incremental after tax cash flows = net operating income + depreciation + Tax savings from depreciation + net working capital - other cash flow

Question # 11 of 15 (Start time: 07:17:46 PM) Total Marks: 1

Which of the following is NOT an example of a financial intermediary?

Select correct option:

Wisconsin S&L, a savings and loan association

Strong Capital Appreciation, a mutual fund

Microsoft Corporation, a software firm

College Credit, a credit union

Question # 12 of 15 (Start time: 07:18:52 PM) Total Marks: 1

What should be used to calculate the proportional amount of equity financing employed by a firm?

Select correct option:

The common stock equity account on the firm's balance sheet

The sum of common stock and preferred stock on the balance sheet

The book value of the firm

The current market price per share of common stock times the number of shares Outstanding

Question # 13 of 15 (Start time: 07:19:44 PM) Total Marks: 1

When Investors want high plowback ratios?

Select correct option:

Whenever $ROE > k$

Whenever $k > ROE$

Only when they are in low tax brackets

Whenever bank interest rates are high

Question # 14 of 15 (Start time: 07:20:17 PM) Total Marks: 1

Which of the following is/are the component(s) of working capital management?

Select correct option:

Current assets

Fixed assets

Fixed assets and long-term liabilities

Current assets and current liabilities

Question # 15 of 15 (Start time: 07:20:43 PM) Total Marks: 1

Which of the following refers to the cost of taking up one option while sacrificing the other?

Select correct option:

Opportunity cost

Operating cost

Sunk cost

Floatation cost

Question # 1 of 15 (Start time: 01:57:53 PM) Total Marks: 1

Why markets and market returns fluctuate?

Select correct option:

Because of political factors

Because of social factors

Because of socio-political factors

Because of macro systematic factors

Question # 2 of 15 (Start time: 01:58:42 PM) Total Marks: 1

The current yield on a bond is equal to _____.

Select correct option:

Annual interest divided by the current market price

The yield to maturity

Annual interest divided by the par value

The internal rate of return

1:

Question # 3 of 15 (Start time: 01:59:32 PM) Total Marks: 1

Which of the following costs would be considered a fixed cost?

Select correct option:

Raw materials

Depreciation

Bad-debt losses

Production labor

Question # 4 of 15 (Start time: 02:00:05 PM) Total Marks: 1
Which group of ratios shows the extent to which the firm is financed with debt?

Select correct option:

Liquidity ratios

Debt ratios

Coverage ratios

Profitability ratios

Question # 5 of 15 (Start time: 02:00:37 PM) Total Marks: 1

Which of the following is the main objective of 'Economics'?

Select correct option:

Profit maximization

Maximization of shareholders wealth

Collection of accurate, systematic, and timely financial data

All of the given options

Question # 6 of 15 (Start time: 02:00:58 PM) Total Marks: 1

Which of the following is TRUE about IRR (Internal Rate of Return)?

Select correct option:

It changes for each and every year over the life of the project

It remains same for each and every year over the life of the project

It increases over the life of the project

It decreases over the life of the project

Question # 7 of 15 (Start time: 02:02:06 PM) Total Marks: 1

Which of the following is simply the weighted average of the possible returns, with the weights being the probabilities of occurrence?

Select correct option:

Probability distribution

Expected return

Standard deviation

Coefficient of variation

Question # 8 of 15 (Start time: 02:02:32 PM) Total Marks: 1

Which of the following refers to bringing the future cash flow to the present time?

Select correct option:

Net present value

Discounting

Opportunity cost

Internal rate of return

Question # 9 of 15 (Start time: 02:03:01 PM) Total Marks: 1
Coefficient of variation is NOT the measure of _____.

Select correct option:

Risk

Probability

Relative dispersion

Risk per unit of expected return

Question # 10 of 15 (Start time: 02:03:35 PM) Total Marks: 1

When Investors want high plowback ratios?

Select correct option:

Whenever $ROE > k$

Whenever $k > ROE$

Only when they are in low tax brackets

Whenever bank interest rates are high

Question # 11 of 15 (Start time: 02:03:58 PM) Total Marks: 1

Who or what is a person or institution designated by a bond issuer as the official representative of the bondholders?

Select correct option:

Indenture

Debenture

Bond

Bond trustee

Question # 12 of 15 (Start time: 02:04:31 PM) Total Marks: 1

Which of the following shows ALL possible Risk –Return combinations for All combinations of the stocks in the portfolio- whether efficient or not.

Select correct option:

Parachute graph

Capital market line

Security market line

All of the given options

Question # 13 of 15 (Start time: 02:05:02 PM) Total Marks: 1

Why we need Capital rationing? (

Select correct option:

Because, there are not enough positive NPV projects

Because, companies do not always have access to all of the funds they could make use of

Because, managers find it difficult to decide how to fund projects

Because, banks require very high returns on projects

Question # 14 of 15 (Start time: 02:05:26 PM) Total Marks: 1

Which of the following is NOT the step of Percentage of sales to be used in Financial Forecasting?

Select correct option:

Estimate year-by-year Sales Revenue and Expenses

Estimate Levels of Investment Needs required to Meet Estimated Sales

Estimate the Financing Needs

Estimate the retained earnings

Question # 15 of 15 (Start time: 02:06:06 PM) Total Marks: 1

You are considering two investment proposals, project A and project B. B's expected net present value is Rs. 1,000 greater than that for A and A's dispersion of net present value is less than that for B. On the basis of risk and return, what would be your conclusion?

Select correct option:

Project A dominates project B

Project B dominates project A

Neither project dominates the other in terms of risk and return

Incomplete information

Question # 1 of 15 (Start time: 02:39:19 PM) Total Marks: 1

Which type of responsibilities are primarily assigned to Controller and Treasurer respectively?

Select correct option:

Operational; financial management

Financial management; accounting

Accounting; financial management

Financial management; operations

Question # 2 of 15 (Start time: 02:40:00 PM) Total Marks: 1

Which of the following should be included while calculating the cash flows associated with a project?

Select correct option:

Cash flows at the time of investment

Cash flows during the life of project

Cash flows at the termination date

All of the given options

Question # 3 of 15 (Start time: 02:40:52 PM) Total Marks: 1

Discounted cash flow methods provide a more objective basis for evaluating and selecting an investment project. These methods take into account:

Select correct option:

Magnitude of expected cash flows
Timing of expected cash flows
Both timing and magnitude of cash flows
None of the given options

Question # 4 of 15 (Start time: 02:41:30 PM) Total Marks: 1
Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?
Select correct option:

Debt capacity
Debt-service burden
Adequacy capacity
Fixed-charge burden

Question # 5 of 15 (Start time: 02:41:58 PM) Total Marks: 1
How can a company improve (lower) its debt-to-total asset ratio?
Select correct option:

By borrowing more
By shifting short-term to long-term debt
By shifting long-term to short-term debt
By selling common stock

Question # 6 of 15 (Start time: 02:42:40 PM) Total Marks: 1
Why we need Capital rationing? (
Select correct option:

Because, there are not enough positive NPV projects
Because, companies do not always have access to all of the funds they could make use of
Because, managers find it difficult to decide how to fund projects
Because, banks require very high returns on projects

Question # 7 of 15 (Start time: 02:43:04 PM) Total Marks: 1
The weighted average of possible returns, with the weights being the probabilities of occurrence is referred to as _____.

Select correct option:
Probability distribution
Expected return
Standard deviation
Coefficient of variation

Question # 8 of 15 (Start time: 02:43:40 PM) Total Marks: 1
Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?
Select correct option:

Sales variability
Level of fixed operating costs
Closeness to its operating break-even point
Debt-to-equity ratio

Question # 9 of 15 (Start time: 02:44:14 PM) Total Marks: 1
Why common stock of a company must provide a higher expected return than the debt of the same company?

Select correct option:

There is less demand for stock than for bonds

There is greater demand for stock than for bonds

There is more systematic risk involved for the common stock

There is a market premium required for bonds

Question # 10 of 15 (Start time: 02:44:41 PM) Total Marks: 1
For Company A, plow back ratio is 30%. What will be its Pay-out ratio?

Select correct option:

3.33%

30%

31%

70%

Question # 11 of 15 (Start time: 02:45:05 PM) Total Marks: 1
Which of the following is FALSE about Perpetuity?

Select correct option:

It is a series of cash flows

Cash flows occur for a specific time period

Its cash flows are identical

None of the given options

Question # 12 of 15 (Start time: 02:45:29 PM) Total Marks: 1
What is the present value of Rs.1,000 to be paid at the end of 5 years if the correct risk adjusted interest rate is 8%?

Select correct option:

Rs.714

Rs.1,462

Rs.322.69

Rs.401.98

Question # 13 of 15 (Start time: 02:45:54 PM) Total Marks: 1
An investment proposal should be judged in whether or not it provides:

Select correct option:

A return equal to the return require by the investor

A return more than required by investor

A return less than required by investor

A return equal to or more than required by investor

Question # 14 of 15 (Start time: 02:46:38 PM) Total Marks: 1

Market risk is measured in terms of the _____ of the market portfolio or index.

Select correct option:

Variance

Covariance

Standard deviation

Correlation coefficient

Question # 15 of 15 (Start time: 02:47:19 PM) Total Marks: 1

Study the time line and accompanying 5-period cash-flow pattern below. 0 1 2 3 4 5 6 Time line

|-----|-----|-----|-----|-----|-----| Rs.10 Rs.10 Rs.10

Rs.10 Rs.10 Cash flows | | A B The present value of the 5-period annuity shown above as of Point A is the present value of a 5-period _____, whereas the future value of the same annuity as of Point B is the future value of a 5-period _____.

Select correct option:

Ordinary annuity; ordinary annuity

Ordinary annuity; annuity due

Annuity due; annuity due

Annuity due; ordinary annuity

Question # 1 of 15 (Start time: 02:48:40 PM) Total Marks: 1

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

Real assets of the business

Liquid assets of the business

Fixed assets of the business

Long term assets of the business

Question # 2 of 15 (Start time: 02:49:12 PM) Total Marks: 1

Which of the following is not a recognized approach for determining the cost of equity?

Select correct option:

Dividend discount model approach

Before-tax cost of preferred stock plus risk premium approach

Capital-asset pricing model approach

Before-tax cost of debt plus risk premium approach

Question # 3 of 15 (Start time: 02:49:41 PM) Total Marks: 1

What is difference between shares and bonds?

Select correct option:

Bonds are representing ownership whereas shares are not

Shares are representing ownership whereas bonds are not

Shares and bonds both represent equity

Shares and bond both represent liabilities

Question # 4 of 15 (Start time: 02:50:07 PM) Total Marks: 1

The objective of financial management is to maximize _____ wealth.

Select correct option:

Stakeholders

Shareholders

Bondholders

Directors

Question # 5 of 15 (Start time: 02:50:48 PM) Total Marks: 1

How can a company improve (lower) its debt-to-total asset ratio?

Select correct option:

By borrowing more

By shifting short-term to long-term debt

By shifting long-term to short-term debt

By selling common stock

Question # 6 of 15 (Start time: 02:51:14 PM) Total Marks: 1

Which of the following is NOT the step of Percentage of sales to be used in Financial Forecasting?

Select correct option:

Estimate year-by-year Sales Revenue and Expenses

Estimate Levels of Investment Needs required to Meet Estimated Sales

Estimate the Financing Needs

Estimate the retained earnings

Question # 7 of 15 (Start time: 02:51:38 PM) Total Marks: 1

According to the Capital Asset Pricing Model (CAPM), a well-diversified portfolio's rate of return is a function of which of the following:

Select correct option:

Unique risk

Reinvestment risk

Market risk

Unsystematic risk

Question # 8 of 15 (Start time: 02:52:12 PM) Total Marks: 1

Which of the following risk can be diversified away?

Select correct option:

Systematic risk

Beta

Firm specific risk

Market risk

Question # 9 of 15 (Start time: 02:52:43 PM) Total Marks: 1

The statement of cash flows reports a firm's cash flows segregated into which of the following categorical order?

Select correct option:

Operating, investing, and financing

Investing, operating, and financing

Financing, operating and investing

Financing, investing, and operating

Question # 10 of 15 (Start time: 02:53:13 PM) Total Marks: 1

What should be the focal point of financial management in a firm?

Select correct option:

The number and types of products or services provided by the firm

The minimization of the amount of taxes paid by the firm

The creation of value for shareholders

The dollars profits earned by the firm

Question # 11 of 15 (Start time: 02:53:38 PM) Total Marks: 1

What is a dividend clientele effect assumes?

Select correct option:

Investors prefer higher rather than lower dividends

Shareholders are indifferent regarding dividends

Investors have specific dividend preferences

Investors are making "homemade" dividends

Question # 12 of 15 (Start time: 02:54:44 PM) Total Marks: 1

Which of the following is NOT true regarding an ordinary annuity?

Select correct option:

It is a series of equal cash flows

Cash flows occur for a specific time period

Payments are made at the start of each period

It is also known as deferred annuity

Question # 13 of 15 (Start time: 02:55:19 PM) Total Marks: 1

When the bond approaches its maturity, the market value of the bond approaches to which of the following?

Select correct option:

Intrinsic value

Book value

Par value

Historic cost

Question # 14 of 15 (Start time: 02:55:48 PM) Total Marks: 1

If risk and return combination of any stock is above the SML, what does it mean?

Select correct option:

It is offering lower rate of return as compared to the efficient stock

It is offering higher rate of return as compared to the efficient stock

Its rate of return is zero as compared to the efficient stock

It is offering rate of return equal to the efficient stock

Question # 15 of 15 (Start time: 02:56:27 PM) Total Marks: 1

Coefficient of variation is NOT the measure of _____.

Select correct option:

Risk

Probability

Relative dispersion

Risk per unit of expected return

Quiz Start Time: 03:02 PM Time Left 89 sec(s)

Question # 1 of 15 (Start time: 03:02:04 PM) Total Marks: 1

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs

Closeness to its operating break-even point

Debt-to-equity ratio

Question # 2 of 15 (Start time: 03:02:50 PM) Total Marks: 1

The risk that covers events like unexpected changes in the economy refers to:

Select correct option:

Systematic risk

Unsystematic risk
Total risk
All of the above

Question # 3 of 15 (Start time: 03:03:31 PM) Total Marks: 1
Which of the following is the main objective of 'Financial Accounting'?
Select correct option:

Profit maximization
Maximization of shareholders wealth
To collect accurate, systematic, and timely financial data
All of the given options

Question # 4 of 15 (Start time: 03:04:13 PM) Total Marks: 1
Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?
Select correct option:

Sales variability
Level of fixed operating costs
Closeness to its operating break-even point
Debt-to-equity ratio

Question # 5 of 15 (Start time: 03:04:56 PM) Total Marks: 1
Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?
Select correct option:

Debt capacity
Debt-service burden
Adequacy capacity
Fixed-charge burden

Question # 6 of 15 (Start time: 03:05:22 PM) Total Marks: 1
What is the present value of Rs.1,000 to be paid at the end of 5 years if the correct risk adjusted interest rate is 8%?
Select correct option:

Rs.714
Rs.1,462
Rs.322.69
Rs.401.98

Question # 7 of 15 (Start time: 03:05:45 PM) Total Marks: 1

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred to as _____.

Select correct option:

Probability distribution

The expected return

The standard deviation

Coefficient of variation

Question # 9 of 15 (Start time: 03:06:22 PM) Total Marks: 1

Which of the following is FALSE about Perpetuity?

Select correct option:

It is a series of cash flows

Cash flows occur for a specific time period

Its cash flows are identical

None of the given options

Question # 10 of 15 (Start time: 03:06:49 PM) Total Marks: 1

Which of the following is the value of beta for the market portfolio?

Select correct option:

0.25

-1.0

1.0

0.5

Question # 11 of 15 (Start time: 03:07:23 PM) Total Marks: 1

What is yield to maturity on a bond?

Select correct option:

Below the coupon rate when the bond sells at a discount, and equal to the coupon rate when the bond sells at a premium

The discount rate that will set the present value of the payments equal to the bond price

Based on the assumption that any payments received are reinvested at the coupon rate

None of the above

Question # 12 of 15 (Start time: 03:07:59 PM) Total Marks: 1

What is the traditional approach towards the valuation of a company?

Select correct option:

The cost of capital is independent of the capital structure of the firm
The firm maintains constant risk regardless of the type of financing employed

There exists no optimal capital structure

That management can increase the total value of the firm through the judicious use of financial leverage

Question # 13 of 15 (Start time: 03:08:25 PM) Total Marks: 1

Who determine the market price of a share of common stock?

Select correct option:

The board of directors of the firm

The stock exchange on which the stock is listed

The president of the company

Individuals buying and selling the stock

Question # 14 of 15 (Start time: 03:09:09 PM) Total Marks: 1

What is difference between shares and bonds?

Select correct option:

Bonds are representing ownership whereas shares are not

Shares are representing ownership whereas bonds are not

Shares and bonds both represent equity

Shares and bond both represent liabilities

Question # 15 of 15 (Start time: 03:09:49 PM) Total Marks: 1

In efficient market the stock price depends upon the required return which depends upon _____.

Select correct option:

Market risk

Total risk

Diversified risk

Non- systematic risk

The value of the bond is NOT directly tied to the value of which of the following assets?

Select correct option:

Real assets of the business

Liquid assets of the business

Fixed assets of the business

Long term assets of the business

Quiz Start Time: 03:07 PM Time Left 85

sec(s) Question # 2 of 15 (Start time: 03:08:04 PM) Total Marks: 1

If Net Present Value technique is used, what is the ranking criterion for projects?

Select correct option:

Choose the highest NPV

Choose the lowest NPV

Choose the project with longest term

Choose the project shortest term

When the bond approaches its maturity, the market value of the bond approaches to which of the following?

Select correct option:

Intrinsic value

Book value

Par value

Historic cost

Which of the following portfolio statistics statements is correct?

Select correct option:

A portfolio's expected return is a simple weighted average of expected returns of the individual securities comprising the portfolio.

A portfolio's standard deviation of return is a simple weighted average of individual security return standard deviations.

The square root of a portfolio's standard deviation of return equals its variance.

The square root of a portfolio's standard deviation of return equals its coefficient of variation.

Upon which of the following a firm's degree of operating leverage (DOL) depends primarily?

Select correct option:

Sales variability

Level of fixed operating costs
Closeness to its operating break-even point
Debt-to-equity ratio

The statement of cash flows reports a firm's cash flows segregated into which of the following categorical order?

Select correct option:

Operating, investing, and financing
Investing, operating, and financing
Financing, operating and investing
Financing, investing, and operating

Which of the following is the percentage of interest charged at each compounding time?

Select correct option:

Nominal interest Rate
Effective interest Rate
Annual percentage rate
Periodic interest rate

According to MM II, what happens when a firm's debt-to-equity ratio increases?

Select correct option:

Its financial risk increases
Its operating risk increases
The expected return on equity increases
The expected return on equity decreases

If we invest in many securities which are _____ to each other then it is possible to reduce overall risk for your investment.

Select correct option:

Comparable
Correlated
Highly correlated
Negatively correlated

An implicit cost of adding debt to the capital structure is that it:

Select correct option:

Adds interest expense to the operating statement
Increases the required return on equity
Reduces the expected return
Decreases the firm's beta

Which of the following is a major disadvantage of the corporate form of organization?

Select correct option:

Double taxation of dividends

Inability of the firm to raise large sums of additional capital
Limited liability of shareholders
Limited life of the corporate form

Which of the following can be used to calculate the risk of the larger portfolio?

Select correct option:

Standard deviation
EPS approach
Matrix approach
Gordon's Approach

An arbitrage opportunity exists if an investor can construct a _____ investment portfolio that will yield a sure profit.

Select correct option:

Positive
Negative
Zero
All of the above

Which of the following term may be defined as incidental cash flows that arise because of the effect of new project on the running business?

Select correct option:

Sunk cost
Opportunity cost
Externalities

Contingencies

Which of the following refers to the cost of taking up one option while sacrificing the other?

Select correct option:

Opportunity cost

Operating cost

Sunk cost

Floatation cost

Question # 1 of 15 (Start time: 07:02:38 PM) Total Marks: 1

When coupon bonds are issued, they are typically sold at which of the following value?

Select correct option:

Above par value

Below par

At or near par value

At a value unrelated to par

Question # 2 of 15 (Start time: 07:03:38 PM) Total Marks: 1

Which of the following is the Double Entry Principle?

Select correct option:

Assets + Liabilities = Shareholders' Equity

Assets = Liabilities + Shareholders' Equity

Liabilities = Assets + Shareholders' Equity

None of the given options

Question # 3 of 15 (Start time: 07:04:11 PM) Total Marks: 1

Which of the following is NOT the type of Hybrid organizations?

Select correct option:

S-Type Corporation

Limited Liability Partnership

Sole Proprietorship

Professional Corporation

Question # 4 of 15 (Start time: 07:04:44 PM) Total Marks: 1

Which of the following is type a Temporary Account?

Select correct option:

Asset
Liability
Reserves
Revenue

Question # 5 of 15 (Start time: 07:05:18 PM) Total Marks: 1

Which of the following is the maximum amount of debt (and other fixed-charge financing) that a firm can adequately service?

Select correct option:

Debt capacity
Debt-service burden
Adequacy capacity
Fixed-charge burden

Question # 6 of 15 (Start time: 07:05:49 PM) Total Marks: 1

The conventional measure of dispersion is _____.

Select correct option:

A probability distribution
The expected return
The standard deviation
Coefficient of variation

Question # 7 of 15 (Start time: 07:06:50 PM) Total Marks: 1

Which of the followings expressed the proposition that the value of the firm is independent of its capital structure?

Select correct option:

The Capital Asset Pricing Model
M&M Proposition I
M&M Proposition II
The Law of One Price

Question # 8 of 15 (Start time: 07:07:29 PM) Total Marks: 1

Which of the following is not the present value of the bond?

Select correct option:

Intrinsic value
Market price

Fair price
Theoretical price

Question # 9 of 15 (Start time: 07:08:29 PM) Total Marks: 1
Which of the following is the main objective of 'Economics'?
Select correct option:

Profit maximization

Maximization of shareholders wealth
Collection of accurate, systematic, and timely financial data
All of the given options

Question # 10 of 15 (Start time: 07:08:53 PM) Total Marks: 1
Which of the following is FALSE about Perpetuity?
Select correct option:

It is a series of cash flows
Cash flows occur for a specific time period
Its cash flows are identical
None of the given options

Question # 11 of 15 (Start time: 07:09:19 PM) Total Marks: 1
All of the following are the reasons for Uncertain NPV calculations
EXCEPT:
Select correct option:

Estimated discount rate does not change with the markets
Estimated Life of project is doubtful
Annual after-tax cash flows are difficult to estimate
Timing of cash flows is not exactly predictable

Question # 12 of 15 (Start time: 07:10:38 PM) Total Marks: 1
Which of the following is related to the use Lower financial leverage?
Select correct option:

Fixed costs
Variable costs
Debt financing
Common equity financing

Question # 13 of 15 (Start time: 07:11:34 PM) Total Marks: 1
Why a single, overall cost of capital is often used to evaluate projects?

Select correct option:

It avoids the problem of computing the required rate of return for each investment Proposal

It is the only way to measure a firm's required return

It acknowledges that most new investment projects have about the same degree of risk

It acknowledges that most new investment projects offer about the same expected return

Question # 14 of 15 (Start time: 07:12:11 PM) Total Marks: 1

Which of the following is the cash required during a specific period to meet interest expenses and principal payments?

Select correct option:

Debt capacity

Debt-service burden

Adequacy capacity

Fixed-charge burden

Question # 15 of 15 (Start time: 07:12:45 PM) Total Marks: 1

According to MM II, what happens when a firm's debt-to-equity ratio increases?

Select correct option:

Its financial risk increases

Its operating risk increases

The expected return on equity increases

The expected return on equity decreases

Question # 1 of 15 (Start time: 04:25:03 PM)

Which of the following would express the negative net worth of a firm?

Select correct option:

Experiencing a business failure

In legal bankruptcy

Experiencing technical insolvency

Experiencing accounting insolvency

Question # 2 of 15 (Start time: 04:26:19 PM)

Which of the following is the Double Entry Principle?
Select correct option:

- Assets + Liabilities = Shareholders' Equity
- Assets = Liabilities + Shareholders' Equity
- Liabilities = Assets + Shareholders' Equity
- None of the given options

Question # 3 of 15 (Start time: 04:27:01PM)

A capital budgeting technique through which discount rate equates the present value of the future net cash flows from an investment project with the project's initial cash outflow is known as:
Select correct option:

- Payback period
- Internal rate of return
- Net present value
- Profitability index

Question # 4 of 15 (Start time: 04:28:42 PM)

Which of the following is related to the use of higher operating leverage?
Select correct option:

- Fixed costs
- Variable costs
- Debt financing
- Common equity financing

Question # 5 of 15 (Start time: 04:30:19 PM)

Which of the following is not the present value of the bond?
Select correct option:

- Intrinsic value
- Market price
- Fair price

Theoretical price

Question # 6 of 15 (Start time: 04:30:52 PM)

Which of the following should be included while calculating the cash flows associated with a project?
Select correct option:

- Cash flows at the time of investment
- Cash flows during the life of project
- Cash flows at the termination date
- All of the given options

Question # 7 of 15 (Start time: 04:31:58 PM)

Choose among the followings, the correct statement regarding every journal entry.
Select correct option:

- Sum of Debits = Sum of Credits
- Sum of Debits > Sum of Credits
- Sum of Debits < Sum of Credits
- None of the given options

Question # 8 of 15 (Start time: 04:32:39 PM)

Which of the following risk can be diversified away?
Select correct option:

- Systematic risk
- Beta
- Firm specific risk
- Market risk

Question # 9 of 15 (Start time: 04:33:33 PM)

When the bond approaches its maturity, the market value of the bond approaches to which of the following?

Select correct option:

Intrinsic value

Book value

Par value

Historic cost

Question # 10 of 15 (Start time: 04:34:26 PM)

Which of the following is the characteristic of a well diversified portfolio?

Select correct option:

Its market risk is negligible

Its unsystematic risk is negligible

Its systematic risk is negligible

All of the given options

Question # 11 of 15 (Start time: 04:35:09 PM)

Which of the following is related to the use Lower financial leverage?

Select correct option:

Fixed costs

Variable costs

Debt financing

Common equity financing

Question # 12 of 15 (Start time: 04:36:03 PM)

If risk and return combination of any stock is above the SML, what does it mean?

Select correct option:

It is offering lower rate of return as compared to the efficient stock

It is offering higher rate of return as compared to the efficient stock

Its rate of return is zero as compared to the efficient stock

It is offering rate of return equal to the efficient stock

Question # 13 of 15 (Start time: 04:36:49 PM)

The objective of financial management is to maximize _____ wealth.

Select correct option:

Stakeholders

Shareholders

Bondholders

Directors

Question # 14 of 15 (Start time: 04:37:43 PM)

Which of the following formulas represents a correct calculation of the degree of operating leverage?

Select correct option:

$(Q - QBE)/Q$

$(EBIT) / (EBIT - FC)$

$[Q(P-V) + FC] / [Q(P-V)]$

$Q(P-V) / [Q(P-V) - FC]$

Question # 15 of 15 (Start time: 04:38:15 PM)

Which of the following is NOT true regarding an annuity due?

Select correct option:

It is a series of equal cash flows

It is also known as deferred annuity

Cash flows occur for a specific time period

Payments are made at the start of each period

Question # 1 of 15 (Start time: 10:57:31 AM)

Which of the following needs to be excluded while we calculate the incremental cash flows?

Select correct option:

Depreciation

Sunk cost

Opportunity cost

Non-cash item

Question # 2 of 15 (Start time: 10:58:10 AM)

Who determine the market price of a share of common stock?

Select correct option:

The board of directors of the firm

The stock exchange on which the stock is listed

The president of the company

Individuals buying and selling the stock

Question # 3 of 15 (Start time: 10:58:44 AM)

If all things equal, when diversification is most effective?

Select correct option:

Securities' returns are positively correlated

Securities' returns are uncorrelated

Securities' returns are high

Securities' returns are negatively correlated

Question # 4 of 15 (Start time: 10:59:16 AM)

Which of the following refers to bringing the future cash flow to the present time?

Select correct option:

Net present value

Discounting

Opportunity cost

Internal rate of return

Question # 5 of 15 (Start time: 10:59:45 AM)

Coefficient of variation is NOT the measure of _____.

Select correct option:

Risk

Probability

Relative dispersion

Risk per unit of expected return

Question # 6 of 15 (Start time: 11:00:45 AM)

Which of the following would be consistent with an aggressive approach to financing working capital?

Select correct option:

Financing short-term needs with short-term funds.

Financing some long-term needs with short-term funds.

Financing seasonal needs with short-term funds.

Financing some long-term needs with short-term funds.

Question # 7 of 15 (Start time: 11:02:17 AM)

To financial analysts, "working capital" means the same thing as _____.

Select correct option:

total assets

fixed assets

current assets

current assets minus current liabilities.

Question # 8 of 15 (Start time: 11:03:24 AM)

Which of the following is NOT true regarding the capital market?

Select correct option:

Where long-term funds can be raised

Money is invested for periods longer than a year

Where TFCs and NIT are exchanged and traded

Where overnight lending & borrowing takes place

Question # 9 of 15 (Start time: 11:04:20 AM)

Which of the following statistic measures the returns of two risky assets that move together?

Select correct option:

Correlation

Standard deviation

Square root

Square root

Question # 10 of 15 (Start time: 11:05:45 AM)

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

Select correct option:

A low receivables turnover is desirable

The lower the total debt-to-equity ratio, the lower the financial risk for a firm

An increase in net profit margin with no change in sales or assets means a weaker ROI

The higher the tax rate for a firm, the lower the interest coverage ratio

Question # 11 of 15 (Start time: 11:06:32 AM)

Which of the following value of the shares changes with investor's perception about the company's future and supply and demand situation?

Select correct option:

Par value

Market value

Intrinsic value

Face value

Question # 12 of 15 (Start time: 11:06:56 AM)

What is difference between shares and bonds?

Select correct option:

Bonds are representing ownership whereas shares are not

Shares are representing ownership whereas bonds are not

Shares and bonds both represent equity

Shares and bond both represent liabilities

Question # 13 of 15 (Start time: 11:07:41 AM)

Which of the following affects price of the bond?

Select correct option:

Market interest rate

Required rate of return

Interest rate risk

All of the given options

Question # 14 of 15 (Start time: 11:08:15 AM)

The objective of financial management is to maximize _____ wealth.

Select correct option:

Stakeholders

Shareholders

Bondholders

Directors

Question # 15 of 15 (Start time: 11:08:45 AM)

For which of the following costs is it generally necessary to apply a tax adjustment to yield measure?

Select correct option:

Cost of debt

Cost of preferred stock

Cost of common equity

Cost of retained earnings

MGT 201 - Financial Management
(Quiz # 5) 450+ Quizzes solved by Muhammad Afaaq
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Remember Me In Your Prayers

Best regard's

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