

ENTRANCE EXAMINATION FOR ADMISSION, MAY 2012.

M.Com. (BUSINESS FINANCE)

COURSE CODE : 351

Register Number :

\_\_\_\_\_  
*Signature of the Invigilator*  
(with date)

COURSE CODE : 351

Time : 2 Hours

Max : 400 Marks

*Instructions to Candidates :*

1. Write your Register Number within the box provided on the top of this page and fill in the page 1 of the answer sheet using pen.
2. Do not write your name anywhere in this booklet or answer sheet. Violation of this entails disqualification.
3. Read each of the question carefully and shade the relevant answer (A) or (B) or (C) or (D) in the relevant box of the ANSWER SHEET using HB pencil.
4. Avoid blind guessing. A wrong answer will fetch you -1 mark and the correct answer will fetch 4 marks.
5. Do not write anything in the question paper. Use the white sheets attached at the end for rough works.
6. Do not open the question paper until the start signal is given.
7. Do not attempt to answer after stop signal is given. Any such attempt will disqualify your candidature.
8. On stop signal, keep the question paper and the answer sheet on your table and wait for the invigilator to collect them.
9. Use of Calculators, Tables, etc. are prohibited.

1. Who among the following investors does enjoy the residual profits of the company?
  - (A) Preference shareholders
  - (B) Directors of the company
  - (C) Equity shareholders
  - (D) Debenture holders
  
2. The discount rate that makes the net present value of an investment exactly equal to zero is the
  - (A) Payback period
  - (B) Profitability index
  - (C) Internal rate of return
  - (D) Accounting rate of return
  
3. \_\_\_\_\_ is the term used to describe a series of periodic flows of equal amounts.
  - (A) Interest
  - (B) Earnings
  - (C) Dividend
  - (D) Annuity
  
4. The earnings price approach is used for estimating the cost of
  - (A) Debenture capital
  - (B) Term loan
  - (C) Preference capital
  - (D) Equity capital
  
5. A profitability index of 0.35 for a project means that the
  - (A) present value of benefits is 35% greater than the project's cost
  - (B) project's NPV is greater than zero
  - (C) project returns 35% in present value for each current Rupee invested
  - (D) payback period is less than one year
  
6. According to which of the following approaches, the past returns on a security are taken as a proxy for the return required in the future by the investors?
  - (A) Earnings price ratio approach
  - (B) Realized yield approach
  - (C) Bond yield plus risk premium approach
  - (D) Bond yield approach
  
7. In conducting a common-size analysis every balance sheet item and every income statement is divided by
  - (A) its corresponding base year balance sheet item; its corresponding base year income statement item
  - (B) its corresponding base year income statement item; its corresponding base year balance sheet item
  - (C) net sales or revenues; total assets
  - (D) total assets; net sales or revenues

8. Which of the following analyses is used for comparison of financial statements covering more than three years?
- (A) Cross-sectional analysis (B) Ratio analysis  
(C) Index analysis (D) Du-pont analysis
9. The ratios that measure the operational efficiency of a firm are called
- (A) Ownership ratios (B) Profitability ratios  
(C) Turnover ratios (D) Leverage ratios
10. Which of the following is NOT a characteristic of long-term decision of a firm?
- (A) It is a capital expenditure decision.  
(B) The benefits of these will be seen only in long-term.  
(C) These decisions are reversible in nature.  
(D) These decisions involve huge investment.
11. Which of the following will remain with the company forever?
- (A) Redeemable preference shares (B) Perpetual preference shares  
(C) Debenture capital (D) Cumulative preference shares
12. Amount due from customers is not recovered. They are known as
- (A) Bad debt (B) Creditors  
(C) Debtors (D) None of all
13. The value of reputation of firm is known as
- (A) Provision (B) Goodwill  
(C) Capital Reserve (D) None of all
14. Select an example of direct tax
- (A) Custom duty (B) VAT  
(C) Wealth tax (D) Excise duty
15. Sum payable based on output to the owner for use of right vested to him
- (A) Rent (B) Royalties  
(C) Interest (D) None of all



16. Notional cost is a
  - (A) Product cost
  - (B) Sunk cost
  - (C) Period cost
  - (D) Hypothetical cost
17. The process of arranging the item of cost into groups according to their similarities based on the nature of expense or purpose to be fulfill
  - (A) Classification
  - (B) Allocation
  - (C) Apportionment
  - (D) None of all
18. Zero interest rate bond are sold at
  - (A) Discount
  - (B) Premium
  - (C) Face value
  - (D) None of all
19. The capital investment can be accepted if the IRR of the project is exceeding its...
  - (A) Cost of capital
  - (B) Marginal cost of capital
  - (C) Cost of equity
  - (D) None of all
20. Variable cost per unit
  - (A) Remains fixed
  - (B) Fluctuates with the number of production
  - (C) Fluctuates with the number of sales
  - (D) Remains varying
21. The difference between fixed and variable cost has a special significance in the preparation of
  - (A) Master budget
  - (B) Flexible budget
  - (C) Cash budget
  - (D) Overheads budget
22. In terms of Blake and Mouton's managerial grid approach, a production oriented leader will be one who adopts
  - (A) 1:1 style
  - (B) 9:1 style
  - (C) 9:9 styles
  - (D) 5:5 styles
23. Work Motivation Theory covers
  - (A) Content Models
  - (B) Process Models
  - (C) Vroom
  - (D) All of these

24. "The price is set to cover costs and a predetermined percentage of profit"
- Going rate Pricing
  - Marginal Cost Pricing
  - Full-Cost Pricing
  - Target Pricing
25. ICICI stand for
- Industrial Credit and Investment Corporation of India
  - International Conference on Indicators and Concepts of Innovation
  - Indian Criminals Intentionally Cheating Indians
  - Investment Control and Industrial Credit of India
26. What is the Cash Reserve Ratio' in India? (Effective from 10.03.2012)
- 4.50%
  - 4.75 %
  - 6.50%
  - 6.70%
27. Cement Industry is an example of
- Perfect Competition
  - Monopoly
  - Oligopoly
  - Imperfect Competition
28. Xerography is a process of
- Electrical Photography
  - Blue Printing
  - Fixing Stamps
  - Printing Address
29. Which is the following is not a source of long term finance?
- Equity capital
  - Preference capital
  - Debenture capital
  - Commercial paper
30. If the average collection period of a company is higher than the credit period extended by it, the firm is supposed to have a
- Satisfactory liquidity position
  - Liquidity crunch
  - High liquidity
  - Collection period has no effect on liquidity

31. Working capital gap is
- (A) Equal to current assets plus current liabilities including bank borrowings
  - (B) Equal to current assets less current liabilities including bank borrowings
  - (C) Equal to current assets less current liabilities excluding bank borrowings
  - (D) None of the above
32. A cash market is
- (A) The market in the actual financial instrument on which an options contract is based
  - (B) The market for short term funds
  - (C) Market in which financial securities are issued
  - (D) The market which deal with on the spot delivery of currency
33. Which of the following is not a fundamental concept in Corporate Finance?
- (A) Net present value.
  - (B) The relationship between risk and return.
  - (C) The business cycle.
  - (D) Double-entry book-keeping.
34. Which of the following is not a defining quality of a bond?
- (A) Dividend yield
  - (B) Maturity
  - (C) Face value
  - (D) Coupon payment frequency
35. The optimum capital structure obtained when the market value
- (A) Per equity shares is the minimum
  - (B) Per equity shares is the maximum
  - (C) Per preference share is the minimum
  - (D) Per preference share is the maximum
36. \_\_\_\_\_ indicates the impact of changes in sales on operating income.
- (A) Marginal leverage
  - (B) Asset leverage
  - (C) Financial leverage
  - (D) Operating leverage



37. \_\_\_\_\_ is tradeoff between cost of carrying cash and the necessity of maintaining liquidity.
- (A) Cash management (B) Inventory management  
(C) Accounts receivable management (D) Marketing management
38. The quantity of material to be ordered at one time is known as
- (A) Re-order quantity (B) EOQ  
(C) Minimum re-order level (D) Maximum re-order level
39. A firm needs cash for making transaction in the day to day operations. This is
- (A) Transaction motive (B) Precautionary motive  
(C) Speculative motive (D) Specific motive
40. With the recent increase in reports and reserve repo rates announced by RBI there is speculation that the leading rates of banks would also increase. Why?
- (A) Cost of funds for banks would increase  
(B) Banks use this opportunity raise lending rates  
(C) RBI would instruct the banks to raise the lending rates  
(D) None of these
41. Management thinker M.B. Athreya bases his concepts on
- (A) Common sense (B) The Holy Bible  
(C) The Gita and the Vedas (D) Modern science
42. Which among the following is the world's largest motor vehicle manufacturer?
- (A) General Motors (B) Suzuki  
(C) Hyundai (D) Toyota
43. Which economist introduced the 'concept of GNP'?
- (A) Simon Kuznets (B) Adam Smith  
(C) Thomas Malthus (D) Amartya Sen
44. The maximum price that a buyer will agree to pay for a commodity will not exceed
- (A) Total utility (B) Marginal utility  
(C) Average utility (D) None of the above

45. The law of variable proportion is not applicable in  
 (A) Industrial sector (B) Construction sector  
 (C) Agriculture sector (D) None of the above
46. Which of the following is not considered while designing a distribution channel?  
 (A) Analyzing customer needs (B) Establishing channel of objectives  
 (C) Price of the product (D) All of these
47. A tool for achieving worker's participation in India is  
 (A) Trade union (B) Joint management council  
 (C) Joint consultation (D) None of the above
48. According Rules, Procedures and Methods should be observed alike and should not be changed from year to year. This is called  
 (A) Consistency (B) Full disclosure  
 (C) Conservatism (D) Going concern
49. In the event of dissolution of a partnership firm, the provision of doubtful debts is transferred to  
 (A) Realization A/c (B) Partner's capital A/c  
 (C) Sundry debtor's A/c (D) Profit and loss A/c
50. Liquidity ratios are used  
 (A) to assess the financial position of the firm at a point of time  
 (B) to evaluate the performance of the firm over a period of time  
 (C) to judge a firm's ability to meet short term obligations  
 (D) to assess the present and expected earnings of the firm
51. While preparing funds flow statement an increase in working capital is regarded as  
 (A) Application of funds  
 (B) Sources of funds  
 (C) Neither application nor source  
 (D) Both application as well as source



52. The current ratio of the firm is 5 : 3. Its net working capital is Rs. 20,000. The value of its current assets will be  
 (A) Rs. 30,000 (B) Rs. 50,000 (C) Rs. 20,000 (D) Rs. 60,000
53. In case of an unregistered firm a partner cannot  
 (A) get a share in profit (B) get interest on his capital  
 (C) file a suit against another partner (D) get interest on loan
54. The term 'Internal Reconstruction' includes  
 (A) Reduction of share capital  
 (B) Variation of share holder's rights  
 (C) Alternation of share capital  
 (D) All of the above
55. Financial derivatives are mainly used for  
 (A) Speculative activities (B) Creating more risk  
 (C) Heading risks (D) Earning income
56. Which of the following is the most appropriate management control technique for timely completion of a project?  
 (A) Organization chart (B) Management by objectives  
 (C) PERT (D) Span of control
57. The loss arising due to inherent characteristic of the process which is unavoidable is called  
 (A) Unavoidable cost (B) Normal loss  
 (C) Abnormal loss (D) Avoidable loss
58. Which is the smallest organizational sub unit for which separate cost allocation is attempted?  
 (A) Cost unit (B) Cost centre  
 (C) Costing (D) Management costing
59. A segment of the business entity by which both revenues are received and expense are incurred or controlled  
 (A) Profit centre (B) Cost unit  
 (C) Cost centre (D) Process and centre

60. When refereeing to a curve that tails off to the left you would call it  
 (A) Symmetrical (B) Skewed right  
 (C) Positively skewed (D) None of the above
61. The independence of attributes can be tested by  
 (A) 'Z' test (B) 't' test  
 (C) Chi square test (D) 'F' test
62. The effective principle of direction does not include  
 (A) Harmony of objectives (B) Effective leadership  
 (C) Effective communication (D) Personality
63. Management by exceptions means  
 (A) to complete the work in time  
 (B) to give directions to subordinates so that they may complete the work in time  
 (C) to manage policy matters at the top and leave the rest to be handled by subordinates  
 (D) to deal with labour and subordinates to complete work in time
64. The doctrine of indoor management implies that  
 (A) the outsiders need not necessarily know about the internal management of the company other than what is stated in articles of association  
 (B) the outsiders have the right to think that the internal management as per the articles of association  
 (C) both are right  
 (D) none of the above
65. Principle of parity of authority and responsibility is related to  
 (A) Decentralization (B) Delegation  
 (C) Divisionalization (D) Autonomy
66. Inefficient working capital can be identified by  
 (A) Low amount of working capital (B) High turnover of working capital  
 (C) Low turnover of working capital (D) None of the above

67. The three major financial decisions are  
 (A) Cost of capital, capital structure, capital budgeting  
 (B) Investment, financing, dividend  
 (C) Working capital, capital rationing, pricing  
 (D) All of the above
68. Discount factor in capital budgeting is refers to as  
 (A) Cost of capital (B) Leverage  
 (C) Capital structure (D) Capital budgeting
69. In Custom Act the difference between normal value and export value is known as  
 (A) Anti dumping (B) Dumping margin  
 (C) Duty draws back (D) None of the above
70. Under tax credit method VAT is equal to  
 (A) Sum of wages, profits, rent and interest  
 (B) Output – input  
 (C) Percentage of sales  
 (D) Tax charged on sales – tax paid on inputs
71. Doctrine of unjust enrichments is a concept relating to  
 (A) Refund of excise duty (B) Refund of custom duty  
 (C) Refund of income tax (D) None of the above
72. The NSE – Nifty's base period is  
 (A) 1992 (B) 1993 (C) 1994 (D) 1995
73. Selling securities short is useful in which of the following activity  
 (A) Speculating (B) Arbitraging  
 (C) Hedging (D) All of these
74. Consumer Protection Act was enacted in  
 (A) 1956 (B) 1990 (C) 1986 (D) 1948
75. The method of raising equity capital from existing members by offering securities on prorata basis is referred to as  
 (A) Public issue (B) Rights issue  
 (C) Bonus issue (D) Bought out deal



76. Which of the following approaches the logic that the return required by the investors is directly based on the risk profile of a company?
- Bond yield plus risk premium approach
  - Realized yield approach
  - Earnings price ratio approach
  - Bond yield approach
77. The Industrial Policy Resolution was considered as the economic constitution of India in the year
- 1948
  - 1956
  - 1991
  - None of the above
78. Internal environment in financial capabilities includes
- Strategic funds
  - Capital structure
  - Procurement of funds
  - All of these
79. Who has propounded of the theory X and Y of motivation?
- Graicunas
  - Gillirth
  - Douglas McGregor
  - Vroom
80. Horizontal co-ordination is related to
- Co-operation
  - Interested parties
  - Differential level of management
  - Equal level of management
81. Depreciation is included in costs in case of
- Payback method
  - Accounting rate of return method
  - Present value index method
  - Internal rate of return method
82. Interest payable on debentures is
- a charge against profit
  - an appropriation of profit
  - both a charge and appropriation of profit
  - none of the above
83. The Apex institution with regard to rural credit is
- NABARD
  - RBI
  - RRB
  - ARDC

84. E-Banking promote  
 (A) International Trade (B) Inter Regional Trade  
 (C) Pollution-free societies (D) All the above
85. A risk free stock has a beta of  
 (A) -1 (B) Zero (C) 0.5 (D) 1
86. The first development financial institution in India that has got merged with a bank is  
 (A) IDBI (B) ICICI (C) IDFC (D) UTI
87. The rate at which discounting the bills of first class banks is done by RBI is called  
 (A) Bank Rate (B) Prime Lending Rate  
 (C) Loan Rate (D) Discounting Rate
88. C.R.A. is banking parlance stands for  
 (A) Credit Rating Association (B) Credit Rating Agency  
 (C) Credit Risk Assessment (D) None of these
89. Which of the following cannot be declared as insolvent?  
 (A) Minors (B) Lunatics  
 (C) Corporations (D) All of these
90. Gilt edged securities refer to  
 (A) Government securities  
 (B) Securities issued by municipal corporations  
 (C) Securities issued by first class companies  
 (D) None of these
91. Banking ombudsman means  
 (A) Person appointed to recover dues from defaulting borrowers  
 (B) A person to whom customer can approach for redress of his grievances  
 (C) A person appointed to settle dispute between employees and management  
 (D) A person appointed by RBI to oversee the functioning of Foreign Banks
92. At what frequency can Banks pay interest on Saving Bank Account as per RBI guidelines  
 (A) Monthly (B) Quarterly  
 (C) Half Yearly (D) Yearly

93. Classical condition is a theory of  
(A) Attitude (B) Learning  
(C) Perception (D) Behaviour
94. Horizontal co-ordination is related to  
(A) Co-operation (B) Interested parties  
(C) Differential level of management (D) Equal level of management
95. Overhead cost variance is the difference between  
(A) Recovered overheads and actual overheads  
(B) Budgeted overheads and actual overheads  
(C) Budgeted overheads and standard overheads  
(D) Budgeted overheads and recovered overheads
96. The costing method in which fixed factory overheads are added to inventory is  
(A) Direct costing (B) Marginal costing  
(C) Absorption costing (D) Standard costing
97. Internal rate of return is the rate of return  
(A) that is associated with the internally generated fund  
(B) the is used for internal calculations  
(C) that discounts the future cash flow streams  
(D) rate of return earned on the initial investment in the project
98. 'Sensitivity Training' is a function of  
(A) Planning (B) Directing (C) Leadership (D) Staffing
99. 'SWOT' is used for  
(A) Planning (B) Organizing (C) Motivating (D) Controlling
100. What is 'Bank Rate' in India at present?  
(A) 6% (B) 7% (C) 9.5% (D) 8%
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