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"
   (A) Going rate Pricing
   (B) Marginal Cost Pricing
   (C) Full-Cost Pricing
   (D) Target Pricing

25. ICICI stand for
   (A) Industrial Credit and Investment Corporation of India
   (B) International Conference on Indicators and Concepts of Innovation
   (C) Indian Criminals Intentionally Cheating Indians
   (D) Investment Control and Industrial Credit of India

26. What is the Cash Reserve Ratio in India? (Effective from 10.03.2012)
   (A) 4.50%
   (B) 4.75%
   (C) 6.50%
   (D) 6.70%

27. Cement Industry is an example of
   (A) Perfect Competition
   (B) Monopoly
   (C) Oligopoly
   (D) Imperfect Competition

28. Xerography is a process of
   (A) Electrical Photography
   (B) Blue Printing
   (C) Fixing Stamps
   (D) Printing Address

29. Which is the following is not a source of long term finance?
   (A) Equity capital
   (B) Preference capital
   (C) Debenture capital
   (D) 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
   (A) Satisfactory liquidity position
   (B) Liquidity crunch
   (C) High liquidity
   (D) 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 is
   (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) Hedging 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 known 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?
(A) Bond yield plus risk premium approach
(B) Realized yield approach
(C) Earnings price ratio approach
(D) Bond yield approach

77. The Industrial Policy Resolution was considered as the economic constitution of India in the year
(A) 1948 (B) 1956
(C) 1991 (D) None of the above

78. Internal environment in financial capabilities includes
(A) Strategic funds (B) Capital structure
(C) Procurement of funds (D) All of these

79. Who has propounded of the theory X and Y of motivation?
(A) Graicunas (B) Gillirth
(C) Doughlas McGregor (D) Vroom

80. Horizontal co-ordination is related to
(A) Co-operation (B) Interested parties
(C) Differential level of management (D) Equal level of management

81. Depreciation is included in costs in case of
(A) Payback method (B) Accounting rate of return method
(C) Present value index method (D) Internal rate of return method

82. Interest payable on debentures is
(A) a charge against profit
(B) an appropriation of profit
(C) both a charge and appropriation of profit
(D) none of the above

83. The Apex institution with regard to rural credit is
(A) NABARD (B) RBI (C) RRB (D) 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  
(C) Perception  
(B) Learning  
(D) Behaviour

94. Horizontal co-ordination is related to
(A) Co-operation  
(C) Differential level of management  
(B) Interested parties  
(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  
(C) Absorption costing  
(B) Marginal 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%