

ENTRANCE EXAMINATION FOR ADMISSION, MAY 2013.

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 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. The presence of fixed return funds in the capital structure of a firm
 - (A) Super-leverage
 - (B) Operating leverage
 - (C) Financial leverage
 - (D) Combined leverage

2. According to Walter, firm should pay 100% dividend if
 - (A) $r > k$
 - (B) $r = k$
 - (C) $r < k$
 - (D) none of above

3. Yield on investment is also called as
 - (A) ARR
 - (B) IRR
 - (C) NPV
 - (D) Pay-Back method

4. Delphi technique is associated with:
 - (A) Decision-making
 - (B) Planning
 - (C) Coordination
 - (D) Leadership

5. Management and administration are:
 - (A) Same
 - (B) Different
 - (C) Partly same and partly different
 - (D) None of the above

6. Training method dealing with solving problems in various correspondence
 - (A) In-basket training
 - (B) Vestibule training
 - (C) Management game
 - (D) T-group training

7. Planning means the following
 - (A) Forecasting
 - (B) Looking back
 - (C) Departmentation
 - (D) None of the above

8. Functional method of organization was invented by:
 - (A) F.W. Taylor
 - (B) Henry Fayol
 - (C) Robertson
 - (D) Elton Mayo

9. Buyer behaviour is influenced by the
 - (A) Buyer's environment
 - (B) Customer
 - (C) Sale
 - (D) Purchase

10. Which concept of marketing is based on the assumption that superior products sell themselves?
 - (A) Production
 - (B) Marketing
 - (C) Societal
 - (D) Product

11. The certificate which evidences an unsecured corporate debt of short-term maturity is
 (A) Short-term loan certificate (B) Certificate of deposit
 (C) Inter-bank participation certificate (D) Commercial paper
12. The present system of banking followed in India is
 (A) Unit banking system (B) Correspondent banking system
 (C) Branch banking system (D) None of the above
13. Bank rate is the
 (A) Official rate of interest at which the RBI would rediscount the eligible securities presented by the commercial bank
 (B) Official rate at which the RBI would borrow from the member commercial banks
 (C) The official rate at which the commercial banks would laid to its customers
 (D) None of the above
14. Merchant bankers are
 (A) Financial Brokers (B) Financial Intermediaries
 (C) Credit Appraisers (D) Underwriters
15. Clear profit is a concept applicable to
 (A) Insurance companies (B) Public utility companies
 (C) Banking companies (D) Petroleum companies
16. Insurance companies are regulated by
 (A) SEBI (B) IRDA (C) FIPB (D) SFIO
17. "Bill of lading" is issued by
 (A) Indian commercial bank (B) India based foreign bank
 (C) Shipping company (D) Private sector banks
18. The lower of CRR is aimed at
 (A) Increasing the supply of credit of commercial banks
 (B) Increasing the value of rupee in the foreign exchange market
 (C) Decreasing the lending capacity of commercial bank
 (D) Reducing the supply of money

19. If income elasticity of demand is greater than unity, the commodity is
 (A) A necessity (B) An inferior good
 (C) A luxury goods (D) None of these
20. In a perfectly competitive market, the firm will be
 (A) A price maker
 (B) A price taker
 (C) Restricting entry of other firms
 (D) Producing a product which will be different from its competitors
21. Which one of the following sequence is correct?
 (A) Railway budget - Economic Survey report - Union Budget
 (B) Railway budget - union budget - economic survey report
 (C) Economic survey report - railway budget - Union budget
 (D) None of the above
22. Impact and incidence of tax fall on the same person is
 (A) Indirect tax (B) Dividend Distribution Tax
 (C) Direct Tax (D) All of the above
23. Which one of the following daily newspaper is celebrating 20 years completion
 (A) Economic Times (B) Hindu Business Line
 (C) Business Standard (D) Financial Express
24. Voltas ltd belongs to
 (A) Birla group (B) Tata Group
 (C) Ruia group (D) Reliance group
25. Which one of the following is not falling in the groups of fixed interest bearing security?
 (A) Debentures (B) External Commercial Borrowing
 (C) Preference shares (D) None of the above
26. The standard ratio for capital gearing ratio is
 (A) 2:1 (B) 1:1
 (C) 0.75:1 (D) No standard ratio

27. Which one of the following is misnomer?
 (A) Break-even Point (B) Margin of safety
 (C) Profit volume Ratio (D) None of the above
28. Valuation Balance Sheet is prepared by
 (A) General Insurance Companies (B) Electricity companies
 (C) Life Insurance Companies (D) Banking Companies
29. The Deposit Insurance and Credit Guarantee Corporation is wholly owned Subsidiary of
 (A) Reserve bank of India (B) Govt. of India
 (C) Life Insurance Corporation of India (D) State Bank of India
30. If a public limited company is not in apposition to pay off its creditors
 (A) The company will be declared insolvent
 (B) The company will go under liquidation
 (C) The company will declare lock-out
 (D) None of the above
31. The mostly useful continuous probability distribution is
 (A) Binomial distribution (B) Normal distribution
 (C) Poisson distribution (D) Beta distribution
32. The most prepared option of Governments for privatization so far has been via
 (A) Strategic sale by auction method
 (B) Outright sale of the PSUs
 (C) Increasing the stake through more directorship
 (D) Foreign portfolio investment in PSU
33. Competition Act, 2002
 (A) Kills competition
 (B) Lessens competition
 (C) Promotes and sustains competition
 (D) Stops mergers and acquisitions by groups
34. Who propounded need hierarchy theory of motivation?
 (A) Herzberg (B) Taylor (C) Maslow (D) Vroom

35. Manager delegates authority when
- (A) Job is very difficult and hazardous
 - (B) Job requires skills and knowledge which he does not possess
 - (C) Manager needs to overburden and punish his subordinates
 - (D) Manager cannot look after the demanding tasks of the job by himself
36. When the top management pays attention on strategic and key issues and lower level management on day-to-day routine work, it is called as _____
- (A) Management by objectives
 - (B) Management by exception
 - (C) Participative management
 - (D) Decentralised Management
37. The process of control involves
- (A) Bringing contentment among workforce
 - (B) Taking corrective course of action
 - (C) Bringing harmony in activities
 - (D) Comparing a duals with planned ones
38. A new component of top executive compensation in the recent decades is
- (A) Hefty travel allowance
 - (B) "Golden handshake"
 - (C) Rural compensatory allowance
 - (D) Employee stock option
39. Which of the following does not provide finance for business establishments?
- (A) IDBI
 - (B) IFCI
 - (C) UTI
 - (D) SIDBI
40. Find the odd one out
- (A) NABARD
 - (B) IFCI
 - (C) IDBI
 - (D) RRB
41. The degree of financial leverage reflects the responsiveness of
- (A) Operating income to changes in total revenue
 - (B) EPS to changes in EBIT
 - (C) EPS to changes in total revenue
 - (D) None of the above
42. The overall capitalisation rate and the cost of debt remain constant for all degrees of financial leverage is advocated by
- (A) Traditional Approach
 - (B) Net Income Approach
 - (C) Net Operating Income Approach
 - (D) M-M-Approach

43. Which of the following is not included in the assumptions on which Myron Gordon proposed a model on stock valuation ?
- (A) Retained earnings, the only source of financing
 - (B) Finite life of the firm
 - (C) Taxes do not exist
 - (D) Constant rate of return on firm's investment
44. BRICS includes
- (A) Bhutan, Romania, Indonesia, Chile and South Korea
 - (B) Brazil, Russia, Indonesia, Chile and Sudan
 - (C) Brazil, Russia, India, China and South Africa
 - (D) Britain, Russia, India, Czechoslovakia, Sri Lanka
45. Out of the following, one is not related with WTO :
- (A) TRIPS
 - (B) Ministerial Conference
 - (C) TRIMS
 - (D) TRAI
46. The commercial banks do not perform one function out of the following :
- (A) Mobilisation of savings
 - (B) Giving Loans and Advances
 - (C) Issuing Currency Notes
 - (D) Financing Priority Sectors
47. One of the items is not related with e-banking :
- (A) Demand Draft
 - (B) SPNS
 - (C) ECS
 - (D) ATM
48. Factoring and forfeiting have not taken off in the Indian economy due to lack of expertise and experience. One is not included in the factoring services rendered.
- (A) Purchase of book debts and receivables.
 - (B) Prepayment of debts partially or fully
 - (C) Giving advice
 - (D) Covering the credit risk of the suppliers
49. Which one is not the form of FDI ?
- (A) Purchase of existing assets in foreign currency
 - (B) New Investment in property, plant, equipment
 - (C) Making investment in the mutual funds
 - (D) Transfer of many types of assets

50. India suffered from deficit balance both in trade balance and net invisibles, hence, took up a number of steps to manage this problem. Which one is not appropriate for this?
- (A) Export control (B) Current Account Convertibility
(C) Liberalised Export Policy (D) Unified Exchange Rate
51. Which of the following is not a capital asset under capital gains head of income ?
- (A) Stock in trade (B) Goodwill of business
(C) Agricultural Land in Delhi (D) Jewellery
52. Which of the following denote the structural changes in Indian economy?
- (A) Primary sector contribution has gone down.
(B) Service sector contribution has gone up.
(C) Secondary sector has not changed much.
(D) All of the above
53. Broad Money has to be sensitized through :
- (A) CRR (B) SLR
(C) Repo Rate (D) All of the above
54. Which one is not an element of legal environment?
- (A) Act of Parliamentarians in lok Sabha (B) Indian Contract Act, 1872
(C) Indian Partnership Act, 1932 (D) Negotiable instruments Act, 1881
55. Normally Demand curve slopes
- (A) Upward (B) Downward (C) Horizontal (D) Vertical
56. Which of the following is not a restricted random sampling technique ?
- (A) Stratified sampling (B) Simple random sampling
(C) Systematic sampling (D) Multistage sampling
57. Classification of respondents only on the basis of gender is an application of
- (A) Ordinal scale (B) Nominal scale
(C) Interval scale (D) Ratio scale
58. Karl Pearson's co-efficient of correlation between two variables is
- (A) The product of their standard deviations
(B) The square root of the product of their regression co-efficient
(C) The co-variance between the variables
(D) None of the above

59. Statistical software packages for research in social sciences include
- (A) SPSS (B) STATA
(C) MiniTab (D) All of the above
60. According to KiethDevis, which one is not a barrier of communication ?
- (A) Physical Barriers (B) Technological Barriers
(C) Personal Barriers (D) Linguistic Barriers
61. What is the Grameen bank?
- (A) A US investment bank dealing in CDOs.
(B) A Bangladeshi bank specializing in microfinance.
(C) A Japanese bank specializing in Forex trading.
(D) A British hedge fund.
62. Which of the following is not a characteristic of wholesale markets?
- (A) Firms deal with other firms.
(B) Lending and borrowing is coordinated through banks.
(C) Borrowing and lending is not intermediated.
(D) Very large quantities of money are at stake.
63. Which of the following world stock exchanges were in the top five by value of transaction in 2009?
- (A) London Stock Exchange. (B) Shanghai Stock Exchange.
(C) Deutsche Börse. (D) Hong Kong Exchanges
64. Which of the following is not a characteristic of a preference share?
- (A) Ranks last for payment in the event of company liquidation.
(B) Unpaid dividend accrues until it can be paid.
(C) Do not usually have voting rights unless dividends fall into arrears.
(D) It is more like debt than a share in its characteristics.
65. Which of the following is the correct expression for the percentage return on a share?
- (A) $R_t = (dt + Pt - Pt-1)/Pt-1$ (B) $R_t = (dt + Pt - Pt-1)$
(C) $R_t = (dt + Pt - Pt-1)/ dt$ (D) $R_t = (-dt - Pt + Pt-1)/Pt-1$

66. Which of the following is not one of the qualities which makes debt attractive to firms?
- (A) The cost of debt is generally less than the cost of share capital and hence can lower the overall cost of capital for a firm.
 - (B) Debt interest only gets paid when the company is making a profit.
 - (C) It reduces the amount of corporate tax payable by firms by reducing the amount of taxable profit.
 - (D) The required return on debt is lower because, from the lender's point of view, debt is less risky than equity.
67. Which of the following is not a money market instrument?
- (A) Bonds.
 - (B) Treasury bills.
 - (C) Certificates of deposit (CDs).
 - (D) Commercial paper (CP).
68. Which of the following is not a defining quality of a bond?
- (A) Dividend yield.
 - (B) Maturity.
 - (C) Face value.
 - (D) Coupon payment frequency.
69. As which type of cash flow is an equity share usually valued?
- (A) An annuity cash flow.
 - (B) A risk-free cash flow.
 - (C) A perpetuity cash flow.
 - (D) An erratic cash flow.
70. Under which of the following market efficiency regimes would technical analysis not generate abnormal returns?
- (A) Weak market efficiency.
 - (B) Semi-strong market efficiency.
 - (C) Strong form market efficiency.
 - (D) All three.
71. Stock invest facility is not available to -----
- (A) An individual investor
 - (B) A limited company
 - (C) A mutual fund
 - (D) A co-operative society
72. 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
73. Business risk is also called -----
- (A) Operating risk
 - (B) Financial risk
 - (C) Political risk
 - (D) Market risk

74. One of the following is not a mutual fund generator
(A) ONGC (B) LIC (C) UTI (D) SBI
75. The policy concerning quantum of profits to be distributed as dividend is called as ----
(A) Tax policy (B) Investment policy
(C) Dividend policy (D) Price policy
76. A company issues on right share for every 4 shares held at a subscription price of Rs.60 per share. The current market price of the share is Rs.80. Value of the right is
(A) Rs.4 (B) Rs.5 (C) Rs.15 (D) Rs.20
77. Which of the following methods does a firm resort to avoid dividend payments?
(A) Share splitting (B) Declaring bonus shares
(C) Rights Issue (D) All of the above
78. Net salvage value of fixed assets is equal to
(A) Excess of salvage value over book value
(B) Excess of book value over salvage value
(C) Working capital requirement in the first year
(D) Salvage value of fixed assets less any income tax payable on the excess of salvage
79. Which of the following is/are not considered for cost-benefit analysis of capital investment decisions?
(A) Opportunity costs (B) Sunk costs
(C) Common fixed costs (D) Both (B) and (C) above
80. In a capital budgeting decision incremental cash flows mean
(A) Cash flows which are increasing
(B) Cash flows occurring over a period of time
(C) Cash flows directly related to the project
(D) Difference between cash inflows and cash outflows for each and every expenditure
81. If the life span of 2 projects is different, the appraisal method useful for evaluating the projects is
(A) Accounting rate of return (B) Net present value
(C) Internal rate of return (D) Annual capital charge

82. Net benefit-cost ratio of a project is equal is
- (A) Present value of cash inflows/initial investment
 - (B) Net present value of cash flows/initial investment
 - (C) Benefit-cost+1
 - (D) Initial investment/Net present value of cash inflows
83. Which of the following is not a current asset?
- (A) Cash in hand
 - (B) Cash in transit
 - (C) Goods on consignment
 - (D) None of the above
84. Permanent investment means, investments in
- (A) Current Assets
 - (B) Fixed Assets
 - (C) Fixed Assets and core current assets
 - (D) Land and buildings only
85. Which of the following is a spontaneous source of financing working capital?
- (A) Trade credit
 - (B) Letter of credit
 - (C) Cash credit
 - (D) Overdraft
86. Shelf stock refers to
- (A) Perishable goods
 - (B) Items that are to be packaged and sold
 - (C) Items that are stored by the firm and sold with little or no modifications
 - (D) Accessories which are not part of the standard equipment
87. Lead time refers to
- (A) Work-in- Process time
 - (B) The time gap between placing of the order and procuring the material
 - (C) The period in which a whole lot of inventory is consumed
 - (D) The time finished goods lie as inventories
88. Which of the following costs are not associated with inventories?
- (A) Ordering cost
 - (B) Carrying cost
 - (C) Costs of running out stocks
 - (D) Cost of long term debt locked in inventories.

89. ABC analysis is useful for
- (A) Beginners to have a basic idea about management of inventories
 - (B) Analyzing inventories based on their movement
 - (C) Better control of inventories
 - (D) None of these
90. The Just-in-Time inventory system is difficult to implement because
- (A) It is a Japanese system
 - (B) It requires reliable suppliers who are easily accessible
 - (C) It requires the use of highly sophisticated manufacturing systems
 - (D) The traditional formula for EOQ cannot be applied
91. Which of the following is true for leveraged beta?
- (A) Leveraged beta represents fundamental operational risk.
 - (B) Leveraged beta represents financial risk from leverage.
 - (C) Leveraged beta represents fundamental operational risk plus financial risk from leverage.
 - (D) Leveraged beta represents fundamental operational risk minus financial risk from leverage.
92. Why is it generally believed that there is an optimal capital gearing ratio?
- (A) There is a precise gearing ratio at which the benefit of the tax shield is exactly matched by the increasing risk of financial distress.
 - (B) There is a precise gearing ratio at which the risk of the tax shield is exactly matched by the increasing benefit of financial distress.
 - (C) There is a precise gearing ratio at which the benefit of the tax shield is exactly matched by the increasing risk of agency.
 - (D) There is a precise gearing ratio at which the benefit of managerial motivation is exactly matched by the increasing risk of agency
93. Pecking order theory suggests which of the following?
- (A) Internal funds, debt, and external equity have the same risk-adjusted return.
 - (B) Debt is preferred to external equity and internal funds.
 - (C) External equity is preferred to debt which is preferred to internal funds.
 - (D) Internal capital is preferred to debt which is preferred to external funds.

94. C group items under ABC analysis are
(A) High value items (B) High quantity items
(C) Low value items (D) Both (B) and (C) above
95. Which of the following is a motive for mergers?
(A) Economies of scale (B) Complementary resources
(C) Unused tax shields (D) All of the above
96. A combination where all the firms lose their identity is known as
(A) Merger (B) Takeover (C) Asset purchase (D) Consolidation
97. Value of a futures contract equals
(A) Ratio of price per unit times the initial margin required to deposit times the number of commodity units in a contract
(B) The market value of the futures contract
(C) Total expected value of the futures contract times the per unit value of the contract
(D) Price per unit times number of commodity units in a contract
98. A cash market is
(A) The market in the actual financial instrument on which an options contract is based
(B) A multifaceted market involved in a variety of products and services
(C) The market for short term funds
(D) The market which deals with on the spot delivery of currency
99. Basis risk can be reduced by
(A) Using the near month futures contract
(B) Matching cash and futures obligation
(C) Hedging with a futures contract that has a high price correlation
(D) Only (A), (B) and (C) above
100. Due to mark to market, profits and losses are settled at the end of
(A) Every day (B) Every Month
(C) Every week (D) Every three months