

## SEM IV MCOM Financial Management

1. The type of collateral security used of short term loan is
  - (a) Real Estate
  - (b) Plant & Machinery
  - (c) Stock of Goods
  - (d) Equity share capital
  
2. Commercial Paper is a type of
  - (a) Fixed Coupon Bond
  - (b) Unsecured short term loan
  - (c) Equity share capital
  - (d) Government Bonds
  
3. Capital Budgeting Decisions are
  - a) Reversible
  - b) Irreversible
  - c) Unimportant
  - d) Easy to take
  
4. A sound Capital Budgeting technique is based on
  - (a) Cash Flows
  - (b) Accounting Profit
  - (c) Interest Rate on Borrowings
  - (d) Last Dividend Paid
  
5. In payback period method, the annual cash inflow means
  - (a) net income after tax
  - (b) net income before tax
  - (c) net income before depreciation but after tax
  - (d) net income after tax and depreciation
  
6. Which of the following is not a spontaneous liability?
  - (a) Term loans
  - (b) Sundry creditors
  - (c) Provision for taxes
  - (d) Provision for payment of bonus
  
7. Cash Budget does not include
  - (a) Dividend Payable
  - (b) Postal Expenditure
  - (c) issue of Capital
  - (d) Total Sales Figure
  
8. In the monthly cash report which of the following comes under Cash Receipts ?

- (a) Cash sales
- (b) Cash purchases
- (c) Wages and salaries
- (d) Taxes

9. Which of the following is not an element of credit policy?

- (a) Credit Terms
- (b) Collection Policy
- (c) Cash Discount Terms
- (d) Sales Price

10. 80% of sales of Rs.10,00,000 of a firm are on credit. It has a Receivable Turnover of 8. What is the

Average collection period (360 days a year) and Average Debtors of the firm?

- (a) 45 days and 1,00,000
- (b) 360 days and 1,00,000
- (c) 45 days and 8,00,000
- (d) 360 days and 1,25,000

11. Cash Discount term 3/15, net 40 means

- (a) 3% Discount if payment in 15 days, otherwise full payment in 40 days
- (b) 15% Discount if payment in 3 days, otherwise full payment 40 days
- (c) 3% Interest if payment made in 40 days and 15% interest thereafter
- (d) 3% bad debts allowed or every 15 % of sales.

12. If the sales of the firm are Rs.60,00,000 and the average debtors are Rs.15,00,000 then the receivables turnover is

- (a) 4 times
- (b) 400%
- (c) 25%
- (d) 0.25 times

13. The average collection period for a firm measures the number of days

- (a) After a typical credit sale is made until the firm receives the payment
- (b) For a typical check to "clear" through the banking system
- (c) Beyond the end of the credit period before a typical customer payment is received
- (d) Before a typical account becomes delinquent

14. The following information regarding a change in credit policy is given by the WW Company. The

company has a required rate of return of 10% and a variable cost ratio of 60%.

	Old Credit Policy	New Credit Policy
Sales	36,00,000	39,60,000
Average collection period	30 days	36 days

The pretax cost of carrying the additional investment in receivables, using a 360-day year, would be

- (a)Rs. 5,760
- (b) Rs.9,600
- (c) Rs.8,160
- (d) Rs.960

15. The classification of fixed and variable cost has a special significance in the preparation of

- (a) Flexible budget
- (b) Cash budget
- (c) Capital budget
- (d) Zero-based budget

16. Which of the following are purposes of a budget?

- (i) Establishing strategic options
  - (ii) Motivating management
  - (iii) Establishing long term objectives (iv) Planning operations
- (a) (i) and (iii) only
  - (b) (i) and (iv) only
  - (c) (i) and (iv) only
  - (d) (ii), (iii) and (iv) only

17. A company is preparing a production budget for the next year. The following information is relevant:

Budgeted Sales 10,000 units

Opening stock 600 units

Closing stock 5% of budgeted sales

The production process is such that 10% of the units produced are rejected.

What is the number of units required to be produced to meet demand ?

- (a) 8,900 units
- (b) 9,900 units
- (c) 10,900 units
- (d) 71,000 units

18. A company has the following budget for the next month:

Finished Product

Sales - 7,000 units

Production units - 7,200 units

Materials

Usage per unit - 3 kg

Opening stock - 400 kg

Closing stock - 500 kg

What is the material purchases budget for the month ?

- (a) 20,900 kg
- (b) 21,100 kg
- (c) 21,500 kg
- (d) 21,700 kg

19. The budgeted cost of electricity is Rs.62500 for 500 units of production per month and Rs.71500 for 6200 units of production per month.if the company manufactures 6900 Units in the month of May 2014,the budgeted amount of electricity for the month is

- a. ₹74360
- b. ₹76750
- c. ₹77770
- d. ₹79572

20. The Discounted value of 7<sup>th</sup> year inflow of Rs. 16,000 at 8% PV factor is

- a. Rs. 9,335
- b. Rs. 7,912
- c. Rs. 8,644
- d. Rs. 10,083