

202 – Financial Management

1. What is the primary objective of Financial Management according to the Modern Approach?

- a. Profit Maximization
- b. Wealth Maximization
- c. Revenue Maximization
- d. Market Share Maximization

Answer: b. Wealth Maximization

2. Which decision is NOT considered a part of the Modern Approach to Financial Management?

- a. Investment Decision
- b. Financing Decision
- c. Dividend Policy Decision
- d. Production Decision

Answer: d. Production Decision

3. What is the relationship between Finance and other disciplines in business?

- a. Independent
- b. Irrelevant
- c. Interconnected
- d. Isolated

Answer: c. Interconnected

4. What is the primary function of a Finance Manager?

- a. Production planning
- b. Marketing strategy
- c. Financial decision-making
- d. Human resource management

Answer: c. Financial decision-making

5. Which approach to Financial Management includes Investment Decision, Financing Decision, and Dividend Policy Decision?

- a. Traditional Approach
- b. Modern Approach
- c. Hybrid Approach
- d. Dynamic Approach

Answer: b. Modern Approach

6. What is the primary objective of financial statement analysis?

- a. Profit Maximization
- b. Wealth Maximization
- c. Understanding financial health
- d. Market Share Maximization

Answer: c. Understanding financial health

7. Which technique involves expressing each item in the financial statement as a percentage of a base item?

- a. Common Size Statements
- b. Comparative Statements
- c. Trend Analysis
- d. Ratio Analysis

Answer: a. Common Size Statements

8. Which analysis technique compares financial data of different periods to identify trends?

- a. Common Size Statements
- b. Comparative Statements
- c. Trend Analysis

d. Ratio Analysis

Answer: c. Trend Analysis

9. What does Funds Flow Statement primarily focus on?

a. Profitability

b. Cash Flow

c. Working Capital Changes

d. Asset Valuation

Answer: c. Working Capital Changes

10. Which analysis technique involves the calculation of financial ratios for better insights into a company's performance?

a. Common Size Statements

b. Comparative Statements

c. Trend Analysis

d. Ratio Analysis

Answer: d. Ratio Analysis

11. What is the primary focus of Working Capital Management?

a. Long-term investments

b. Short-term liabilities

c. Fixed assets

d. Total assets

Answer: b. Short-term liabilities

12. Which component is NOT a part of the Operating Cycle in Working Capital Management?

a. Inventory conversion period

b. Accounts receivable collection period

- c. Accounts payable deferral period
- d. Capital budgeting period

Answer: d. Capital budgeting period

13. What affects the estimation of working capital requirements in the Cash Cost Method?

- a. Fixed assets
- b. Current liabilities
- c. Cash transactions
- d. Depreciation

Answer: c. Cash transactions

14. What is the impact of an increased Operating Cycle on Working Capital?

- a. Decreased working capital requirement
- b. Unchanged working capital requirement
- c. Increased working capital requirement
- d. No impact on working capital

Answer: c. Increased working capital requirement

15. In Working Capital Management, what does the Total Cost Method consider?

- a. Only cash transactions
- b. Both cash and credit transactions
- c. Only credit transactions
- d. Long-term investments

Answer: b. Both cash and credit transactions

16. What factors influence Capital Structure decisions?

- a. Economic conditions only
- b. Only internal factors

- c. Both internal and external factors
- d. Market trends only

Answer: c. Both internal and external factors

17. Which source of finance involves sharing ownership and control of the company?

- a. Debt financing
- b. Equity financing
- c. Retained earnings
- d. Debentures

Answer: b. Equity financing

18. What is the measurement of the overall cost of capital known as?

- a. Specific Cost
- b. WACC (Weighted Average Cost of Capital)
- c. Dynamic Cost
- d. Specific WACC

Answer: b. WACC (Weighted Average Cost of Capital)

19. What does Trading on Equity involve?

- a. Financing with equity only
- b. Financing with debt only
- c. Simultaneous use of debt and equity
- d. Avoiding debt and equity

Answer: c. Simultaneous use of debt and equity

20. What is the concept of Financial Leverage related to?

- a. Debt financing
- b. Equity financing
- c. Combination of debt and equity

d. Retained earnings

Answer: c. Combination of debt and equity

21. What is the primary focus of Capital Budgeting?

a. Short-term investments

b. Long-term investments

c. Debt financing

d. Equity financing

Answer: b. Long-term investments

22. What does the Time Value of Money consider in Capital Budgeting?

a. Past value of money

b. Future value of money

c. Present value of money

d. Current value of money

Answer: c. Present value of money

23. What tool of evaluation considers the total cash inflows and outflows without considering the time value of money?

a. Payback Period

b. Discounted Payback Period

c. NPV (Net Present Value)

d. IRR (Internal Rate of Return)

Answer: a. Payback Period

24. What is the primary drawback of the Payback Period as a tool of evaluation?

a. Ignores time value of money

b. Considers the time value of money

c. Complexity in calculation

d. Limited to short-term projects

Answer: a. Ignores time value of money

25. Which technique considers the profitability of a project by comparing the present value of cash inflows to the present value of cash outflows?

a. ARR (Accounting Rate of Return)

b. Payback Period

c. NPV (Net Present Value)

d. PI (Profitability Index)

Answer: c. NPV (Net Present Value)

26. What types of problems will be asked on Ratio Analysis?

a. Theoretical problems

b. Numerical problems

c. Case-based problems

d. Conceptual problems

Answer: b. Numerical problems

27. What is the primary focus of the note regarding numerical problems in the examination?

a. Case-based problems only

b. Real-world examples only

c. Numerical problems only

d. Both numerical problems and interpretation

Answer: d. Both numerical problems and interpretation

28. Who are the authors of the book "Financial Management" by Shashi K. Gupta and R.K. Sharma?

a. Shashi K. Gupta and R.K. Sharma

b. V.K. Saxena and C.D. Vashist

- c. Rajesh Kothari
- d. Dr. Mahesh Abale & Dr. Shriprakash Soni

Answer: a. Shashi K. Gupta and R.K. Sharma

29. What is the focus of the book "Basics of Financial Management" by V.K. Saxena and C.D.Vashist?

- a. Advanced Financial Management
- b. Working Capital Management
- c. Financial Management
- d. Fundamentals of Financial Management

Answer: d. Fundamentals of Financial Management

30. Who is the author of the book "Working Capital Management, Theory and Practice"?

- a. Shashi K. Gupta
- b. Rajesh Kothari
- c. Dr. P. Periasamy
- d. I M Pandey

Answer: c. Dr. P. Periasamy

31. Who are the authors of the book "Financial Management" by Rajiv Srivastava and Anil Misra?

- a. Rajiv Srivastava and Anil Misra
- b. Ravi Kishore
- c. V.K. Bhalla
- d. Jonathan Berk, Peter DeMarzo and Ashok Thampy

Answer: a. Rajiv Srivastava and Anil Misra

32. What is the focus of the book "Financial Management" by Ravi Kishore?

- a. Financial Management

- b. Capital Structure
- c. Working Capital Management
- d. Advanced Financial Management

Answer: a. Financial Management

33. Who is the author of the book "Advanced Financial Management"?

- a. Shashi K. Gupta and R.K. Sharma
- b. N.M. Vechalekar
- c. Jonathan Berk, Peter DeMarzo and Ashok Thampy
- d. Rajiv Srivastava and Anil Misra

Answer: b. N.M. Vechalekar