

304- Advanced Financial Management

1. What is the concept of Financial Distress?

- a. Achieving financial goals
- b. Improving profitability
- c. Financial instability and inability to meet obligations
- d. None of the above

Answer: c. Financial instability and inability to meet obligations

2. What financial statements are essential for Corporate Valuation?

- a. Balance Sheet and Income Statement
- b. Profit and Loss Statement and Cash Flow Statement
- c. Funds Flow Statement and Cash Flow Statement
- d. None of the above

Answer: c. Funds Flow Statement and Cash Flow Statement

3. What is the importance of Cash Flows in Corporate Restructuring?

- a. Enhancing brand image
- b. Facilitating financial decision-making
- c. Improving employee morale
- d. None of the above

Answer: b. Facilitating financial decision-making

4. What does Economic Value Added (EVA) measure?

- a. Profitability
- b. Shareholder value creation

- c. Revenue growth
- d. None of the above

Answer: b. Shareholder value creation

5. What are the components of EVA?

- a. Net Income and Total Assets
- b. Net Operating Income and Total Liabilities
- c. Operating Profit and Cost of Capital
- d. None of the above

Answer: c. Operating Profit and Cost of Capital

6. According to Modigliani and Miller, in a world without taxes, what is the impact of capital structure on firm value?

- a. It has no impact
- b. It increases firm value
- c. It decreases firm value
- d. None of the above

Answer: a. It has no impact

7. What approach is based on the assumption that the cost of debt is tax-deductible?

- a. Net Income Approach
- b. Net Operating Income Approach
- c. Traditional Position
- d. None of the above

Answer: a. Net Income Approach

8. What does the Tradeoff theory suggest about capital structure?

- a. There is an optimal level of debt
- b. Debt has no impact on firm value
- c. Equity financing is always preferred
- d. None of the above

Answer: a. There is an optimal level of debt

9. What is the primary focus of PBIT - EPS Analysis in capital structure planning?

- a. Profitability analysis
- b. Earnings per share analysis
- c. Taxation analysis
- d. None of the above

Answer: b. Earnings per share analysis

10. According to Modigliani and Miller, how does taxation impact capital structure?

- a. It increases the cost of debt
- b. It decreases the cost of equity
- c. It favors debt financing
- d. None of the above

Answer: c. It favors debt financing

11. What is a Leveraged Buyout (LBO)?

- a. Acquiring a company using a significant amount of borrowed funds
- b. Acquiring a company without any debt
- c. Selling a company's assets
- d. None of the above

Answer: a. Acquiring a company using a significant amount of borrowed funds

12. What is an anti-takeover strategy?

- a. Encouraging takeovers
- b. Discouraging or preventing takeovers
- c. Neutral approach to takeovers
- d. None of the above

Answer: b. Discouraging or preventing takeovers

13. What legal procedures are involved in Mergers and Acquisitions?

- a. Financial analysis
- b. Due diligence
- c. SWOT analysis
- d. None of the above

Answer: b. Due diligence

14. What is Portfolio Restructuring in the context of Mergers and Acquisitions?

- a. Reorganizing individual investments within a portfolio
- b. Creating a new portfolio

- c. Dissolving a portfolio
- d. None of the above

Answer: a. Reorganizing individual investments within a portfolio

15. What is a form of compensation in Mergers and Acquisitions?

- a. Salary
- b. Stock options
- c. Bonuses
- d. All of the above

Answer: b. Stock options

16. How is the level of current assets determined in Working Capital Management?

- a. By market conditions
- b. By historical data
- c. By management decisions
- d. None of the above

Answer: c. By management decisions

17. What is the primary motive for holding cash and marketable securities?

- a. Reducing financial distress
- b. Earning interest income
- c. Facilitating smooth operations
- d. None of the above

Answer: c. Facilitating smooth operations

18. What is a Cash Management Model used for?

- a. Estimating working capital
- b. Managing surplus funds
- c. Calculating return on investment
- d. None of the above

Answer: b. Managing surplus funds

19. What is the role of factoring in receivables management?

- a. Increasing credit sales
- b. Reducing credit sales
- c. Outsourcing accounts receivables
- d. None of the above

Answer: c. Outsourcing accounts receivables

20. What are the Objectives of trade credit in Credit Management?

- a. Reducing profitability
- b. Increasing default rates
- c. Encouraging early payments
- d. None of the above

Answer: c. Encouraging early payments

21. Why do firms pay dividends?

- a. To reduce profitability
- b. To distribute profits to shareholders
- c. To increase financial distress
- d. None of the above

Answer: b. To distribute profits to shareholders

22. What influences Dividend Policy in a firm?

- a. Government regulations only
- b. Shareholder preferences only
- c. Both government regulations and shareholder preferences
- d. None of the above

Answer: c. Both government regulations and shareholder preferences

23. What is the Legal and Procedural Aspect of Dividend Policy?

- a. Declaration of dividends
- b. Distribution of bonus shares
- c. Tax implications
- d. All of the above

Answer: a. Declaration of dividends

24. How are Bonus Shares and Stock Splits related to Dividend Policy?

- a. They increase dividend payouts
- b. They decrease dividend payouts
- c. They have no impact on dividends
- d. None of the above

Answer: c. They have no impact on dividends

25. What do Dividend Models such as Walter's, Gordon's, and Modigliani and Miller's Hypothesis focus on?

- a. Predicting future profits

b. Linking investment and dividend decisions

c. Analyzing market trends

d. None of the above

Answer: b. Linking investment and dividend decisions