

# National Testing Agency

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## Fundamentals of Financial Management

<b>Group Number :</b>	1
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<b>Group Maximum Duration :</b>	0
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<b>Is this Group for Examiner? :</b>	No

## Fundamentals of Financial Management-1

<b>Section Id :</b>	94091876
<b>Section Number :</b>	1
<b>Section type :</b>	Online
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<b>Number of Questions :</b>	50
<b>Number of Questions to be attempted :</b>	50
<b>Section Marks :</b>	100
<b>Enable Mark as Answered Mark for Review and Clear Response :</b>	Yes
<b>Sub-Section Number :</b>	1
<b>Sub-Section Id :</b>	940918119
<b>Question Shuffling Allowed :</b>	Yes

**Question Number : 1 Question Id : 9409183020 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

A \_\_\_\_\_ is the highest-ranking person in a company or an institution, ultimately responsible for taking managerial decisions.

1. Chief Executive Officer (CEO)
2. Chief Finance Officer (CFO)
3. Board of Directors (BOD)
4. Managing Director (MD)

**Options :**

94091811045. 1
94091811046. 2
94091811047. 3
94091811048. 4

**Question Number : 2 Question Id : 9409183021 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

When the capital requirement of a company is calculated on the basis of the capitalized value of its earning, it is called as

1. Cost Theory
2. Price Theory
3. Earning Theory
4. Theory of Profit

**Options :**

94091811049. 1

94091811050. 2

94091811051. 3

94091811052. 4

**Question Number : 3 Question Id : 9409183022 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Which of the following is not a regulatory institutions in Indian financial system?

1. SEBI
2. RBI
3. IRDA
4. CIBIL

**Options :**

94091811053. 1

94091811054. 2

94091811055. 3

94091811056. 4

**Question Number : 4 Question Id : 9409183023 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Which of the following is responsible for financial reports, direct investment activities, and develop strategies and plans for the long-term financial goals of their organization?

1. Marketing Management
2. Financial Management
3. Production Management
4. Operation Management

**Options :**

94091811057. 1

94091811058. 2

94091811059. 3

94091811060. 4

**Question Number : 5 Question Id : 9409183024 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

\_\_\_\_\_are essentials to take important decisions on the basis of financial reports generated.

1. Analytical Skills
2. Operational Skills
3. Marketing skills
4. Financial Skills

**Options :**

94091811061. 1

94091811062. 2

94091811063. 3

94091811064. 4

**Question Number : 6 Question Id : 9409183025 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

For a newly set up business, it is necessary to estimate properly the funds required for \_\_\_\_\_.

1. Current assets and Fixed capital
2. Fixed Assets and Fixed Capital
3. Current assets and Working Capital
4. Working Capital and Fixed Assets

**Options :**

94091811065. 1

94091811066. 2

94091811067. 3

94091811068. 4

**Question Number : 7 Question Id : 9409183026 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Which of the following carry fixed rate of interest and are to be paid off irrespective of the firm's revenue?

1. Debentures and Shares
2. Debentures and Bonds
3. Bonds and Shares
4. Treasury notes and Shares

**Options :**

94091811069. 1

94091811070. 2

94091811071. 3

94091811072. 4

**Question Number : 8 Question Id : 9409183027 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Insurance is a/an -----

1. Agreement
2. Contract
3. Rating
4. Instrument

**Options :**

94091811073. 1

94091811074. 2

94091811075. 3

94091811076. 4

**Question Number : 9 Question Id : 9409183028 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Gordon suggested, the higher the earnings retention rate, the greater the required future return from investments to compensate for financial-----

1. Policy
2. Company
3. Profit
4. Risk

**Options :**

- 94091811077. 1
- 94091811078. 2
- 94091811079. 3
- 94091811080. 4

**Question Number : 10 Question Id : 9409183029 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Medium of exchange and measure of value are \_\_\_\_\_ functions of money

1. Secondary
2. Contingent
3. Primary
4. Subsidiary

**Options :**

- 94091811081. 1
- 94091811082. 2
- 94091811083. 3
- 94091811084. 4

**Question Number : 11 Question Id : 9409183030 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Earnings which are distributed among shareholders in the form of dividend are called as \_\_\_\_\_

1. Retention Ratio
2. Earning Ratio
3. Payout Ratio
4. Proprietary Ratio

**Options :**

94091811085. 1

94091811086. 2

94091811087. 3

94091811088. 4

**Question Number : 12 Question Id : 9409183031 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

A company has internal rate of return of 15%. Its retention ratio is 60%. What is company's growth rate?

1. 6%
2. 12.5%
3. 9%
4. 7.5%

**Options :**

94091811089. 1

94091811090. 2

94091811091. 3

94091811092. 4

**Question Number : 13 Question Id : 9409183032 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

A firm has EBIT of Rs. 50,000. Market value of debt is Rs. 80,000 and overall capitalization rate is 20%. Market value of firm under NOI Approach is:

1. 1,50,000
2. 1,60,000
3. 1,70,000
4. 1,80,000

**Options :**

94091811093. 1

94091811094. 2

94091811095. 3

94091811096. 4

**Question Number : 14 Question Id : 9409183033 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Which of the following is irrelevant for optimal capital structure?

1. Flexibility
2. Solvency
3. Liquidity
4. Control

**Options :**

94091811097. 1

94091811098. 2

94091811099. 3

94091811100. 4

**Question Number : 15 Question Id : 9409183034 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**



Which of the following assumes constant  $k_d$  and  $k_e$ ?

1. Net Income Approach
2. Net Operating Income Approach
3. Traditional Approach
4. MM Model

**Options :**

94091811101. 1

94091811102. 2

94091811103. 3

94091811104. 4

**Question Number : 16 Question Id : 9409183035 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

A contract which affords adequate protection to an exporter or an importer against exchange risk is :

1. Guarantee
2. Letter Of credit
3. Hedging
4. Forward Contract

**Options :**

94091811105. 1

94091811106. 2

94091811107. 3

94091811108. 4

**Question Number : 17 Question Id : 9409183036 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The term capital structure means

1. Long term debt, preferred stock and equity shares
2. Current Assets and Current Liabilities
3. Working Capital
4. Shareholders' Equity

**Options :**

94091811109. 1

94091811110. 2

94091811111. 3

94091811112. 4

**Question Number : 18 Question Id : 9409183037 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

If EBIT is Rs.1500000, interest is Rs.250000, corporate tax is 40%, then degree of financial leverage is

1. 4.00

2. 2.22

3. 1.11

4. 3.12

**Options :**

94091811113. 1

94091811114. 2

94091811115. 3

94091811116. 4

**Question Number : 19 Question Id : 9409183038 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Trade credit is granted to

1. Creditors
2. Manufacturer and Traders
3. Debtors
4. Suppliers

**Options :**

94091811117. 1

94091811118. 2

94091811119. 3

94091811120. 4

**Question Number : 20 Question Id : 9409183039 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Match **List I** with **List II**

List I	List II
A. Goodwill	I. Current assets
B. Debtors	II. Capital
C. Equity Shares	III. Fixed asset

Choose the **correct** answer from the options given below:

1. A - 1, B - II, C - III

2. A - 1I, B - I, C - III

3. A - III, B - I, C - II

**Options :**

94091811121. 1

94091811122. 2

94091811123. 3

94091811124. 4

**Question Number : 21 Question Id : 9409183040 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The term on which financial institutions provide loans such as interest rates, collateral, duration also effect on capital budgeting decisions.

1. Lending Policy
2. Working Capital
3. Capital structure
4. Return on Capital

**Options :**

94091811125. 1

94091811126. 2

94091811127. 3

94091811128. 4

**Question Number : 22 Question Id : 9409183041 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Suppose investment is Rs. 10,000 and the annual return is Rs.2, 500. Then payback period is\_\_\_\_years.

1. 2
2. 4
3. 5
4. 3

**Options :**

94091811129. 1

94091811130. 2

94091811131. 3

94091811132. 4

**Question Number : 23 Question Id : 9409183042 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Discount factor multiplied by cash flow of the year will give you

1. Net Present Value
2. Cost of Capital
3. Pay Back Period
4. Working Capital

**Options :**

94091811133. 1

94091811134. 2

94091811135. 3

94091811136. 4

**Question Number : 24 Question Id : 9409183043 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Following is not the example of payment under Cash Budget

1. Electricity Paid
2. Rent paid
3. Cash Sales
4. Cash purchase

**Options :**

94091811137. 1

94091811138. 2

94091811139. 3

94091811140. 4

**Question Number : 25 Question Id : 9409183044 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Gross working capital means :

1. Current Assets less Current Liabilities
2. Current Assets add Current Liabilities
3. Total of Current Liabilities
4. Total of Current assets

**Options :**

94091811141. 1

94091811142. 2

94091811143. 3

94091811144. 4

**Question Number : 26 Question Id : 9409183045 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Following is the example of holding cash by transaction motive

1. Provision for Tax
2. Payment of Salary
3. Provision for bad debts
4. Provision for flood

**Options :**

94091811145. 1

94091811146. 2

94091811147. 3

94091811148. 4

**Question Number : 27 Question Id : 9409183046 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Internal Rate of Return considers

1. Time value of money
2. Historical value of money
3. Historical as well as time value of money
4. Replacement Value of money

**Options :**

94091811149. 1

94091811150. 2

94091811151. 3

94091811152. 4

**Question Number : 28 Question Id : 9409183047 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

\_\_\_\_\_ is required to meet the seasonal needs of the enterprise

1. Permanent working capital
2. Regular working capital
3. Seasonal working capital
4. Temporary working capital

**Options :**

94091811153. 1

94091811154. 2

94091811155. 3

94091811156. 4

**Question Number : 29 Question Id : 9409183048 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Cash management is one of the important areas of ..... management

1. Working Capital
2. Fixed Capital
3. Capital
4. Inventory

**Options :**

94091811157. 1

94091811158. 2

94091811159. 3

94091811160. 4

**Question Number : 30 Question Id : 9409183049 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Issue of share capital is ....

1. Cash flow from financing activities
2. Cash flow from investing activities
3. Cash flow from operating activities
4. Cash outflow from financing activities

**Options :**

94091811161. 1

94091811162. 2

94091811163. 3

94091811164. 4

**Question Number : 31 Question Id : 9409183050 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**



When the process period is longer, then \_\_\_\_\_ requirement in business.

1. Lesser will be working capital
2. Larger will be the working capital
3. Minimum will be the working capital
4. No effect

**Options :**

94091811165. 1

94091811166. 2

94091811167. 3

94091811168. 4

**Question Number : 32 Question Id : 9409183051 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

CFS Cash Flow Statement is made mandatory according to which standards?

1. Accounting Standards
2. Accounting Standards – 3
3. Accounting Standards – 3 (Revised)
4. Accounting Standards - 4

**Options :**

94091811169. 1

94091811170. 2

94091811171. 3

94091811172. 4

**Question Number : 33 Question Id : 9409183052 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Increase in outstanding salaries result in...

1. Increase in cash outflow
2. Increase in working capital
3. Decrease in funds flow
4. Decrease in cash outflow

**Options :**

94091811173. 1

94091811174. 2

94091811175. 3

94091811176. 4

**Question Number : 34 Question Id : 9409183053 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

In a factoring non-recourse transaction, the loss resulting from bad debts is borne by....

1. an intermediate organization
2. the finance manager of the organization
3. the organization selling the accounts receivable
4. the organization buying the accounts receivable

**Options :**

94091811177. 1

94091811178. 2

94091811179. 3

94091811180. 4

**Question Number : 35 Question Id : 9409183054 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Accounts receivable are reported in the balance sheet at -----

1. face value
2. gross value
3. net realizable value
4. market value

**Options :**

94091811181. 1

94091811182. 2

94091811183. 3

94091811184. 4

**Question Number : 36 Question Id : 9409183055 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Record-keeping and reporting is a/an\_\_\_\_\_

1. executive function
2. routine function
3. administrative function
4. extra-ordinary function

**Options :**

94091811185. 1

94091811186. 2

94091811187. 3

94091811188. 4

**Question Number : 37 Question Id : 9409183056 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

There is no \_\_\_\_\_ for transfer of securities under depository system.

1. Legal Fees
2. Shares Transfer Fees
3. Stamp Duty
4. Registration Fees

**Options :**

94091811189. 1

94091811190. 2

94091811191. 3

94091811192. 4

**Question Number : 38 Question Id : 9409183057 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The growing inconvenience of \_\_\_\_ in the complex economic societies necessitated the invention of money.

1. Barter
2. Finance
3. Exchange
4. Money

**Options :**

94091811193. 1

94091811194. 2

94091811195. 3

94091811196. 4

**Question Number : 39 Question Id : 9409183058 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The National Stock Exchange is located at---

1. Calcutta
2. Delhi
3. Madras
4. Mumbai

**Options :**

94091811197. 1

94091811198. 2

94091811199. 3

94091811200. 4

**Question Number : 40 Question Id : 9409183059 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

During year 1, the sales and Cost of goods sold were Rs. 6,00,000 and Rs. 4,30,000 respectively. Next year, the sales are expected to increase by 10%. The Cost of goods sold for next year would be:

1. Rs. 4,30,000
2. Rs. 4,90,000
3. Rs. 4,73,000
4. Rs. 5,00,000

**Options :**

94091811201. 1

94091811202. 2

94091811203. 3

94091811204. 4

**Question Number : 41 Question Id : 9409183060 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The gap between the buying rate and selling rate of a currency is called

1. Bid-ask spread
2. Dealer's margin
3. Dealer's spread
4. Exchange margin

**Options :**

94091811205. 1

94091811206. 2

94091811207. 3

94091811208. 4

**Question Number : 42 Question Id : 9409183061 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Process of Financial Planning ends with:

1. Planning
2. Forecasting
3. Comparison
4. Setting of Standards

**Options :**

94091811209. 1

94091811210. 2

94091811211. 3

94091811212. 4

**Question Number : 43 Question Id : 9409183062 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

\_\_\_\_\_ is also called as Net Operating Income.

1. EBT
2. Capitalization
3. Earning after tax
4. EBIT

**Options :**

94091811213. 1

94091811214. 2

94091811215. 3

94091811216. 4

**Question Number : 44 Question Id : 9409183063 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

\_\_\_\_\_ of capital is that part of wealth which is used for further production of wealth of the company.

1. Business concept
2. Economic concept
3. Industry concept
4. Accounting concept.

**Options :**

94091811217. 1

94091811218. 2

94091811219. 3

94091811220. 4

**Question Number : 45 Question Id : 9409183064 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Account Receivables may have a life span of

1. 90 days
2. 120 days
3. 30 to 60 days
4. 180 days

**Options :**

94091811221. 1

94091811222. 2

94091811223. 3

94091811224. 4

**Question Number : 46 Question Id : 9409183065 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

The Internal Rate of Return (IRR) criterion for project acceptance, under theoretically infinite funds is: accept all projects which have

1. IRR equal to the cost of capital
2. IRR greater than the cost of capital
3. IRR less than the cost of capital
4. Cost of Capital greater than IRR

**Options :**

94091811225. 1

94091811226. 2

94091811227. 3

94091811228. 4

**Question Number : 47 Question Id : 9409183066 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**



Account receivable is

1. credit
2. debit
3. cash
4. paper money given to customers

**Options :**

94091811229. 1

94091811230. 2

94091811231. 3

94091811232. 4

**Question Number : 48 Question Id : 9409183067 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Match **List I** with **List II**

List I	List II
A. Earning theory	I. Capital employed more than capitalization
B. Cost Theory	II. Capital employed more than capitalization
C. Over Capitalization	III. Capital value on the basis of capitalized value
D. Under Capitalization	IV. Capital value on the basis of cost of fixed asset

Choose the **correct** answer from the options given below:

1. A - II, B - IV, C - III, D - I
2. A - I, B - IV, C - II, D - III
3. A - I, B - II, C - IV, D - III
4. A - III, B - IV, C - II, D - I

**Options :**

94091811233. 1

94091811234. 2

94091811235. 3

94091811236. 4

**Question Number : 49 Question Id : 9409183068 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

Match **List I** with **List II**

<b>List I</b>	<b>List II</b>
A. Bank	I. owner of the company
B. Equity shareholders	II. accepting deposits and lending money
C. Average receivables	III. daily credit sales*collection period

Choose the **correct** answer from the options given below:

1. A - I, B - II, C - III
2. A - II, B - I, C - III
3. A - III, B - I, C - II

**Options :**

94091811237. 1

94091811238. 2

94091811239. 3

94091811240. 4

**Question Number : 50 Question Id : 9409183069 Question Type : MCQ Option Shuffling : No Is**

**Question Mandatory : No**

**Correct Marks : 2 Wrong Marks : 0**

\_\_\_\_\_ is the application of planning and control function to the finance function according to Archer and Ambrosia

1. Marketing management
2. Cost Management
3. Financial Management
4. Operational management

**Options :**

94091811241. 1

94091811242. 2

94091811243. 3

94091811244. 4