1.	Which group of ratios relates profits to sales and investment?				
	(a) Liquidity ratios (b) Debt ratios	(c) Coverage ratios	(d) Profitability ratios		
2.	The is defined as the present value	e of all cash proceeds to th	e investor in the stock.		
	(a) Dividend payout ratio	(b) Intrinsic value	(b) Intrinsic value		
	(c) Market capitalization rate	(d) Plowback ratio			
3.	When the market's Required Rate of Re	turn for a particular Bond	is much less than its Coupor		
	Rate, the Bond is selling at				
	(a) Premium (b) Discount	(c) Par	(d) Face		
4 .	Interest paid (earned) on only the original principal borrowed (lent) is often referred to as				
	(a) Compound interest	(b) Simple interest	;		
	(c) Present value	(d) Future value			
5.	Which of the following is an advantage of a corporation that is NOT an advantage as in a				
	partnership?				
	(a) Limited liability	(b) Capital shortage			
	(c) Single taxation	(d) All of the above	•		
5.	Assume that the interest rate is greater	Assume that the interest rate is greater than zero. Which of the following cash-inflow streams			
	totalling Rs.1, 500 would you prefer? The cash flows are listed in order for Year 1, Year 2, and				
	Year 3 respectively.				
	(a) Rs.700; Rs.500 and Rs.300	(b) Rs.300; Rs.500 and Rs.	700		
	(c) Rs.500; Rs.500 and Rs.500	(d) Any of the above, since	they each sum to Rs.1,500		
7.	is responsible for finance	cial inventory, managemen	t, financial planning etc.		
	(a) Shareholders (b) Treasurer	(c) Controller	(d) Board of Directors		
8.	If you have to judge a project from its NP	V, you will select the one	with the		
	(a) Lowest NPV	(b) Highest NPV	(b) Highest NPV		
	(c) NPV cannot judge the project	(d) Information is n	ot enough		
9.	Break even analysis is also called				
	(a) Contribution Margin	(b) Unit sales	(b) Unit sales		
	(c) Cost-Volume-Profit analysis	(d) None of the abo	ve		
10.	Process that involves decision making with	th respect to investment in	fixed asset		
	(a) Valuation (b) Breakeven analysis (c)	Capital budgeting (d) M	laterial management decision		
11. In the Balance Sheet amount of total Assets is Rs.10 million, Current Liabiliti			ent Liabilities Rs.5 million and		
	Owner Equity are Rs.2 million. What is the Long term Debt-to-Equity Ratio?				
	(a) 1 · 1 (b) 15 · 1	(c) $2 \cdot 1$ (d) 1	None of the above		



12.	You wish to earn a ret	turn of 13% on e	ach of two stoo	cks, X and Y.	Stock X is exp	ected to pay a
	dividend of Rs. 3 in the upcoming year while Stock Y is expected to pay a dividend of Rs. 4 in the					
	upcoming year. The expected growth rate of dividends for both stocks is 7%. The intrinsic value					
	of stock X:					
	(a) Will be greater than the intrinsic value of stock Y					
	(b) Will be the same as the intrinsic value of stock Y					
	(c) Will be less than the intrinsic value of stock Y					
	(d) Cannot be calculated	ted without know	ing the market	rate of return		
<i>13</i> .	If gross profit is Rs 5,000 and the net profit is 25% of the gross profit the expenses must be					
	(a) Rs 3,750	(b) Rs 1,250		(c) Rs 4,150		(d) Rs 6,250
14.	Which group of ratios measures a firm's ability to meet short-term obligations?					
	(a) Liquidity ratios	(b) Debt ratio	os (c) Co	overage ratios	(d) Profitabili	ity ratios
<i>15</i> .	The higher the Future	Value (FV) of the	e payment, the l	higher will be t	he:	
	(a) Discount rate	(b) Present val	ue (c) Lie	quidity	(d) Cost of bo	orrowing
<i>16</i> .	are analysts w	are analysts who use information concerning current and prospective profitability of firms				
	to assess the firm's fair	to assess the firm's fair market value.				
	(a) Credit analysts		(b) Fu	ındamental ar	nalysts	
	(c) Systems analysts		(d) Te	(d) Technical analysts		
<i>17</i> .	When a Bond's Yield to Maturity is greater than the Bond's Coupon Rate, the Bond					
	(a) Is selling at a P	remium	(b) Ha	as reached its N	Maturity Date	
	(c) Is priced at Par		(d) Is	selling at a Di	scount	
18.	What are the earnings per share (EPS) for a company that earned Rs.100, 000 last year in after-tax					
	profits, has 200,000 common shares outstanding and Rs.1.2 million in retained earning at the year					
	end?					
	(a) Rs.1.00 (b)	Rs. 6.00	(c) Rs. 0.50		(d) Rs. 6.50	
19.	Financial leverage means					
	(a) Use of more debt	capital to increa	se profit	(b) High degr	ree of solvency	
	(c) Low bank finance			(d) None of t	he above	
20.	Life of security simply refer to					
	(a) Yield	(b) Liquidity		(c) Maturity		(d) Safety
21.	You deposit \$17,000 e	each year for 10	years at 7%. T	hen you earn 9	% after that. If	you leave the
	money invested for another 5 years how much will you have in the 15th year?					
	(a) 361,374	(b) 398,875	-	(c) 396,368	(d) no	one

22.	Those liabilities which arise only on the happening of some event are called					
	(a) Current liabilities		(b) Outstanding liabilities			
	(c) Deferred liabilities		(d) Contingent liabilities			
23.	Theis a common term for the market consensus value of the required return on a stock.					
	(a) Dividend payout	ratio	(b) Intrinsic value			
	(c) Market capitalization	zation rate	(d) Plowback rate			
<i>24</i> .	In the Balance Shee	et of a firm, the Total De	ebt-to-Equity Ratio is 2:1	.The amount of Long Term		
	and Short Term Sources are Rs.12 billion. What is the amount of owner's Net Worth of the firm?					
	(a) Rs.18 billion	(b) Rs.6 billion	(c) Rs.4 billio	on (d) Rs.2 billion		
25.	Which one of following is not Direct Claim Security?					
	(a) Bonds	(b) Option	(c) Shares	(d) Stock		
<i>26</i> .	Financing decision of	letermines				
	(a) Current asset	(b) Fix asset	(c) Equity	(d) Mix of finance		
27.	A capital budgeting	technique that is NOT co	nsidered as discounted ca	ash flow method is:		
	(a) Payback period		(b) Internal rate of ret	urn		
	(c) Net present value (d) Profitability index					
28.	Current ratio is 2:5.0	Current Liability is Rs.30,	000.The Net working Ca	pital is		
	(a) Rs. 18,000	(b) Rs. 45,000	(c) Rs. (45,000)	(d) Rs. (18000)		
29.	Which of the following affects the price of the bond?					
	(a) Market interest rate		(b) Required rate of return			
	(c) Interest rate risk (c)		(d) All of the given o	(d) All of the given options		
<i>30</i> .	ABC's and XYZ's debt-to-total assets ratio is 0.4. What is its debt-to-equity ratio?					
	(a) 0 .2	(b) 0 .77	(c) 0.667	(d) 0.333		
<i>31</i> .	Ratio of present value of project's future net cash flows to projects initial cash flow is					
	(a) Profitability index		(b) Internal rate of return			
	(c) Net present value		(d) Average rate of return			
<i>32</i> .	There are	types of financial sta	atements analysis			
	(a) 1	(b) 2	(c) 3	(d) 4		
<i>33</i> .	means expanding the number of investments which cover different kinds of stocks.					
	(a) Diversification	(b) Standard devi	ation (c) Variance	(d) Covariance		
<i>34</i> .	If you deposit \$ 45	,000 into an account ear	rning 4% interest compo	unded quarterly, how much		
	would you have in 5	years?				
	(a) 57,908 (l	o) 50,602	(c) 55, 687	(d) 54,908		

	0 8			
<i>35</i> .	The coupon is the			
	(a) Amount of discount received when a Bor	nd is purchased		
(b) Amount paid to a Bond dealer when a Bond is purchased				
	(c) Difference between the Bid and Ask Prid	ce		
	(d) Stated Interest Payment on a Bond			
<i>36</i> .	Which of the following statements is most co	orrect?		
	(a) One of the ways in which firms	can mitigate or reduce	agency problems between	
	bondholders and stockholders is by increa	asing the amount of debt in	the capital structure.	
	(b) Managerial compensation can be	e structured to reduce a	agency problems between	
	stockholders and managers.			
	(c) All of above statements are incorrect			
	(d) All of the statements above are correct	et		
<i>37</i> .	What is the value of a \$1,000 Face Value Bo	ond that has twenty years r	remaining to Maturity, 10 %	
	Coupon (paid annually), and is priced to yiel	ld 6%?		
	(a) \$ 980 (b) \$ 1,000	(c) 1,263	(d) None	
38.	tells us after how much time period	od the amount of money wi	ll become double.	
	(a) Real interest rate	(b) Nominal interest ra	ate	
	(c) Rule of 72	(d) Time value of mor	ney	
39.	Which group of ratios shows the extent to which the firm is financed with debt?			
	(a) Liquidity ratios (b) Debt ratios	(c) Coverage ratios	(d) Profitability ratios	
40.	A preferred stock will pay a dividend of Rs.	. 3.00 in the upcoming year	r, and every year thereafter	
	for three year. You require a return of 99	% on this stock. Use the	constant growth model to	
	calculate the intrinsic value of this preferred stock.			
	(a) Rs. 33.33 (b) Rs. 10.27	(c) Rs. 31.82	(d) Rs. 7.59	
41.	You wish to earn a return of 10% on each o	of two stocks, C and D. Ea	ach of the stocks is expected	
	to pay a dividend of Rs2 in the upcoming year. The expected growth rate of dividends is 9% for			
	tock C and nine percent for stock D. The intrinsic value of stock C			
(a) Will be the same as the intrinsic value of stock D				
	(b) Will be less than the intrinsic value of stock D(c) Cannot be calculated without knowing the rate of return on the market portfolio			
	(d) None of the above is a correct statement			

(d) Securities

(a) Annuities

42. Pension fund and insurance obligation is an example of

(b) Perpetuity

(c) Consol

43. One of the problems with attempting to forecast stock market values is that (a) There are no variables that seem to predict market return (b) The earnings multiplier approach can only be used at the firm level (c) The level of uncertainty surrounding the forecast will always be quite high (d) Dividend payout ratios are highly variable 44. The ______ is responsible for accounting, maintaining and auditing of the accounts. (a) Shareholders (c) Controller (d) Board of Directors (b) Treasurer 45. The Future Value (FV) of \$1000 in 5 years at 5% interest rate will be: (a) \$1,000.00 **(b)** \$1,276.28 **(c)** \$999.99 **(d)** \$1,500.52 46. Income statement comes under the category of (a) Point in time statement (b) Period statement (c) Flow statement (d) Both b & c 47. Horizontal analysis is also called (a) Ratio change analysis **(b)** Common size analysis (c) Trend analysis (d) Ratio analysis 48. Which of the following is a characteristic of a coupon bond? (a) Pays interest on a regular basis (typically every six months) (b) Does not pay interest on a regular basis but pays a lump sum at maturity (c) Total payment must be made at the end of period (d) All of above statement are correct 49. Carrying cost always calculate on (a) Inventory cost **(b)** Ordering cost (c) Purchase cost (d) EOQ 50. Which of following is (are) Direct Claim Security? (b) Option (d) a and c (a) Bonds (c) Shares For More MCQs Visit www.accountancyKnowledge.com