

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 of all cash proceeds to the investor in the stock.
(a) Dividend payout ratio (b) **Intrinsic value**
(c) Market capitalization rate (d) Plowback ratio
3. When the market's Required Rate of Return for a particular Bond is much less than its Coupon 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
6. 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 financial inventory, management, financial planning etc.
(a) Shareholders (b) **Treasurer** (c) Controller (d) Board of Directors
8. If you have to judge a project from its NPV, you will select the one with the_____
(a) Lowest NPV (b) **Highest NPV**
(c) NPV cannot judge the project (d) Information is not enough
9. Break even analysis is also called
(a) Contribution Margin (b) Unit sales
(c) **Cost-Volume-Profit analysis** (d) None of the above
10. Process that involves decision making with respect to investment in fixed asset
(a) Valuation (b) Breakeven analysis (c) **Capital budgeting** (d) Material management decision
11. In the Balance Sheet amount of total Assets is Rs.10 million, Current Liabilities Rs.5 million and Owner Equity are Rs.2 million. What is the Long term Debt-to-Equity Ratio?
(a) 1 : 1 (b) **1.5 : 1** (c) 2 : 1 (d) None of the above

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. The _____ is 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 rate** (d) Plowback rate
24. In the Balance Sheet of a firm, the Total Debt-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 billion (d) Rs.2 billion
25. Which one of following is not Direct Claim Security?
- (a) Bonds (b) **Option** (c) Shares (d) Stock
26. Financing decision determines
- (a) Current asset (b) Fix asset (c) Equity (d) **Mix of finance**
27. A capital budgeting technique that is **NOT** considered as discounted cash flow method is:
- (a) **Payback period** (b) Internal rate of return
(c) Net present value (d) Profitability index
28. Current ratio is 2:5. Current Liability is Rs.30,000. The Net working Capital 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 (d) **All of the given options**
30. 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
31. 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
32. There are _____ types of financial statements analysis
- (a) 1 (b) 2 (c) **3** (d) 4
33. _____ means expanding the number of investments which cover different kinds of stocks.
- (a) **Diversification** (b) Standard deviation (c) Variance (d) Covariance
34. If you deposit \$ 45,000 into an account earning 4% interest compounded quarterly, how much would you have in 5 years?
- (a) 57,908 (b) 50,602 (c) 55,687 (d) 54,908

35. The coupon is the
- (a) Amount of discount received when a Bond is purchased
 - (b) Amount paid to a Bond dealer when a Bond is purchased
 - (c) Difference between the Bid and Ask Price
 - (d) Stated Interest Payment on a Bond**
36. Which of the following statements is most correct?
- (a) One of the ways in which firms can mitigate or reduce agency problems between bondholders and stockholders is by increasing the amount of debt in the capital structure.
 - (b) Managerial compensation can be structured to reduce agency problems between stockholders and managers.**
 - (c) All of above statements are incorrect
 - (d) All of the statements above are correct
37. What is the value of a \$1,000 Face Value Bond that has twenty years remaining to Maturity, 10 % Coupon (paid annually), and is priced to yield 6%?
- (a) \$ 980
 - (b) \$ 1,000
 - (c) 1,263
 - (d) None**
38. _____ tells us after how much time period the amount of money will become double.
- (a) Real interest rate
 - (b) Nominal interest rate
 - (c) Rule of 72**
 - (d) Time value of money
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, and every year thereafter, for three year. You require a return of 9% 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 of two stocks, C and D. Each of the stocks is expected to pay a dividend of Rs2 in the upcoming year. The expected growth rate of dividends is 9% for stock 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
42. Pension fund and insurance obligation is an example of
- (a) Annuities
 - (b) Perpetuity
 - (c) Consol
 - (d) Securities**

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
 - (b) Treasurer
 - (c) **Controller**
 - (d) Board of Directors
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?
- (a) Bonds
 - (b) Option
 - (c) Shares
 - (d) **a and c**

For More MCQs Visit

www.accountancyKnowledge.com