

51. The financial ratio measured as EBIT/Interest expense is known as the firm's
(a) Profit margin (b) Return on assets
(c) **Interest coverage** (d) Earnings before interest and taxes (EBIT)
52. The Coupon Rate for a Bond is best defined as the
(a) Annual interest divided by the current market price
(b) **Annual interest divided by the face value**
(c) Annual interest divided by the clean market price
(d) All of Above
53. What are the three interrelated areas of finance?
(a) Financial markets, option and forwards
(b) **Investment, Financial management and Money & capital markets**
(c) Banking, financial institutions and swap currency (d) All of above
54. What type of long-term financing most likely has the following features: (1) it has an infinite and finite life (2) it pays dividends, and (3) its cash flows are expected to be a constant annuity stream.
(a) Long-term debt (b) **Preferred stock** (c) Common stock (d) None of the given option
55. _____ is the set of possible values that a random variable can assume and their association probabilities of occurrence.
(a) Expected Rate of Return (b) **Probability Distribution** (c) Variance (d) Standard deviation
56. You are getting payments of \$ 8,000 at the beginning of every year and they are for five years. At 6%, what is the value of this annuity?
(a) 34,720 (b) 39,320 (c) 35,720 (d) 40,920
57. Market value determines
(a) **On running business** (b) When company closedown
(c) Before establishment of business (d) When asset sold individually
58. When the bond approaches its maturity, the market value of the bond approaches to which of the following?
(a) **Intrinsic value** (b) Book value (c) Par value (d) Historic cost
59. PV of lump sum is simply termed as current value of
(a) Present payment (b) **Future payment** (c) Annuity payment (d) Discount payment
60. A Bond that pays no interest payments and sells at a deep discount is called
(a) Bond (b) **Zero Coupon** (c) Convertible (d) Tax-free
61. Fixed-based method is the subcategory of which of the following analysis.
(a) Ratio analysis (b) Vertical analysis (c) **Horizontal analysis** (d) None of the above

62. Which of the following is considered a Profitability measure?
- (a) Days Sales in Inventory (b) Fixed Asset Turnover
(c) Cash Coverage Ratio (d) **Return on Assets**
63. Convertible debt is debt that
- (a) The issuing firm can pay off early
(b) The bondholder can sell back to the firm at a guaranteed price
(c) **The bondholder can convert into shares**
(d) All of above
64. Quick ratios are also called _____
- (a) Super ratios (b) **Acid-test ratios** (c) Cash ratios (d) None of the above
65. Which of the following is not component of financial report?
- (a) Balance sheet (b) Notes of the account
(c) Comparative figure of previous period (d) **None of the given option**
66. _____ Ratios are used to measure a firm's ability to meet short-term obligations.
- (a) Asset management ratios (b) Debt management ratios
(c) **Liquidity ratios** (d) Equity ratios
67. The Yield to Maturity on a bond is
- (a) Equal to the Coupon Rate divided by the Market Price
(b) **The Current Required Market Rate**
(c) Equal to the Annual Interest divided by the Face Value
(d) Another name for the coupon rate.
68. Which of the following best represents the total inventory costs, T, where S is total usage of the inventory item for the period, Q is the quantity, O is cost per order, and C is carrying costs per unit for the period?
- (a) $T = C (Q/2) + O (S/Q)$ (b) $T = \text{SQRT} [2 (O) (S) / C]$
(c) $T = \text{SQRT} [2 (C) (S) / O]$ (d) $T = C (S/Q) + O (Q/2)$
69. Bonds are hybrid of
- (a) Annuity due + Lumpsum amount (b) **Ordinary annuity + Lumpsum amount**
(c) Annuity due + Ordinary annuity (d) Perpetuity + Lumpsum amount
70. _____ means value at some future time of a present amount of money evaluated at a given interest rate.
- (a) **Compounding** (b) Discounting (c) Nominal rate (d) Continuous rate

71. Bond secured by lien on real property is
(a) Debenture (b) Euro bond (c) **Mortgage bond** (d) Convertible bond
72. What is the value of \$100 perpetuity if interest is 7%?
(a) 12,321 (b) 1,428 (c) 21,350 (d) None
73. If you want to deposit money into bank, what will be yours choice?
(a) Compounding annually (b) Compounding Semi-annually
(c) Compounding monthly (d) **Compounding daily**
74. Which of the following is **NOT** the present value of the bond?
(a) Intrinsic value (b) **Market price** (c) Fair price (d) Theoretical price
75. Muhammad Ali just received an interest payment that is equal to 7 percent of his Rs. 20,000 in Bond investment. This 7 percent is best described as a
(a) Real Return (b) Deflated Return (c) **Coupon Return** (d) None
76. Creditors turnover ratios comes under the category of
(a) Activity ratios (b) Asset management ratios
(c) **All of the above** (d) None of the above
77. When the market's Required Rate of Return for a particular Bond is equal to its Coupon Rate, the Bond is selling at
(a) Premium (b) Discount (c) **Par** (d) None
78. Net present value _____.
(a) Is equal to the initial investment in a project
(b) **Is equal to the present value of the project benefits**
(c) Is equal to zero when the discount rate used is equal to the IRR
(d) Is simplified by the fact that future cash flows are easy to estimate
79. _____ is concerned with the acquisition, financing, and management of assets with some overall goal in mind.
(a) **Financial management** (b) Profit maximization
(c) Agency theory (d) Social responsibility
80. Which one of the following can issue the corporate bond?
(a) Individuals (b) Government (c) **Public limited companies** (d) All of before
81. Interest paid (earned) on both the original principal borrowed (lent) and previous interest allowed (earned) is often referred to as _____.
(a) **Compound interest** (b) Double interest (c) Simple interest (d) Present value

82. A Bond has a \$1,000 Face Value, a Market Price of \$1,115, and pays interest payments of \$ 90 every year. What is the coupon rate?
(a) 4.50 % (b) 6.75 % (c) 7.39 % (d) **9.00 %**
83. What is the future value of a \$10,000 college tuition fund if the nominal rate of interest is 12 percent compounded monthly for five years?
(a) 17,623 (b) 18,170 (c) 16,105 (d) 19,133
84. Which of the following is the activity which finance people are involved
(a) **Investing decisions** (b) Marketing decisions
(b) Promotion decisions (d) Non of Above
85. When market is offering lower rate of return than the bond, the bond becomes valuable, with respect to the given scenario which of the following is correct?
(a) Market interest rate < coupon interest rate, market value of bond is > par value
(b) Market interest rate > coupon interest rate, market value of bond is > par value
(c) Market interest rate < coupon interest rate, market value of bond is < par value
(d) Market interest rate = coupon interest rate, market value of bond is > par value
86. What is the value of 15 % Coupon Bond that has a \$ 1,000 Face Value and four years to Maturity that is priced to Yield 10%?
(a) \$ 1,255 (b) \$ 677 (c) \$ 875 (d) \$ None
87. Oliver Incorporated has a current ratio equal to 1.6 and a quick ratio equal to 1.2. The company has \$2 million in sales and its current liabilities are \$1 million. What is the company's inventory turnover ratio?
(a) **5.0** (b) 5.2 (c) 5.5 (d) 6.0
88. A decrease in the firm's receivable turnover ratio means that _____.
(a) Inventories have gone up (b) **It is collecting credit sales more slowly than before**
(c) Cash sales have gone down (d) None of above
89. Profit maximization is a
(a) **Short term concept** (b) Long term concept (c) Both a & b (d) None
90. A bond with a \$1,000 face value and an 8 percent annual coupon pays interest semi-annually. The bond will mature in 15 years. The nominal yield to maturity (i) is 11 percent. What is the price of the bond today?
(a) \$ 784.27 (b) **\$ 781.99** (c) \$ 1,259.38 (d) \$ 739.19

91. Dividend is approved by the shareholder in the _____ at the recommendation of the directors.
(a) **Annual general meeting** (b) Director meeting (c) Statutory meeting (d) Special meeting
92. Share and bonds floats in
- (a) Money market (b) **Capital market** (c) Commercial bank (d) Equity market
93. Which of the following is the variability of return on stocks or portfolios associated with changes in return on the market as a whole?
(a) **Systematic risk** (b) Standard deviation (c) Unsystematic risk (d) Coefficient of variation
94. The Bailey Brothers want to issue 20-year, zero coupon bonds that yield 9 percent. What price should it charge for these bonds if the face value is \$1,000?
(a) \$ 157.25 (b) \$ 163.70 (c) **\$ 178.43** (d) \$ 194.49
95. If bank giving 12% interest rate per year, then per month it will be
(a) **1%** (b) 12% (c) 5% (d) 6%
96. On the recommendations of the Finance Manager, the board of directors will accept the project if
(a) Benefit Cost Ratio is less than one (b) Net Present Value is greater than zero
(c) Internal Rate of Return is less than cost of capital
(d) Pay Back Period is greater than target period
97. Marketable Securities, Account Receivables and Inventory are listed as
(a) **Current Asset** (b) Current Liabilities
(c) Long Term Asset (d) Long term liabilities
98. Which of the following is NOT an example of hybrid equity?
(a) Convertible bonds (b) Convertible debenture
(c) **Common shares** (d) Preferred shares
99. When bonds are issued, under which of the following category the value of the bond appears?
(a) Equity (b) Fixed assets
(c) Short term loan (d) **Long term loan**
100. The goal of fundamental analysts is to find securities
(a) **Whose intrinsic value exceeds market price**
(b) With a positive present value of growth opportunities
(c) With high market capitalization rates (d) All of the above