

**UNIVERSITY OF CALICUT**  
**SCHOOL OF DISTANCE EDUCATION**

***B B A* (Specialization- Finance)**  
**(2011 Admission Onwards)**

**VI Semester**

***WORKING CAPITAL MANAGEMENT***  
**QUESTION BANK**

1. What are the aspects of working capital management?
  - a. Inventory management
  - b. Receivable management
  - c. Cash management
  - d. All of the above
2. \_\_\_\_\_ function includes a firm's attempts to balance cash inflows and outflows.
  - a) Finance
  - b) Liquidity
  - c) Investment
  - d) Dividend
3. Firms which are capital intensive rely on \_\_\_\_\_.
  - a) Equity
  - b) Short term debt
  - c) Debt
  - d) Retained earnings
4. Hirer is entitled to claim \_\_\_\_\_.
  - a. Depreciation
  - b. Salvage value
  - c. HP payments
  - d. None of above
5. Which of the following is not an advantages of trade credit?
  - a. Easy availability
  - b. Flexibility
  - c. Informality
  - d. Buyout financing
6. Which of the following are theories for dividend relevance?
  - a. Walter's Model
  - b. Mm Approach
  - c. Game theory
  - d. Market Value theory

7. What is not a form of dividend?

- a. Cash Dividends
- b. Bonus Shares (Stock Dividend)
- c. Share Split
- d. Split Reverse

8. The percentage of earnings paid as dividends is called \_\_\_\_\_.

- a. Dividend policy
- b. Payout Ratio
- c. Cash Dividends
- d. Reverse Split

9. What are the various methods of estimating cash?

- a. Receipts and payment method
- b. Adjusted profit & loss method
- c. Balance sheet method
- d. All of the above

10. The art of managing, within the acceptable level of risk, the consolidated funds optimally and profitably is called \_\_\_\_\_.

- a. Integrated treasury
- b. Treasury management
- c. Merchant banking
- d. None of the above

11. What are the different types of underlying assets?

- a. Stocks
- b. Bonds
- c. Currency
- d. Stock indices
- e. All of the above

12. What are people who buy or sell in the market to make profits called?

- a. Hedgers
- b. Speculators
- c. Arbitrageurs
- d. None of the above

13. Which of the following is a technique that helps the exporter to sell the receivables to any bank or financial institution without recourse?

- a. Forfeiting
- b. Leading & Lagging
- c. Derivatives
- d. Netting

14. Money market financial services not include:

- a. Bill discounting
- b. Merchant banking
- c. Leasing
- d. Securitisation

15. Factoring involves:

- a. Providing short term loan
- b. Providing long term loan
- c. Financing of export receivables
- d. Management of receivables of borrower

16. The tools of treasury management does not include:

- a. Foreign Exchange Management
- b. Cash Management
- c. Receivable Management
- d. Risk Management

17. Under which type of bank borrowing can a borrower obtain credit from a bank against its bills?

- a. Letter of Credit
- b. Cash
- c. Purchase or discounting of bills
- d. Working Capital Loan

18. The factors that affect dividend policy are:

- |                      |                       |
|----------------------|-----------------------|
| a) Tax Consideration | c) Foreign Investment |
| b) Privatisation     | d) Working cash flow  |

19. To financial analysts, "working capital" means the same thing as \_\_\_\_\_.

- a. total assets
- b. fixed assets
- c. current assets
- d. current assets minus current liabilities.

20. Which of the following would be consistent with an aggressive approach to financing working capital?

- a. Financing short-term needs with short-term funds.
- b. Financing permanent inventory buildup with long-term debt.
- c. Financing seasonal needs with short-term funds.
- d. Financing some long-term needs with short-term funds.

21. Which of the following would be consistent with a conservative approach to financing working capital?

- a. Financing short-term needs with short-term funds.
- b. Financing short-term needs with long-term debt.
- c. Financing seasonal needs with short-term funds.
- d. Financing some long-term needs with short-term funds.

22. Which of the following would be consistent with a hedging (maturity matching) approach to financing working capital?

- a. Financing short-term needs with short-term funds.
- b. Financing short-term needs with long-term debt.
- c. Financing seasonal needs with long-term funds.
- d. Financing some long-term needs with short-term funds.

23. Which of the following statements is most correct?

- a. For small companies, long-term debt is the principal source of external financing.
- b. Current assets of the typical manufacturing firm account for over half of its total assets.
- c. Strict adherence to the maturity matching approach to financing would call for all current assets to be financed solely with current liabilities.

d. Similar to the capital structure management, working capital management requires the financial manager to make a decision and not address the issue again for several months

24. The amount of current assets that varies with seasonal requirements is referred to as \_\_\_\_\_ working capital.

- a. permanent
- b. net
- c. temporary
- d. gross

25. Having defined working capital as current assets, it can be further classified according to \_\_\_\_\_.

- a. financing method and time
- b. rate of return and financing method
- c. time and rate of return
- d. components and time

26. Your firm has a philosophy that is analogous to the hedging (maturity matching) approach. Which of the following is the most appropriate form for financing a new capital investment in plant and equipment?

- a. Trade credit.
- b. 6-month bank notes.
- c. Accounts payable.
- d. Common stock equity.

27. Your firm has a philosophy that is analogous to the hedging (maturity matching) approach. Which of the following is the most appropriate non-spontaneous form for financing the excess seasonal current asset needs?

- a. Trade credit.
- b. 6-month bank notes.
- c. Accounts payable.
- d. Common stock equity.

28. Under a conservative financing policy a firm would use long-term financing to finance some of the temporary current assets. What should the firm do when a "dip" in temporary current assets causes total assets to fall below the total long-term financing?

- a. Use the excess funds to pay down long-term debt.
- b. Invest the excess long-term financing in marketable securities.
- c. Use the excess funds to repurchase common stock.
- d. Purchase additional plant and equipment.

29-Which of the following statements is correct for a conservative financing policy for a firm relative to a former aggressive policy?

- a.The firm uses long-term financing to finance all fixed and current assets.
- b.The firm will see an increase in its expected profits.
- c.The firm will see an increase in its risk profile.
- d.The firm will increase its dividends per share (DPS) this period.

30.Which of the following statements is correct for an aggressive financing policy for a firm relative to a former conservative policy?

- a.The firm will use long-term financing to finance all fixed and current assets.
- b.The firm will see an increase in its expected profits.
- c.The firm will see a decline in its risk profile.
- d.The firm will need to issue additional common stock this period to finance the assets.

31.How can a firm provide a margin of safety if it cannot borrow on short notice to meet its needs?

- a.Maintain a low level of current assets (especially cash and marketable securities).
- b.Shorten the maturity schedule of financing.
- c.Increasing the level of fixed assets (especially plant and equipment).
- d.Lengthening the maturity schedule of financing.

32.Risk, as it relates to working capital, means that there is jeopardy to the firm for not maintaining sufficient current assets to \_\_\_\_\_.

- a.meet its cash obligations as they occur and take advantage of prompt payment discounts
- b.support the proper level of sales and take prompt payment discounts
- c.maintain current and acid-test ratios at or above industry norms
- d.meet its cash obligations as they occur and support the proper level of sales

33.If a company moves from a "conservative" working capital policy to an "aggressive" policy, it should expect \_\_\_\_\_.

- a.liquidity to decrease, whereas expected profitability would increase
- b.expected profitability to increase, whereas risk would decrease
- c.liquidity would increase, whereas risk would also increase
- d.risk and profitability to decrease

34.To financial analysts, "net working capital" means the same thing as \_\_\_\_\_.

- a.total assets
- b.fixed assets
- c.current assets

d. current assets minus current liabilities.

35. Working Capital Turnover measures the relationship of Working Capital with:

- |                   |                |
|-------------------|----------------|
| (a) Fixed Assets, | (c) Purchases, |
| (b) Sales,        | (d) Stock.     |

36. Dividend Payout Ratio is:

- (a) PAT Capital,
- (b)  $\text{DPS} \div \text{EPS}$ ,
- (c)  $\text{Pref. Dividend} \div \text{PAT}$ ,
- (d)  $\text{Pref. Dividend} \div \text{Equity Dividend}$ .

37. Inventory Turnover measures the relationship of inventory with:

- |                         |                      |
|-------------------------|----------------------|
| (a) Average Sales,      | (c) Total Purchases, |
| (b) Cost of Goods Sold, | (d) Total Assets.    |

38. The term 'EVA' is used for:

- (a) Extra Value Analysis,
- (b) Economic Value Added,
- (c) Expected Value Analysis,
- (d) Engineering Value Analysis.

39. In Current Ratio, Current Assets are compared with:

- (a) Current Profit,
- (b) Current Liabilities,
- (c) Fixed Assets,
- (d) Equity Share Capital.

40. There is deterioration in the management of working capital of XYZ Ltd. What does it refer to?

- (a) That the Capital Employed has reduced,
- (b) That the Profitability has gone up,
- (c) That debtors collection period has increased,
- (d) That Sales has decreased.

41. Which of the following statements is correct?

- (a) A Higher Receivable Turnover is not desirable,
- (b) Interest Coverage Ratio depends upon Tax Rate,
- (c) Increase in Net Profit Ratio means increase in Sales,
- (d) Lower Debt-Equity Ratio means lower Financial Risk.

42. Debt to Total Assets of a firm is .2. The Debt to Equity ratio would be:

- |           |           |
|-----------|-----------|
| (a) 0.80, | (c) 1.00, |
| (b) 0.25, | (d) 0.75  |

43. In Inventory Turnover calculation, what is taken in the numerator?

- |                         |                    |
|-------------------------|--------------------|
| (a) Sales,              | (c) Opening Stock, |
| (b) Cost of Goods Sold, | (d) Closing Stock. |

44. Walter's Model suggests that a firm can always increase i.e. of the share by  
(a) Increasing Dividend , (c) Constant Dividend,  
(b) Decreasing Dividend, (d) None of the above
45. 'Bird in hand' argument is given by  
(a) Walker's Model, (c)MM Mode,  
(b) Gordon's Model, (d) Residuals Theory
46. Residuals Theory argues that dividend is a  
(a) Relevant Decision , (c) Passive Decision,  
(b) Active Decision, (d) Irrelevant Decision
47. Dividend irrelevance argument of MM Model is based on:  
(a) Issue of Debentures,  
(b) Issue of Bonus Share,  
(c) Arbitrage ,  
(d) Hedging
48. Which of the following is not true for MM Model?  
(a) Share price goes up if dividend is paid  
(b) Share price goes down if dividend is not paid,  
(c) Market value is unaffected by Dividend policy,  
(d) All of the above.
49. Which of the following stresses on investor's preference reorient dividend than higher future capital gains ?  
(a)Walter's Model, (c) Gordon's Model,  
(b) Residuals Theory, (d) MM Model.
50. MM Model of Dividend irrelevance uses arbitrage between  
(a)Dividend and Bonus,  
(b)Dividend and Capital Issue,  
(c)Profit and Investment,  
(d)None of the above
- 51.If  $k_e = r$ , then under Walter's Model, which of the following is irrelevant?  
(a)Earnings per share,  
(b)Dividend per share,  
(c)DP Ratio  
(d)None of the above
52. MM Model argues that dividend is irrelevant as  
(a)the value of the firm depends upon earning power  
(b)the investors buy shares for capital gain,  
(c)dividend is payable after deciding the retained earnings,  
(d)dividend is a small amount
53. Which of the following represents passive dividend policy ?  
(a)that dividend is paid as a % of EPS,

- (b)that dividend is paid as a constant amount,  
(c)that dividend is paid after retaining profits for reinvestment,  
(d)all of the above
54. In case of Gordon's Model, the MP for zero payout is zero. It means that  
(a)Shares are not traded,  
(b)Shares available free of cost,  
(c)Investors are not ready to offer any price,  
(d) None of the above
55. Gordon's Model of dividend relevance is same as  
(a) No-growth Model of equity valuation,  
(b)Constant growth Model of equity valuation,  
(c)Price-Earning Ratio  
(d) Inverse of Price Earnings Ratio
- 56.If 'r' = 'ke', than MP by Walter's Model and Gordon's Model for different payout ratios would be  
(a) Unequal, (c)Equal,  
(b)Zero, (d)Negative
57. Dividend Payout Ratio is  
(a)  $PAT \div Capital$ ,  
(b)  $DPS \div EPS$ ,  
(c) $Pref. Dividend \div PAT$ ,  
(d) $Pref. Dividend \div Equity Dividend$
58. Dividend declared by a company must be paid in  
(a)20 days, (c)32 days,  
(b)30 days (d)42 days
59. Dividend Distribution Tax is payable by  
(a)Shareholders to Government  
(b)Shareholders to Company,  
(c)Company to Government,  
(d)Holding to Subsidiary Company
60. Shares of face value of ₹ 10 are 80% paid up. The company declares a dividend of 50%. Amount of dividend per share is  
(a). ₹ 5, (c). ₹ 80,  
(b) ₹.4 (d) ₹. 50
- 61.Which of the following generally not result in increase in total dividend liability?  
(a)Share-split, (c)Bonus Issue  
(b)Right Issue, (d)All of the above
62. Dividends are paid out of  
(a)Accumulated Profits (c)Profit after Tax,  
(b)Gross Profit, (d)General Reserve



63. In India, Dividend Distribution tax is paid on  
(a)Equity Share (c)Debenture,  
(b)Preference Share (d)Both (a) and (b)
64. Every company should follow  
(a)High Dividend Payment  
(b)Low Dividend Payment,  
(c)Stable Dividend Payment  
(d)Fixed Dividend Payment
65. 'Constant Dividend Per Share' Policy is considered as:  
(a) Increasing Dividend Policy  
(b) Decreasing Dividend Policy,  
(c)Stable Dividend Policy  
(d) None of the above
66. Which of the following is not a type of dividend payment?  
(a) Bonus Issue, (c) Share Split,  
(b) Right Issue, (d) Both (b) and (c)
67. If the following is an element of dividend policy?  
(a) Production capacity,  
(b) Change in Management,  
(c) Informational content,  
(d) Debt service capacity
68. Stock split is a form of  
(a) Dividend Payment,  
(b)Bonus Issue,  
(c) Financial restructuring,  
(d) Dividend in kind
69. In stock dividend:  
(a)Authorized capital always increases,  
(b)Paid up capital always increases,  
(c) Face value per share decreases  
(d) Market price for share decreases
70. Which of the following is not considered in Lintner's Model ?  
(a) Dividend payout ratio,  
(b)Current EPS,  
(c)Speed of Adjustment,  
(d)Preceding year EPS
71. Which of the following is not relevant for dividend payment for a year ?  
(a)Cash flow position (c)Paid up capital,  
(b)Profit position, (d) Retained Earnings

72. Cash Budget does not include  
(a) Dividend Payable (c) Issue of Capital,  
(b) Postal Expenditure, (d) Total Sales Figure
73. Which of the following is not a motive to hold cash?  
(a) Transactionary Motive,  
(b) Pre-cautionary Motive,  
(c) Capital Investment,  
(d) None of the above.
74. Cheques deposited in bank may not be available for immediate use due to  
(a) Payment Float (c) Net Float,  
(b) Receipt Float (d) Playing the Float.
75. Difference between the bank balance as per Cash Book and Pass Book may be due to:  
(a) Overdraft, (c) Factoring,  
(b) Float, (d) None of the above.
76. Concentration Banking helps in  
(a) Reducing Idle Bank Balance  
(b) Increasing Collection,  
(c) Increasing Creditors,  
(d) Reducing Bank Transactions.
77. The Transaction Motive for holding cash is for  
(a) Safety Cushion  
(b) Daily Operations,  
(c) Purchase of Assets  
(d) Payment of Dividends.
78. Miller-Orr Model deals with  
(a) Optimum Cash Balance,  
(b) Optimum Finished goods,  
(c) Optimum Receivables,  
(d) All of the above.
79. Float management is related to  
(a) Cash Management,  
(b) Inventory Management,  
(c) Receivables Management,  
(d) Raw Materials Management.
80. Which of the following is not an objective of cash management ?  
(a) Maximization of cash balance  
(b) Minimization of cash balance  
(c) Optimization of cash balance,  
(d) Zero cash balance.

81. Which of the following is not true of cash budget ?
- (a) Cash budget indicates timings of short-term borrowing,
  - (b) Cash budget is based on accrual concept
  - (c) Cash budget is based on cash flow concept
  - (d) Repayment of principal amount of loan is shown in cash budget.
82. Baumol's Model of Cash Management attempts to:
- (a) Minimise the holding cost,
  - (b) Minimization of transaction cost,
  - (c) Minimization of total cost,
  - (d) Minimization of cash balance
83. Which of the following is not considered by Miller-Orr Model?
- (a) Variability in cash requirement
  - (b) Cost of transaction,
  - (c) Holding cost,
  - (d) Total annual requirement of cash.
84. Marketable securities are primarily
- (a) Equity shares,'
  - (b) Preference shares,
  - (c) Fixed deposits with companies
  - (d) Short-term debt investments.
85. 5Cs of the credit does not include
- (a) Collateral
  - (b) Character,
  - (c) Conditions,
  - (d) None of the above.
86. Which of the following is not an element of credit policy?
- (a) Credit Terms
  - (b) Collection Policy
  - (c) Cash Discount Terms,
  - (d) Sales Price.
87. Ageing schedule incorporates the relationship between
- (a) Creditors and Days Outstanding,
  - (b) Debtors and Days Outstanding,
  - (c) Average Age of Directors,
  - (d) Average Age of All Employees.
88. Bad debt cost is not borne by factor in case of
- (a) Pure Factoring,
  - (b) Without Recourse Factoring,
  - (c) With Recourse Factoring,
  - (d) None of the above.
89. Which of the following is not a technique of receivables Management?
- (a) Funds Flow Analysis
  - (b) Ageing Schedule,
  - (c) Days sales outstanding
  - (d) Collection Matrix.

90. Which of the following is not a part of credit policy?
- (a) Collection Effort,
  - (b) Cash Discount,
  - (c) Credit Standard,
  - (d) Paying Practices of debtors.
91. Which is not a service of a factor?
- (a) Administering Sales Ledger,
  - (b) Advancing against Credit Sales,
  - (c) Assuming bad debt losses,
  - (d) None of the above.
92. Credit Policy of a firm should involve a trade-off between increased
- (a) Sales and Increased Profit
  - (b) Profit and Increased Costs of Receivables,
  - (c) Sales and Cost of goods sold,
  - (d) None of the above.
93. Out of the following, what is not true in respect of factoring?
- (a) Continuous Arrangement between Factor and Seller,
  - (b) Sale of Receivables to the factor,
  - (c) Factor provides cost free finance to seller
  - (d) None of the above.
94. Payment to creditors is a manifestation of cash held for:
- (a) Transactionary Motive,
  - (b) Precautionary Motive,
  - (c) Speculative Motive,
  - (d) All of the above.
95. If the closing balance of receivables is less than the opening balance for a month then which one is true out of
- (a) Collections > Current Purchases,
  - (b) Collections > Current Sales,
  - (c) Collections < Current Purchases,
  - (d) Collections < Current Sales.
96. If the average balance of debtors has increased, which of the following might not show a change in general?
- (a) Total Sales,
  - (b) Average Payables
  - (c) Current Ratio
  - (d) Bad Debt loss.
97. Securitization is related to conversion of
- (a) Receivables,
  - (b) Stock,
  - (c) Investments,
  - (d) Creditors.

98. 80% of sales of ₹ 10,00,000 of a firm are on credit. It has a Receivable Turnover of 8. What is the Average collection period (360 days a year) and Average Debtors of the firm?

- (a) 45 days and ₹ 1,00,000,
- (b) 360 days and ₹ 1,00,000,
- (c) 45 days and ₹ 8,00,000
- (d) 360 days and ₹ 1,25,000.

99. In response to market expectations, the credit period has been increased from 45 days to 60 days. This would result in

- (a) Decrease in Sales,
- (b) Decrease in Debtors,
- (c) Increase in Bad Debts,
- (d) Increase in Average Collection Period.

100. If a company sells its receivable to another party to raise funds, it is known as

- (a) Securitization,
- (b) Factoring,
- (c) Pledging
- (d) None of the above.

101. Cash Discount term 3/15, net 40 means

- (a) 3% Discount if payment in 15 days, otherwise full payment in 40 days,
- (b) 15% Discount if payment in 3 days, otherwise full payment 40 days,
- (c) 3% Interest if payment made in 40 days and 15% interest thereafter,
- (d) None of the above.

102. If the sales of the firm are ₹. 60,00,000 and the average debtors are ₹ . 15,00,000 then the receivables turnover is

- (a) 4 times,
- (b) 25%,
- (c) 400%,
- (d) 0.25 times

103. If cash discount is offered to customers, then which of the following would increase?

- (a) Sales
- (b) Debtors,
- (c) Debt collection period,
- (d) All of the above

104. Receivables Management deals with

- (a) Receipts of raw materials,
- (b) Debtors collection,
- (c) Creditors Management,
- (d) Inventory Management

105. Which of the following is related to Receivables Management?

- (a) Cash Budget,
- (b) Economic Order Quantity,
- (c) Ageing schedule,
- (d) All of the above.

106. EOQ is the quantity that minimizes
- (a) Total Ordering Cost,
  - (b) Total Inventory Cost,
  - (c) Total Interest Cost,
  - (d) Safety Stock Level.
107. ABC Analysis is used in
- (a) Inventory Management
  - (b) Receivables Management
  - (c) Accounting Policies,
  - (d) Corporate Governance.
108. If no information is available, the General Rule for valuation of stock for balance sheet is
- (a) Replacement Cost,
  - (b) Realizable Value,
  - (c) Historical Cost,
  - (d) Standard Cost.
109. In ABC inventory management system, class A items may require
- (a) Higher Safety Stock
  - (b) Frequent Deliveries
  - (c) Periodic Inventory system
  - (d) Updating of inventory records.
110. Inventory holding cost may include
- (a) Material Purchase Cost,
  - (b) Penalty charge for default,
  - (c) Interest on loan,
  - (d) None of the above.
111. Use of safety stock by a firm would
- (a) Increase Inventory Cost
  - (b) Decrease Inventory Cost,
  - (c) No effect on cost
  - (d) None of the above.
112. Which of the following is true for a company which uses continuous review inventory system
- (a) Order Interval is fixed,
  - (b) Order Interval varies,
  - (c) Order Quantity is fixed,
  - (d) Both (a) and (c).
113. EOQ determines the order size when
- (a) Total Order cost is Minimum
  - (b) Total Number of order is least,
  - (c) Total inventory costs are minimum,
  - (d) None of the above.

114. ABC Analysis is useful for analyzing the inventories:
- (a) Based on their Quality,
  - (b) Based on their Usage and value,
  - (c) Based on Physical Volume,
  - (d) All of the above.
115. If A = Annual Requirement, O = Order Cost and C = Carrying Cost per unit per annum, then EOQ
- (a)  $(2AO/C)^2$ ,
  - (b)  $\sqrt{2AO/C}$
  - (c)  $2A \div OC$ ,
  - (d)  $2AOC$ .
116. Inventory is generally valued as lower of
- (a) Market Price and Replacement Cost
  - (b) Cost and Net Realizable Value
  - (c) Cost and Sales Value,
  - (d) Sales Value and Profit.
117. Which of the following is not included in cost of inventory?
- (a) Purchase cost
  - (b) Transport in Cost,
  - (c) Import Duty,
  - (d) Selling Costs.
118. Cost of not carrying sufficient inventory is known as
- (a) Carrying Cost,
  - (b) Holding Cost,
  - (c) Total Cost
  - (d) Stock-out Cost
119. Which of the following is not a benefit of carrying inventories
- (a) Reduction in ordering cost,
  - (b) Avoiding lost sales,
  - (c) Reducing carrying cost,
  - (d) Avoiding Production Shortages.
120. Which of the following is not a standard method of inventory valuation?
- (a) First in First out
  - (b) Standard Cost,
  - (c) Average Pricing,
  - (d) Realizable Value.
121. System of procuring goods when required, is known as,
- (a) Free on Board (FOB),
  - (b) always Butter Control (ABC),
  - (c) Just in Time (JIT)
  - (d) Economic Order Quantity.
122. A firm has inventory turnover of 6 and cost of goods sold is ₹ 7,50,000. With better inventory management, the inventory turnover is increased to 10. This would result in:
- (a) Increase in inventory by ₹ 50,000,
  - (b) Decrease in inventory by ₹. 50,000,
  - (c) Decrease in cost of goods sold,

- (d) Increase in cost of goods sold.
123. What is Economic Order Quantity?  
(a) Cost of an Order, (c) Reorder level,  
(b) Cost of Stock (d) Optimum order size.
124. The type of collateral (security) used for short-term loan is  
(a) Real estate, (c) Stock of good,  
(b) Plant & Machinery, (d) Equity share capital
125. Which of the following is a liability of a bank?  
(a) Treasury Bills,  
(b) Commercial papers,  
(c) Certificate of Deposits,  
(d) Junk Bonds.
126. Commercial paper is a type of  
(a) Fixed coupon Bond  
(b) Unsecured short-term debt  
(c) Equity share capital,  
(d) Government Bond
127. Which of the following is not a spontaneous source of short-term funds ?  
(a) Trade credit,  
(b) Accrued expenses,  
(c) Provision for dividend,  
(d) All of the above.
128. Concept of Maximum Permissible Bank finance was introduced by  
(a) Kannan Committee  
(b) Chore Committee,  
(c) Nayak Committee,  
(d) Tandon Committee.
129. In India, Commercial Papers are issued as per the guidelines issued by  
(a) Securities and Exchange Board of India,  
(b) Reserve Bank of India,  
(c) Forward Market Commission,  
(d) None of the above.
130. Commercial paper are generally issued at a price  
(a) Equal to face value,  
(b) More than face value,  
(c) Less than face value,  
(d) Equal to redemption value
131. Which of the following is not applicable to commercial paper  
(a) Face Value (c) Coupon Rate  
(b) Issue Price (d) None of the above.



132. The basic objective of Tandon Committee recommendations is that the dependence of industry on bank should gradually
- (a) Increase,
  - (b) Remain Stable
  - (c) Decrease
  - (d) None of the above
133. Cash discount terms offered by trade creditors never be accepted because
- (a) Benefit in very small
  - (b) Cost is very high
  - (c) No sense to pay earlier
  - (d) None of the above.
134. In lease system, interest is calculated on
- (a) Cash down payment
  - (b) Cash price outstanding
  - (c) Hire purchase price
  - (d) None of the above
135. A short-term lease which is often cancellable is known as
- (a) Finance Lease
  - (b) Net Lease,
  - (c) Operating Lease,
  - (d) Leverage Lease
136. Which of the following is not a usual type of lease arrangement?
- (a) Sale & leaseback,
  - (b) Goods on Approval,
  - (c) Leverage Lease,
  - (d) Direct Lease
137. Under income-tax provisions, depreciation on lease asset is allowed to
- (a) Lessor
  - (b) Lessee
  - (c) Any of the two,
  - (d) None of the two
138. Under the provisions of AS-19 'Leases', a leased asset is shown in the balance sheet of
- (a) Manufacturer
  - (b) Lessor,
  - (c) Lessee,
  - (d) Financing bank
139. A lease which is generally not cancellable and covers full economic life of the asset is known as
- (a) Sale and leaseback,
  - (b) Operating Lease
  - (c) Finance Lease,
  - (d) Economic Lease
140. Lease which includes a third party (a lender) is known as
- (a) Sale and leaseback
  - (b) Direct Lease,
  - (c) Inverse Lease,
  - (d) Leveraged Lease
141. One difference between Operating and Financial lease is:
- (a) There is often an option to buy in operating lease
  - (b) There is often a call option in financial lease.
  - (c) An operating lease is generally cancelable by lease
  - (d) A financial lease is generally cancelable by lease.

142. From the point of view of the lessee, a lease is a:
- (a) Working capital decision,
  - (b) Financing decision,
  - (c) Buy or make decision,
  - (d) Investment decision
143. For a lesser, a lease is a
- (a) Investment decision,
  - (b) Financing decision,
  - (c) Dividend decision
  - (d) None of the above.
144. Which of the following is not true for a "Lease decision for the lessee?"
- (a) Helps in project selection
  - (b) Helps in project financing
  - (c) Helps in project location
  - (d) All of the above.
145. Risk-Return trade off implies
- (a) Minimization of Risk,
  - (b) Maximization of Risk,
  - (c) Ignorance of Risk
  - (d) Optimization of Risk
146. Basic objective of diversification is
- (a) Increasing Return,
  - (b) Maximising Return,
  - (c) Decreasing Risk,
  - (d) Maximizing Risk.

**ANSWER KEY**

1-d	16-d	31-d	46-c	61-a	76-b	91-d	106-a	121-c	136-b
2-b	17-c	32-d	47-c	62-c	77-b	92-b	107-a	122-b	137-a
3-c	18-a	33-a	48-c	63-d	78-a	93-c	108-c	123-d	138-c
4-a	19-c	34-d	49-c	64-c	79-a	94-a	109-a	124-c	139-c
5-d	20-d	35-a	50-b	65-c	80-c	95-b	110-d	125-c	140-d
6-a	21-b	36-b	51-c	66-c	81-b	96-b	111-a	126-b	141-c
7-d	22-a	37-b	52-a	67-c	82-c	97-a	112-b	127-c	142-b
8-b	23-b	38-b	53-c	68-c	83-d	98-a	113-c	128-d	143-a
9-d	24-c	39-b	54-c	69-d	84-d	99-d	114-b	129-b	144-b
10-b	25-d	40-c	55-b	70-d	85-d	100-b	115-b	130-c	145-d
11-d	26-d	41-d	56-c	71-d	86-d	101-a	116-b	131-d	146-c
12-b	27-b	42-b	57-b	72-d	87-b	102-a	117-d	132-c	
13-a	28-b	43-b	58-b	73-c	88-c	103-a	118-d	133-d	
14-b	29-a	44-d	59-c	74-b	89-a	104-b	119-c	134-b	
15-d	30-b	45-b	60-b	75-b	90-d	105-c	120-c	135-c	

(c)  
Reserved