STRATEGIC FINANCIAL MANAGEMENT

FOURTH SEMESTER M.COM ELECTIVE: MC4 E(F)03

Multiple Choice Questions

1. In ……. Approach, the capital structure decision is relevant to the valuation of the firm.
   a. Net income c. traditional
   b. miller and modigilani d. net operating income
2. ………… is defined as the length of time required to recover the initial cash outlay.
   a. Pay back period c. discounted cash back
   b. inventory conversion period d. budgeted period.
3. The term capital structure refers to
   a. Long term debt, preferred stock and common stock equity
   b. Current asset and current liabilities
   c. Total asset minus liabilities
   d. Shareholder’s equity
4. In walter model formula D stands for
   a. Dividend per share c. Dividend earning
   b. Direct dividend d. None of these
5. Financing methods for merger and acquisition exclude:
   a. Cash c. Vendor placing
   b. Convertible bond d. Overdraft
6. Convertible bonds are not :
   a. Straight bonds c. Converted to ordinary shares
   b. Two stage financial instrument d. Hybrid securities
7. A ---------- lease is a way of providing finance
   a. Finance b. Commercial c. Economic d. None of these
8. Economic value added is based on the -------?
   a. Profit b. Residual wealth c. Gross wealth d. None of these
9. MVA stands for
   a. Maximum value added c. Minimum value added
   b. Market value added d. Most value added

10. A firm that acquires another firm as part of its strategy to sell off assets, cut costs, and operate the remaining assets more efficiently is engaging in __________.

a. Strategic acquisition c. Two tier tender offer

b. A financial acquisition d. Shark repellent

11. The ways in which mergers and acquisitions (M&As) occur do not include:

a. conglomerate takeover c. vertical integration

b. diversification d. horizontal integration

12. Which of the following capital budgeting methods has the value additive property?

 a. NPV c. Payback period

 b. IRR d. Discounted payback period

13. How is economic value added (EVA) calculated?

 a. It is the difference between the market value of the firm and the book value of equity.
 b. It is the firm's net operating profit after tax (NOPAT) less a dollar cost of capital charge.
 c. It is the net income of the firm less a dollar cost that equals the weighted average cost of capital multiplied by the book value of liabilities and equities.
 d. None of the above are

14. Retained earnings are

 a. an Indication of a company's liquidity
 b. the same as cash in the bank
 c. not important when determining dividends
 d. the cumulative earnings of the company after dividends

15. Economic value added provides a measure of

 a. how much value is added by the economy
 b. how much value is added by operations
 c. how much a business affects the economy
 d. how much wealth a company is creating compared to its cost of capital.

ANSWER KEY

1.a 2.a 3.a 4.a 5.d 6.a 7.a 8.b 9.b 10.b 11.b 12.a 13.b 14.d 15.d

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