Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

In a common-size balance sheet, all items are shown as a percentage of:

Answer (Please select your correct option)

- Total Assets
- Total Liabilities
- Total Owner's Equity
- None of the given options

Lesson 8

solved by junaid
vulmshelp.com
0304-1659294

Question No : 2 of 60 **Marks: 1 (Budgeted Time 1 Min)**

If a firm uses cash to purchase inventory, its current ratio will:

Answer (Please select your correct option)

- Become zero
- Increase
- Decrease
- 0 Remain unaffected

Because Iventory and cash both are current assets

solved by junaid
vulmshelp.com
0304-1659294

Question No : 3 of 60 Marks: 1 (Budgeted Time 1 Min)

Financial leverage is the difference between which of the following two measures?

Answer (Please select your correct option)

- (●) ROA (Return on Assets) and ROE (Return on Equity) Page 43
- ( ) ROA (Return on Assets) and TAT (Total Assets Turnover)
- ( ) ROE (Return on Equity) and DSO (Days' Sales Outstanding)
- ( ) EPS (Earning Per Share) and ROE (Return on Equity)

solved by junaid
vulmshelp.com
0304-1659294

Question No : 4 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is measured by profit margin?

Answer (Please select your correct option)

- (●) Operating efficiency

Page 45

solved by junaid
vulmshelp.com
0304-1659294

- ( ) Asset use efficiency
- ( ) Financial policy
- ( ) Dividend policy

Question No : 5 of 60 **Marks: 1 (Budgeted Time 1 Min)**

If you have Rs. 1,000 and you plan to save it for 4 years with an interest rate of 10%, what will be the future value of your savings?

Answer (Please select your correct option)

- Rs. 1,000
- Rs. 1,331
- Rs. 1,464 **Fv= C*(1+R)^t**
- Cannot be determined without more information

solved by junaid
vulmshelp.com
0304-1659294

Question No : 6 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following term refers to a contract between the bond issuer and bondholders?

Answer (Please select your correct option)

- Bond debenture
- Bond indenture
- Bond contract
- Bond yield

Page 78

solved by junaid
vulmshelp.com
0304-1659294

Question No : 7 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Which one of the following statements is INCORRECT regarding floating-rate bond?

Answer (Please select your correct option)

- Holder of this type of bond has the right to redeem the note at par on the coupon payment date after some specified period of time.
- Coupon rate has a floor and a ceiling i.e. coupon is subjected to a minimum and a maximum.
- An interesting type of floating rate bonds is an Inflation-linked bond.
- Such bonds have coupons that need not be adjusted according to the rate of inflation.

solved by junaid
vulmshelp.com
0304-1659294

Question No : 8 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the price at which dealer sells the securities ?

Answer (Please select your correct option)

- Simple Price
- Bid Price
- Strike Price
- Complex Price

0

Page 98

solved by junaid
vulmshelp.com
0304-1659294

Question No : 9 of 60 Marks: 1 (Budgeted Time 1 Min)

The Net Present Value (NPV) profile for a single project :

Answer (Please select your correct option)

- Displays Fisher's rate of intersection
- Is generally upward sloping
- Displays the expected NPV for a project at a variety of different discount rates
- None of the given options

solved by junaid
vulmshelp.com
0304-1659294

Question No : 10 of 60 Marks: 1 (Budgeted Time 1 Min)

IRR and NPV rules always lead to identical decisions as long as :

Answer (Please select your correct option)

- Cash flows are conventional
- Cash flows are independent
- Cash flows are both conventional and independent
- None of the given options

solved by junaid
vulmshelp.com
0304-1659294

Question No : 11 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following statement is INCORRECT regarding a normal project ?

Answer (Please select your correct option)

- If the IRR of a project is greater than the discount rate, k, then its PI will be greater than 1
- If the NPV of a project is greater than 0, then its PI will exceed 1
- If the IRR of a project is 8%, its NPV, using a discount rate, k, greater than 8%, will be less than 0
- If the PI of a project equals 0, then the project's initial cash outflow equals the PV of its cash flows

solved by junaid
vulmshelp.com
0304-1659294

Question No : 12 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is a characteristic of preferred stock?

Answer (Please select your correct option)

- These stocks have not stated liquidating value
- Dividends on these stocks can be cumulative
- These stocks hold credit ratings quite different from bonds
- These stocks have not any kind of priority over common stocks

solved by junaid
vulmshelp.com
0304-1659294

Question No : 13 of 60 Marks: 1 (Budgeted Time 1 Min)

Which one of the following terms is typically associated with both preferred and common stock?

Answer (Please select your correct option)

- Proxy
- Voting rights
- **O** Dividend yield

Lesson 24

solved by junaid
vulmshelp.com
0304-1659294

- Cumulative voting

Question No : 14 of 60 Marks: 1 (Budgeted Time 1 Min)

You must own which of the following to vote against a merger proposal from another corporation?

Answer (Please select your correct option)

- Preferred share
- A debenture
- Common stock
- Cumulative dividend stock

Lesson 24

solved by junaid
vulmshelp.com
0304-1659294

Question No : 15 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the difference between an investment's market value and its cost?

Answer (Please select your correct option)

- Payback Period
- Net Present Value
- Internal Rate of Return
- Profitability Index

Lesson 26

solved by junaid
vulmshelp.com
0304-1659294

Question No : 16 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following risk is associated with the unique circumstances of a particular company ?

Answer (Please select your correct option)

- Business Risk
- Functional Risk
- None of the given options
- Financial Risk

unsystematic risk
page 134

solved by junaid
vulmshelp.com
0304-1659294

Question No : 17 of 60 Marks: 1 (Budgeted Time 1 Min)

The increase in debt financing raises the required return on equity because the risk born by the investors increases which is called :

Answer (Please select your correct option)

- Financial Risk
- Business Risk
- Functional Risk
- None of the given options

Risk premium

solved by junaid
vulmshelp.com
0304-1659294

Question No : 18 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the time between sale of inventory and collection of receivables ?

Answer (Please select your correct option)

- Inventory period
- Accounts receivable period
- Collection period
- Accounts payable period

Lesson 44

solved by junaid
vulmshelp.com
0304-1659294

Question No : 19 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following strategy belongs to flexible policy regarding size of investments in current assets ?

Answer (Please select your correct option)

- To maintain a high ratio of current assets to sales

Page 161

solved by junaid
vulmshelp.com
0304-1659294

- To maintain a low ratio of current assets to sales
- To maintain less short-term debt and more long-term debt
- To maintain more short-term debt and less long-term debt

Question No : 20 of 60 Marks: 1 (Budgeted Time 1 Min)

Carrying costs _____ and shortage costs _____ with the increased level of assets.

Answer (Please select your correct option)

- decrease; decrease
- increase; increase
- decrease; increase
- increase; decrease

solved by junaid
vulmshelp.com
0304-1659294

Question No : 21 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the difference between bank cash and book cash that represents the net effect of cheques in the process of clearing ?

Answer (Please select your correct option)

- Adjusted gap
- Float
- Bid
- Clearing gap

Page 169 first line

solved by junaid
vulmshelp.com
0304-1659294

Question No : 22 of 60 Marks: 1 (Budgeted Time 1 Min)

Total portfolio risk is equal to :

Answer (Please select your correct option)

- Systematic risk plus diversifiable risk
- Unsystematic risk plus non-diversifiable risk
- Market risk plus unsystematic risk
- All of the given options

page 135

solved by junaid
vulmshelp.com
0304-1659294

Question No : 23 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following statement(s) is (are) true regarding Return on Investment?

Answer (Please select your correct option)

- One of the responsibilities of the financial manager is to assess the value of the proposed investment
- The return consists of income earned and capital gain
- The dollar returns are the sum of the cash received and the change in dollar value of the asset
- All of the given options

solved by junaid
vulmshelp.com
0304-1659294

Question No : 24 of 60 Marks: 1 (Budgeted Time 1 Min)

Autos & computers are included in which of the following MACRS property class?

Answer (Please select your correct option)

- 3-year
- 5-year
- 7-year
- None of the given options

page 120

solved by junaid
vulmshelp.com
0304-1659294

Question No : 25 of 60 Marks: 1 (Budgeted Time 1 Min)

The next dividend for a company is Rs. 5 per share. The stock current price is Rs. 50 per share. What will be the cost of capital if the dividends are estimated to grow steadily at 5%?

Answer (Please select your correct option)

- 12.88%
- 13.07%
- 14.22%
- 15.00%

solved by junaid
vulmshelp.com
0304-1659294

Question No : 26 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose a firm borrows Rs. 800,000 at 7%. What will be the after-tax interest rate if tax rate is 34%?

Answer (Please select your correct option)

- 3.00%
- 4.62% page 138 last
- 5.20%
- 8.00%

solved by junaid
vulmshelp.com
0304-1659294

Question No : 27 of 60 Marks: 1 (Budgeted Time 1 Min)

Suppose you have bought 100 shares of a corporation one year ago at Rs. 18 per share. Over the last year, you have received a dividend of Rs. 2 per share. At the end of the year, the stock sells for Rs. 27. As per given information, what will be the capital gains yield?

Answer (Please select your correct option)

- 15%
- 25%
- 35%
- 50%

page 126

solved by junaid
vulmshelp.com
0304-1659294

Question No : 28 of 60 Marks: 1 (Budgeted Time 1 Min)

What will be the risk premium for a stock that has an expected return rate of 13.5% and a risk-free rate of 5% ?

Answer (Please select your correct option)

- 6.5 %
- 8.5%
- 9.5 %
- 15 %

page 130

solved by junaid
vulmshelp.com
0304-1659294

Question No : 29 of 60 Marks: 1 (Budgeted Time 1 Min)

Standard deviations for Investment A and Investment B are 19% and 28% respectively. This indicates that:

Answer (Please select your correct option)

- Investment A is more volatile than Investment B
- Investment A is equally volatile to Investment B
- Investment B is less volatile than Investment A
- Investment B is more volatile than Investment A

solved by junaid
vulmshelp.com
0304-1659294

Question No : 30 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following statement is CORRECT regarding the relationship between capital structure and weighted average cost of capital ?

Answer (Please select your correct option)

- A capital structure is considered better than the other if it results in a lower weighted average cost of capital. page 142
- A capital structure is considered worse than the other if it results in a lower weighted average cost of capital.
- A capital structure is considered better than the other if it results in a high weighted average cost of capital.
- Capital structure and weighted average cost of capital are unrelated to each other.

solved by junaid
vulmshelp.com
0304-1659294

Question No : 31 of 60 **Marks: 1 (Budgeted Time 1 Min)**

A project costs $525 and has annual cash flows of $100 for the first four years and $75 in each of the project's last five years. What is the payback period of the project?

Answer (Please select your correct option)

- 4.75 years
- 5.33 years **page 102**
- 5.67 years
- 6.00 years

solved by junaid
vulmshelp.com
0304-1659294

Question No : 32 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Net present value (NPV):

Answer (Please select your correct option)

- Is equal to the initial investment in a project.
- Compares a project's cost to the present value of the project's benefits.
- Is equal to zero when the discount rate used is less than the internal rate of return (IRR).
- Is simplified by the fact that future cash flows are easy to estimate.

kessin 26

solved by junaid
vulmshelp.com
0304-1659294

Question No : 33 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Which one of the following statements is correct concerning profitability index (PI)?

Answer (Please select your correct option)

- An independent project should be accepted when the PI is less than 1.0
- PI considers the size of each project when ranking mutually exclusive projects
- PI addresses all of the issues related to capital rationing and accurately ranks projects under those circumstances
- A PI greater than 1.0 indicates that the cash inflows of an investment project exceed the cash outflows on a net present value basis, given conventional cash flows **page 111**

solved by junaid
vulmshelp.com
0304-1659294

Question No : 34 of 60 **Marks: 1 (Budgeted Time 1 Min)**

When calculating your return on investment you should ignore:

Answer (Please select your correct option)

- Paper gains
- Losses you avoided by not buying a stock, that has decreased in price
- Dividends that have been declared on a stock you own but you have not yet received the dividend
- Fees, you were charged in the process of purchasing a security

solved by junaid
vulmshelp.com
0304-1659294

Question No : 35 of 60 **Marks: 1 (Budgeted Time 1 Min)**

What is the standard deviation of your returns which you have earned in the last three years i.e. 5 percent, 7 percent, and 9 percent?

Answer (Please select your correct option)

- 1.6 percent
- (●) 2.0 percent
- 2.3 percent
- 2.9 percent

solved by junaid
vulmshelp.com
0304-1659294

Question No : 36 of 60 **Marks: 1 (Budgeted Time 1 Min)**

The alteration of capital structure is known as _____.

Answer (Please select your correct option)

- (●) Capital Restructuring
- ( ) Capital budgeting
- ( ) Capital rationing
- ( ) Capital depletion

solved by junaid
vulmshelp.com
0304-1659294

Question No : 37 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Mr. A is the Financial Officer of Standard International. If he has the best interests of the firm's shareholders , he will try to maintain the capital structure of the firm as follows

Answer (Please select your correct option)

- Which minimizes the market value of the firm's debt

solved by junaid
vulmshelp.com
0304-1659294

- Which maximizes the market value of the firm
- Which minimizes the book value of the firm's debt
- Which maximizes the market value of the firm's debt

Question No : 38 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Return on equity (ROE) increases _____ for a(n)_____ firm than for a(n) _____ firm.

Answer (Please select your correct option)

- (●) Faster; levered; un levered **not sure**
- ( ) Faster; un levered; levered
- ( ) Slower; levered; un levered
- ( ) Slower; un levered; levered

solved by junaid
vulmshelp.com
0304-1659294

Question No : 40 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Mr.A is risk averse financial manager of ABC & Co. He has to decide about size of an investment in current assets. Which of the following would be his action in this regard?

Answer (Please select your correct option)

- He would like to make less investment in current asset
- He would like to make more investment in current asset
- He would make more investment in short term debt
- He would make more investment in long term debt

solved by junaid
vulmshelp.com
0304-1659294

Question No : 41 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Disbursement float causing a _____ in firm's book balance but _____ in its available balance.

Answer (Please select your correct option)

- Decrease ,increase
- Increase , decrease

solved by junaid
vulmshelp.com
0304-1659294

- Decrease , no change

page 169

- Increase , no change

Question No : 42 of 60 **Marks: 1 (Budgeted Time 1 Min)**

If firm's book balance exceeds its, available balance then net float is_____.

Answer (Please select your correct option)

- Positive
- Negative

page 169

solved by junaid
vulmshelp.com
0304-1659294

- Zero
- Minimum

Question No : 43 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Total carrying costs is equal to:

Answer (Please select your correct option)

- (●) Average inventory * Carrying cost per unit **page 180**
- ( ) Average inventory +Carrying cost per unit
- ( ) Average inventory - Carrying cost per unit
- ( ) Average inventory / Carrying cost per unit

solved by junaid
vulmshelp.com
0304-1659294

Question No : 44 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Cost of placing an order with suppliers or the cost of setting up a production run ia called as _____.

Answer (Please select your correct option)

- (O) Restocking cost **page 178**
- ( ) Carrying cost
- ( ) Shortage cost
- ( ) Safety reserve costs

solved by junaid
vulmshelp.com
0304-1659294

Question No : 45 of 60 Marks: 1 (Budgeted Time 1 Min)

A construction company buys some building material as an inventory. What would happen to its current ratio?

Answer (Please select your correct option)

- Increase page 37
- Decrease
- No change
- None of the given options

solved by junaid
vulmshelp.com
0304-1659294

Question No : 46 of 60 **Marks: 1 (Budgeted Time 1 Min)**

The value of net working capital would be _____ if current assets are same as current liabilities.

Answer (Please select your correct option)

- positive

solved by junaid
vulmshelp.com
0304-1659294

- negative
- zero **NWC=Current Assets - current liabo;oties**
- None of the given options

Question No : 47 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Which of the following item is added back in EBIT (earning before interest and taxes) while calculating operating cash flow ?

Answer (Please select your correct option)

- Taxes
- Interest paid
- Interest received
- Depreciation **page 115**

solved by junaid
vulmshelp.com
0304-1659294

Question No : 48 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Which of the following interpretation BEST describes a company having current ratio of 2.0 ?

Answer (Please select your correct option)

- The company is not able to meet its short-term obligations.
- The current assets of the company are more than its current liabilities. **page 115**
- The company has less than a rupee in its current assets for paying each rupee of current liability.
- None of the given options

solved by junaid
vulmshelp.com
0304-1659294

Question No : 49 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Mr. Ahmad is planning to save Rs. 10,000 with a bank at an interest rate of 9%. What will be the worth of his amount after 5 years if the interest is compounded semi-annually ?

Answer (Please select your correct option)

- Rs. 15,000
- Rs. 15,386
- **O** Rs. 15,529

r= .09/2 =0.045
t=5*2=10 **Fv=c^(1+r)^t**

solved by junaid
vulmshelp.com
0304 1659294

- Rs. 15,605

Question No : 50 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Mr. Ajmal is planning to save Rs. 100,000 for 6 years with an interest rate of 9% compounded annually. What will be the future value of his savings ?

Answer (Please select your correct option)

- Rs. 142,201
- Rs. 167,710 **Fv=c^(1+r)^t**
- Rs. 175,200
- Rs. 190,000

solved by junaid
vulmshelp.com
0304-1659294

Question No : 51 of 60 Marks: 1 (Budgeted Time 1 Min)

The concepts of present value and future value are mainly based upon:

Answer (Please select your correct option)

- Interest Rate
- Number of time periods
- Both interest rate and number of time periods
- Neither interest rate nor number of time period

solved by junaid
vulmshelp.com
0304-1659294

Question No : 52 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Rule of 72 for finding the number of periods is fairly applicable to which of the following range of discount rates?

Answer (Please select your correct option)

- 2% to 8%
- 4% to 25%
- 5% to 20%
- 10% to 50%

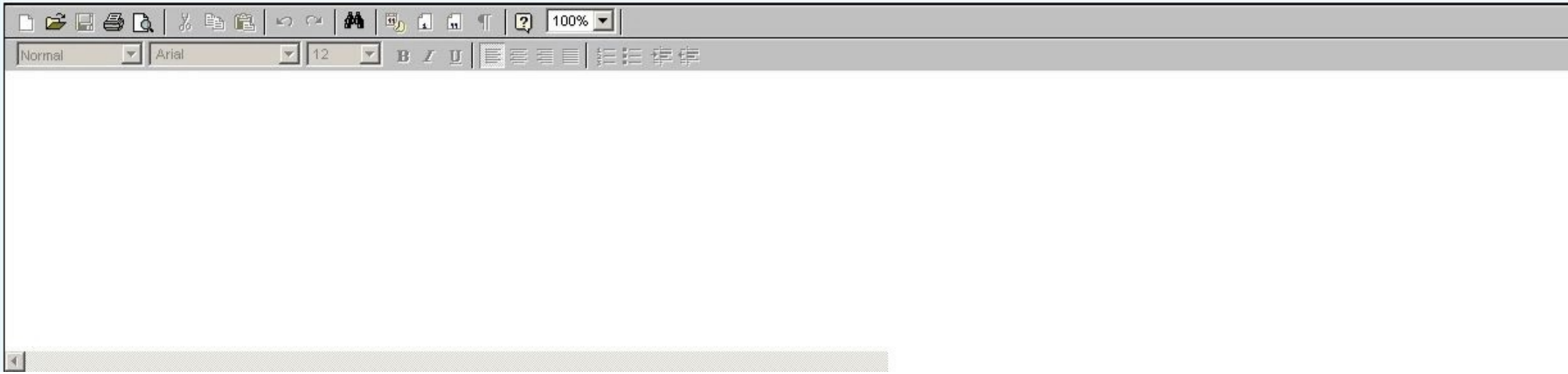
page 57

solved by junaid
vulmshelp.com
0304-1659294

Question No : 53 of 60 Marks: 3 (Budgeted Time 6 Min)

What will be the cost (r) of giving up cash discount under the credit terms of 1/10 net 60 ?

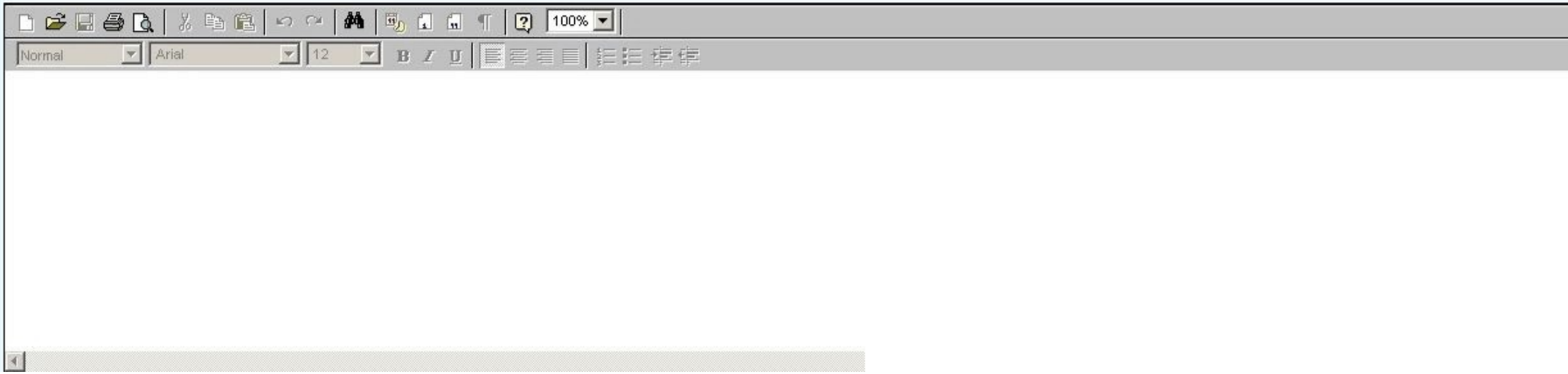
Answer (Please click here to Add Answer)



Question No : 54 of 60 Marks: 3 (Budgeted Time 6 Min)

How a firm's overall cost of capital is calculated?

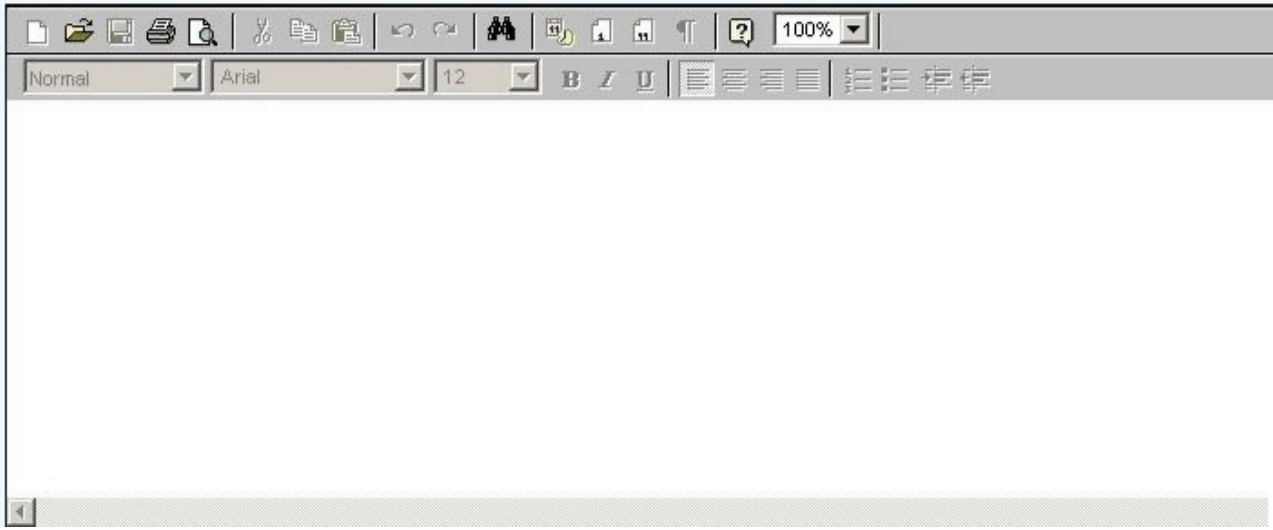
Answer (Please click here to Add Answer)



Question No : 55 of 60 Marks: 3 (Budgeted Time 6 Min)

What is the reason for tax payment for the difference of market value and book value ?

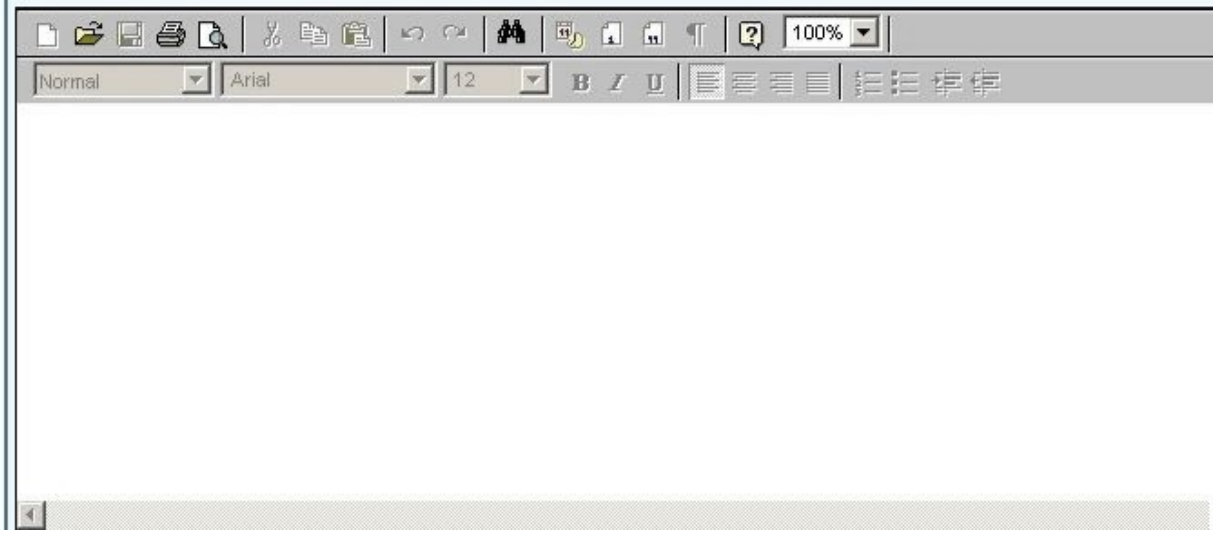
Answer (Please click here to Add Answer)



Question No : 56 of 60 Marks: 5 (Budgeted Time 10 Min)

Define Float. How disbursement float and collection float are created and what are their effects?

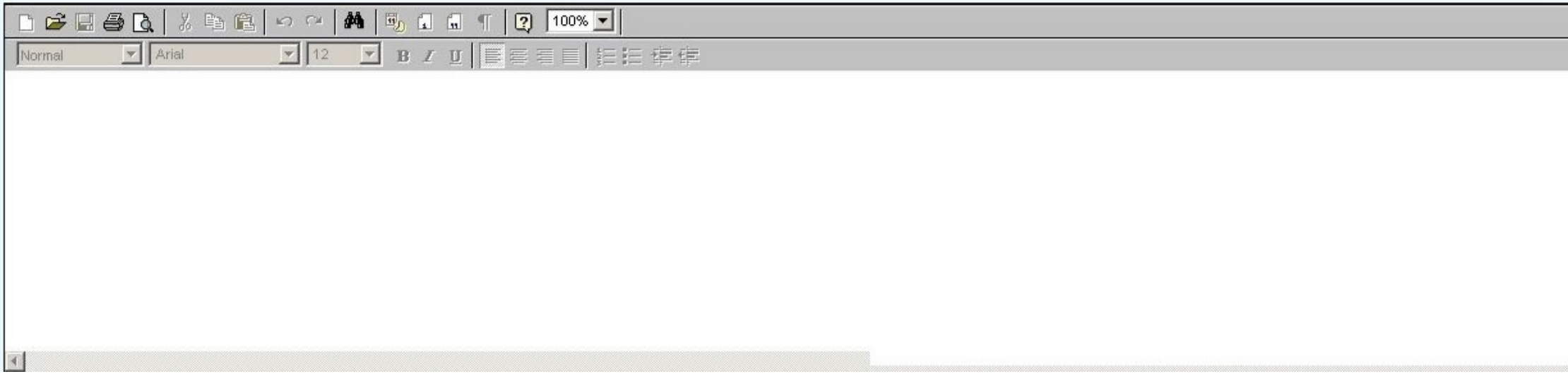
Answer (Please click here to Add Answer)



Question No : 57 of 60 Marks: 5 (Budgeted Time 10 Min)

An investor places 40% of his funds in Security A and the balance in Security B. The expected returns on A and B are 10% and 15%, respectively. The standard deviations of returns on A and B are 10% and 15% respectively. Calculate the expected return on the portfolio.

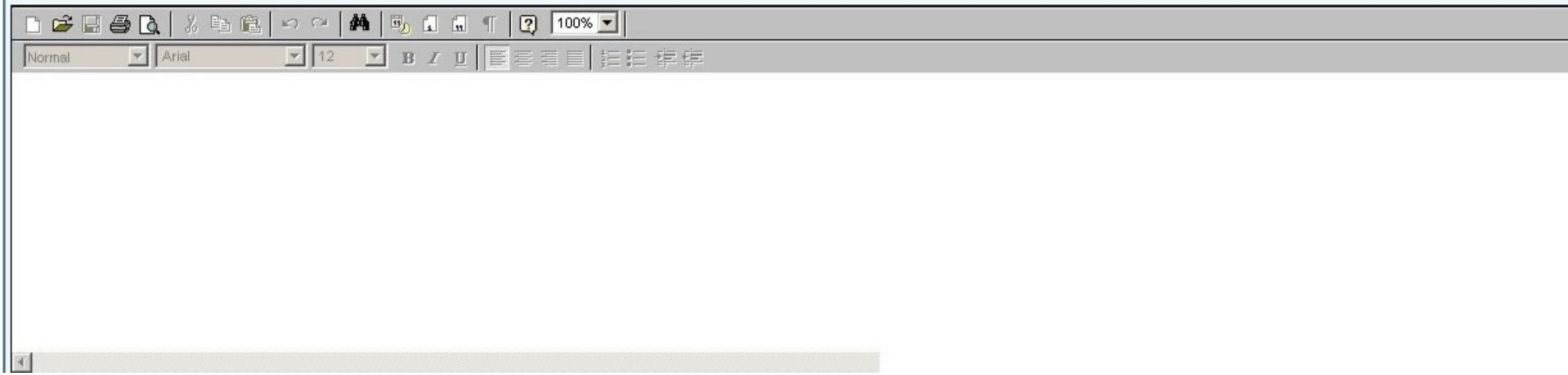
Answer (Please click here to Add Answer)



Question No : 58 of 60 Marks: 5 (Budgeted Time 10 Min)

Suppose a stock is selling for Rs. 30 per share. The next dividend is Rs. 1.50 per share and it is expected to grow by 5%. What dividend yield, capital gain yield, and total return this stock can offer?

Answer (Please click here to Add Answer)

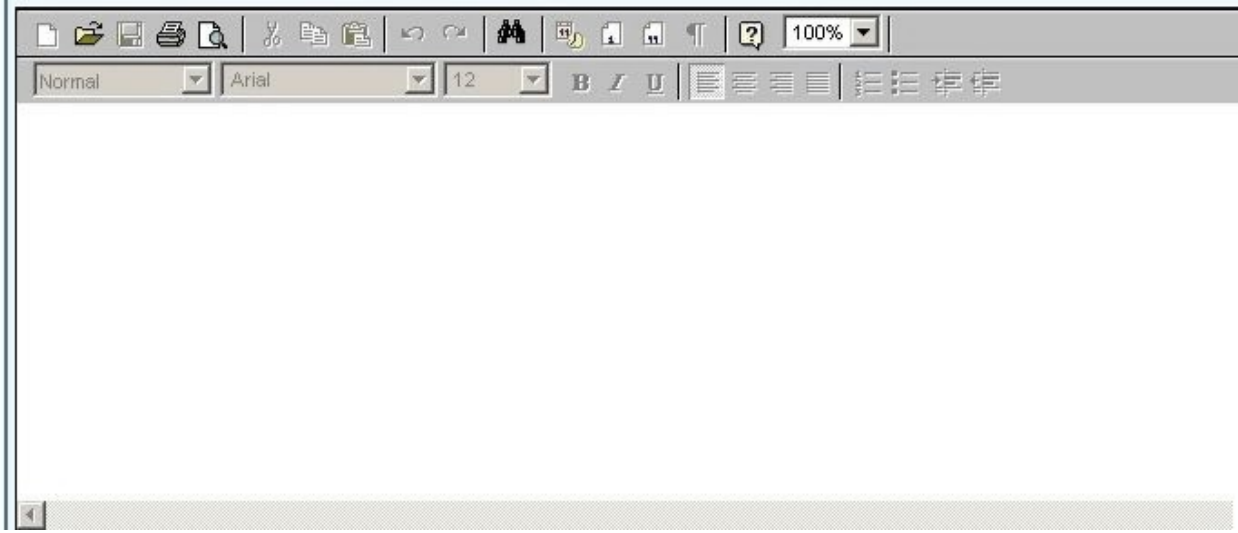


Question No : 59 of 60 Marks: 5 (Budgeted Time 10 Min)

Five years ago, Mr. Safdar purchased a vehicle for Rs. 350,000. Now he wants to sell this vehicle. Based on historical averages, the vehicle is worth 15% of the purchase price and he sells this vehicle at this price whereas depreciation schedule for the vehicle shows a book value of Rs. 30,000. (Tax rate is 35%)
Calculate:

() The market value of the vehicle
(i) Difference between market value and book value
(ii) Tax liability for the difference between market value and book value

Answer (Please click here to Add Answer)



Question No : 60 of 60 **Marks: 5 (Budgeted Time 10 Min)**

Shahid is planning to save amount for future. Suggest him the effective option from the following offers of different banks on saving account.

Bank A	16.5% compounded quarterly
Bank B	16.75% compounded semi annually

Answer (Please click here to Add Answer)

