

1. Which of the following errors will be disclosed in the trial balance?
 - (A) Recording transactions in the wrong account
 - (B) Duplication of a transaction in the accounting records
 - (C) Posting only the debit portion of a particular journal entry
 - (D) Recording the wrong amount for a transaction to both the account debited and the account credited

2. Which of the following account usually shows a credit balance?
 - (A) Capital account
 - (B) Bank overdraft
 - (C) Both (A) and (B)
 - (D) Purchase account

3. Identify the correct statement :
 - (A) Carriage inwards and carriage outwards are both credit balances
 - (B) Returns inwards and returns outwards are both debit balances
 - (C) Both carriage inwards and carriage outwards appear in the trading account
 - (D) None of these

4. A debit balance on a partner's current account must indicate that :
 - (A) Drawings are higher than the profit share for that year
 - (B) They are insolvent
 - (C) They have a credit balance on their capital account
 - (D) They have withdrawn more than they have earned in the partnership

5. Locate the item that would not be found in the Profit and Loss Appropriation account of partners :
 - (A) interest on loan by partner to partnership
 - (B) interest on drawings
 - (C) salaries
 - (D) interest on capital

6. If a partner cannot clear his debts on dissolution, the other partners must clear these debts in the following manner :
 - (A) sharing ratio of the partnership
 - (B) in the ratio of their capital balance
 - (C) shared equally
 - (D) debts should not be cleared by other partners

7. Conversion cost = _____
 - (A) Direct Material + Direct Labor + Direct Expense
 - (B) Direct Labor + Direct Expense + Factory Overheads
 - (C) Works cost - Direct Material
 - (D) Both (B) and (C)

8. In which of the following wage plan, time wage is not guaranteed?
(A) Halsey (B) Rowan
(C) Taylor (D) Gantt
9. Absorption of overheads means :
(A) distribution of overheads to all departments
(B) charging of overheads to individual products
(C) identification of cost
(D) grouping overheads between direct and indirect
10. Which among the following are not appearing in the cost sheet?
(A) Bad debts (B) Income tax
(C) Both (A) and (B) (D) Counting house salary
11. What may be the cause of negative cash flow from operating activities?
(A) The repayment of a loan
(B) High levels of dividend payments
(C) A substantial investment in new fixed assets
(D) A sudden increase in credit sales
12. Which one of the following is false?
(A) A profitable company will never run out of cash
(B) If cash outflows exceed inflows on an ongoing basis, the business will eventually run out of cash
(C) Rapidly expanding companies can sometimes face a cash shortage
(D) Cash is the lifeblood of a business and without it the business will die
13. Which of the following involves a movement of cash?
(A) Bonus issue (B) Rights issue
(C) Creation of a provision for pensions (D) Depreciation of fixed assets
14. The difference between fixed cost and variable cost assumes significance in the preparation of the following budget :
(A) Master Budget (B) Flexible Budget
(C) Cash Budget (D) Capital Budget
15. When a manufacturing business prepares budgets for a period, which is normally the first budget to be prepared?
(A) Cash budget (B) Sales budget
(C) Production budget (D) Capital expenditure budget
16. What is 'management by exception'?
(A) A form of management accountability
(B) A means of management control
(C) A means of assessing managerial performance
(D) A form of planning

17. A budget is all of the following, except :
- (A) a plan which will ensure the generation of future profits
 - (B) a system to integrate the operations for future activity
 - (C) a financial plan for the future
 - (D) a system which helps to co-ordinate internal activities
18. Which of the following would be consistent with a more 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
19. Spontaneous financing includes :
- (A) cash at bank
 - (B) short-term loans
 - (C) accounts payable
 - (D) provision for dividend
20. Permanent working capital :
- (A) varies with seasonal needs
 - (B) includes fixed assets
 - (C) is the amount of current assets required to meet a firm's long-term minimum needs
 - (D) includes accounts payable
21. Identify the fictitious asset :
- (A) Preliminary expense
 - (B) P/L (debit balance)
 - (C) Both (A) and (B)
 - (D) Goodwill
22. Identify the transaction(s) where flow of fund occurs :
- (A) transactions involving current liabilities and non-current liabilities
 - (B) transactions involving current assets and non-current assets
 - (C) transactions involving current assets and non-current liabilities
 - (D) all the above
23. Which of the following types of assets should be financed with long-term source?
- (A) Fixed assets only
 - (B) Fixed assets and temporary current assets
 - (C) Fixed assets and permanent current assets
 - (D) Temporary and permanent current assets
24. How will you treat the share forfeited account while preparing Balance Sheet of a company?
- (A) Add with the paid up capital
 - (B) Deduct from the paid up capital
 - (C) Shown under Reserves and Surplus
 - (D) Shown under current liabilities and provisions

25. While determining managerial remuneration, which among the following is not considered?
 (A) Commission received (B) Profit on sale of forfeited shares
 (C) Premium on shares (D) Both (B) and (C)
26. Cost of Capital refers to :
 (A) Required Rate of Return (B) Dividend
 (C) Floatation Cost (D) None of the above
27. Identify the correct statement :
 (A) Retained Earnings are cost free
 (B) External Equity is cheaper than Internal Equity
 (C) Retained Earnings are cheaper than External Equity
 (D) Retained Earnings are costlier than External Equity
28. The Internal Rate of Return (IRR) is :
 (A) the same thing as the discount rate
 (B) the same thing as the cost of capital
 (C) the ratio of average annual profits to average investments
 (D) the discount rate that equates the present values of inflows and outflows
29. The optimal capital structure of a firm :
 (A) minimizes the firm's cost of debt capital
 (B) is that combination of debt, preferred and common stock that maximizes the firm's share values
 (C) is one in which the weighted cost of capital is less than the IRR
 (D) none of the above are correct
30. The dividend-payout ratio is equal to :
 (A) the dividend yield plus the capital gains yield
 (B) dividends per share divided by earnings per share
 (C) dividends per share divided by par value per share
 (D) dividends per share divided by current price per share
31. 'Shareholder's wealth' in a firm is represented by :
 (A) the market price per share of the firm's common stock
 (B) the number of people employed in the firm
 (C) the book value of the firm's assets less the book value of its liabilities
 (D) the amount of salary paid to its employees
32. Firm having $r < k$ may be referred as :
 (A) growth firm (B) normal firm
 (C) declining firm (D) none of these
33. The type of lease that includes a third party, a lender, is called :
 (A) leveraged lease (B) sale and leaseback
 (C) direct leasing arrangement (D) operating lease

34. _____ act as an intermediary to link up the sources of ideas and the sources of fund.
- (A) Merchant banking (B) Leasing
(C) Venture capital (D) Receivables management
35. Method that provides correct rankings of mutually exclusive projects, when the firm is not subject to capital rationing :
- (A) net present value (B) internal rate of return
(C) payback period (D) profitability index
36. A critical assumption of the Net Operating Income (NOI) approach to capital structure is :
- (A) that debt and equity levels remain unchanged
(B) that dividends increase at a constant rate
(C) that k_e remains constant regardless of changes in leverage
(D) that interest expense and taxes are included in the calculation
37. Mr. Gomez purchased a bond at a price far below its face value, that makes no interest payments and will be redeemed at its face value at maturity. In all likelihood, he purchased a _____ bond.
- (A) debenture (B) convertible
(C) indenture (D) zero-coupon
38. If interest rates in the overall economy decrease, the market value of a corporate bond with a fixed interest rate will :
- (A) either increase or decrease (B) the value of the bond will increase
(C) the value of the bond will decrease (D) the value of the bond will not change
39. Which of the following would be found in cash budget?
- (A) Provision for doubtful debts (B) Depreciation
(C) Accrued expenditure (D) Capital expenditure
40. Identify the statement which is false in connection with capital budgeting decision :
- (A) sunk costs are ignored (B) opportunity costs are excluded
(C) incremental cash flows are considered (D) irreversible decision making
41. Return on Investment may be improved by :
- (A) increasing turnover (B) reducing expenses
(C) increasing capital utilization (D) all of the above
42. Suppliers and Creditors of a firm are interested in :
- (A) Profitability Position (B) Liquidity Position
(C) Market Share Position (D) Debt Position

43. Advantage of Debt financing is :
- (A) interest is tax-deductible
 - (B) it reduces weighted average cost of capital
 - (C) does not dilute owners control
 - (D) all of the above
44. Which of the following is studied with the help of financial leverage?
- (A) Financing risk
 - (B) Interest Rate Risk
 - (C) Foreign Exchange Risk
 - (D) Market Risk
45. Which of the following is not a fundamental assumption made by Modigliani and Miller?
- (A) No taxes
 - (B) There is imperfect information
 - (C) Firms can be classified into distinct risk class
 - (D) Possible to borrow and lend at the risk-free rate
46. What is Gordon's 'bird in the hand' fallacy?
- (A) Investors prefer early resolution of uncertainty and apply a lower discount rate to later dividends
 - (B) Investors prefer early resolution of uncertainty and apply a higher discount rate to later dividends
 - (C) Investors prefer later resolution of uncertainty and apply a higher discount rate to later dividends
 - (D) Investors prefer later resolution of uncertainty and apply a lower discount rate to later dividend
47. Which of the following is not a fundamental concept in Corporate Finance?
- (A) Net present value
 - (B) Relationship between risk and return
 - (C) Business cycle
 - (D) Double-entry book-keeping
48. A high risk, high yield bond rated below investment grade is :
- (A) junk bond
 - (B) unsecured bond
 - (C) non investable bond
 - (D) none of these
49. A short term lease where the leasing company will take the asset back at the end of the lease is :
- (A) operating lease
 - (B) finance lease
 - (C) sale and lease back
 - (D) leveraged lease
50. Short-term unsecured promissory note issued by corporations is called :
- (A) commercial paper
 - (B) certificates of deposit
 - (C) bonds
 - (D) swaps