ACC501
FINAL TERM
By VU Sparky

(UPDATED VS25)

JOIN GROUP#3

1. https://chat.whatsapp.com/IpD5cfNaIJXIu1MF5mHQc6

2. A project whose acceptance prevents the acceptance of one or more alternative projects is referred to as a(n):
   a. mutually exclusive project ✔SPARKY
   b. dependent project
   c. contingent project
   d. independent project
3. Prime advantage of investing in different securities is:
   a. Increased liquidity
   b. Easy management of securities
   c. All of the given options
   d. Reduced risk ✔SPARKY
4. Suppose market value exceeds book value by Rs. 250,000. What will be the after-tax proceeds if there is a tax rate of 34 percent ?
   a. Rs. 165,000
   b. Rs. 225,000
   c. Rs. 148,500
   d. Rs. 105,600

5. Which one of the following represents a cash outflow?
    a. Increase in payables
    b. Increase in long term debt
    c. Increase in inventory✔ *SPARKY*
    d. Increase in receiveables
6. A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred as :
    a. Coefficient of variation
    b. The expected return
    c. Probability distribution
    d. The standard deviation
7. Which of the following can be calculated if, average net income is divided by average book value?
    a. NPV
    b. Payback period
    c. IRR
    d. AAR ✔ *SPARKY*

1. Over the past four years, a company has paid dividends of Rs. 1.00, 1.10, 1.20 and 1.30 in Year 1, 2, 3 and 4 respectively. The same pattern is expected to continue in the future as well. This is an example of a company paying dividends that grows by:
    a. 10 percent each year
    b. At a decreasing rate✔ *SPARKY*
    c. At a constant rate
    d. A decreasing amount
2. Which of the following type of bond pays no coupon at all and are offered at a price that is much lower than its stated value?
    a. Floating-rate bonds
    b. Euro bonds
    c. Government bonds
    d. Zero coupon bonds✔ *SPARKY*
3. An investment plan is acceptable if its NPV is:
    a. Equal to ZERO
    b. Less than ZERO
    c. Greater than ZERO✔ *SPARKY*
    d. All of the above
4. In which type of the market, securities are originally sold to the investors?
    a. Primary Market✔ *SPARKY*
    b. Tertiary Market
    c. Secondary Market
    d. None of the given options

5. Which of the following bond allows the holder to force the issuer to buy the bond back at a stated price?
    a. Zero-coupon bond
    b. Convertible bond
    c. Put bond✔ SPARKY
    d. Income Bond
6. Which of the following is a characteristic of preferred stock?
    a. These stocks have not stated liquidating value
    b. These bonds hold credit ratings quite different from bonds
    c. Dividends on these stocks can be cumulative✔ SPARKY
    d. These stocks have not any kind of priority over common stocks
7. Which one of the following securities is considered as equity security?
    a. Shares✔ SPARKY
    b. Notes
    c. Debentures
    d. Bonds
8. When corporations borrow, they generally promise to:
    I. Make regular scheduled interest payments
    II. Give the right of voting to bondholders
    III. Repay the original amount borrowed (principal)
    IV. Give an ownership interest in the firm

a. I and II
b. I, III, and IV
c. II and IV
d. I and III✔ SPARKY

9. The coupon rate of a floating-rate bond is capped and upper and lower rates are called:
    a. Float

b. Surplus
c. Limit
d. Collar✔ *SPARKY*

10. Which of the following is NOT the responsibility of bond trustee?
    a. Manage the sinking fund
    b. Announcement of dividend✔ *SPARKY*
    c. Represent the bondholders in default
    d. Make sure the terms of indenture are obeyed

1. The amount left after paying dividend to shareholders is added to ___________:
    a. Retained earnings
    b. Net income
    c. Equity
    d. Revenues
2. Decisions about "how to raise money" and "what to do with it" are part of which of the following?
    a. Change management
    b. Costing for accounting
    c. Business Finance
    d. All of the given options
3. Which of the following is the primary issue while investing in financial assets?
    a. International Aspect of corporate finance
    b. Associated Risks & rewards
    c. Long-term cash flow a company needs to pay its bills
    d. Short-term cash flow a company needs to pay its bills
4. Which of the given area is NOT addressed by Business Finance?
    a. Investing
    b. Financing
    c. Managing day today expenses
    d. None of the given options
5. Which of the following best represents the term "Financing"?
    a. It means raising money to acquire something.
    b. It represents an ownership interest.
    c. It is an object that provides services.

   d. It is trade license to trade securities on behalf of investors.

6. Payable turnover ratio can be calculated through following formula:
   a. Accounts payable / Sales
   b. Cost of goods sold / Accounts payable
   c. Accounts payable / Cost of goods sold
   d. Sales / Accounts payable
7. Which of the following is disadvantage of sole proprietor business?
   a. Easy to start
   b. None of the given options
   c. Business income is considered as personal income
   d. Limited sources
8. External financing deals with the funds increased by either selling stock or __________:
   a. Borrowing money
   b. Sales revenues
   c. Selling long-term assets
   d. Paying dividends
9. What would be the present value of Rs. 12,000 to be received after 5 years at a discount rate of 7 percent?
   a. Rs.9555
   b. Rs.7555
   c. Rs.8555
   d. Rs.6555

1. If you have Rs. 30 in asset A and Rs. 120 in another asset B, the weights for assets A and B will be ____ and ____ respectively.
    a. 37%; 63%
    b. 20%; 80%
    c. 63%; 37%
    d. 80%; 20%
2. Which of the following is the return that firm’s creditors demand on new borrowings ?
    a. Cost of debt
    b. Cost of common equity
    c. Cost of preferred stock
    d. Cost of retained earnings
3. Which of the following is the overall return the firm must earn on its existing assets to maintain the value of the stock?
    a. AAR (Average Accounting Return)
    b. MIRR (Modified Internal Rate of Return)
    c. IRR (Internal Rate of Return)
    d. WACC (Weighted Average Cost of Capital)
4. The total market value of a company’s stocks is calculated as Rs. 250 million and the total market value of the company’s debt are calculated as Rs. 100 million. What percent of the firm’s financing is debt ?
    a. 70.00%
    b. 28.57%
    c. 50.00%
    d. 62.50%
5. Which of the following is referred as a statistical measure of the variability of a distribution around its mean ?
    a. The expected return
    b. Probability distribution
    c. The standard deviation
    d. Coefficient of variation
6. For an investment project, the cost of capital relevant to the project depends on which of the following?

a. Type of security to be issued to finance the project
b. Coupon rate on the firm's existing long-term bonds
c. Total risk of the firm's equity
d. Risk associated with the project

7. A firm’s capital structure may include which of the following ?
   a. Preferred Stocks
   b. Bonds
   c. Common stocks
   d. All of the given options
8. Mr. Nadeem has bought 100 shares of a corporation one year ago at Rs. 22 per share. Over the last year, he received a dividend of Rs. 2.50 per share. At the end of the year, the stock sells for Rs. 28. As per given information, what will be the capital gains yield ?
   a. 15.85%
   b. 25.10%
   c. 27.27%
   d. 45.00%
9. Which of the following term refers to the situation when investors loan out the money ?
   a. Levering
   b. Leverage
   c. Loaning
   d. Un-levering
10. What would be the standard deviation of returns for an investment that has a variance of 0.0075 ?
   a. 0.08660
   b. 0.09487
   c. 0.09101
   d. 0.10521
11. ACC501 - Business Finance (Quiz # 2)
12. What happens to current ratio if ABC Company Ltd. purchases inventory on credit for Rs. 10,000. Existing current ratio is 3:1.

a. Increases
b. None of the given options
c. No effect
d. Decreases

13. Which one of the following formulas can be used to calculate "Total Assets Turnover"?
a. Sales / Total Assets
b. Total Assets / Sales
c. (Total assets – long-term liabilities) / sales
d. (Total assets – current liabilities) / Sales

14. Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?
a. 1.52 times
b. 1.26 times
1.01 times
c. 1.39 times

15. The principal amount of a bond at issue is called:
a. Par value
b. Present value of an annuity
c. Present value of a lump sum
d. Coupon value

16. Bond value may fluctuate with the change in _______.
a. Coupon value
b. Interest rate
c. Inflation
d. GDP

17. Which of the following relationships holds TRUE if a bond sells at a discount?
a. Bond Price < Par Value and YTM < coupon rate
b. Bond Price > Par Value and YTM > coupon rate
c. Bond Price > Par Value and YTM < coupon rate
d. Bond Price < Par Value and YTM > coupon rate

18. Which of the following is the expected rate of return on a bond if bought at its current market price and held to maturity
    a. Coupon Yield
    b. Yield To Maturity
    c. Current Yield
    d. Capital Gains Yield
19. What will be the annual payment on a 6-year Rs. 16,000 loan that carries a 12% interest rate?
    a. Rs. 5,892
    b. Rs. 4,500
    c. Rs. 2,892
    d. Rs. 3,892
20. Which of the following is a long-term solvency ratio?
    a. Cash ratio
    b. Times interest earned ratio
    c. Acid-test ratio
    d. Current ratio
21. Which of the following represents an annuity?
    a. Series of unequal payments
    b. Series of equal payments
    c. None of the given options
    d. Series of payments with 3 month intervals
22. A standardized financial statement presenting all items in _____________ is called a common size statement:
    a. Percentages
    b. Dollars
    c. Times
    d. Rupees
23. Cash generated from a firm's normal business activities is called________________:
    a. Financing cash flow
    b. Operating cash flow
    c. Investing cash flow
    d. All of the given options

24. Which of the given statement is correct?

a. More income will be available for taxation due to debt financing
b. There will be no effect on taxable income due to debt financing
c. Less income will be available for taxation due to debt financing
d. None of the given options

25. Which one of the following can be considered as a part of cash-flow from a financing activity?
a. Cash outflow to the government for taxes.
b. Cash outflow to lenders as interest.
c. Cash outflow to shareholders as dividends.
d. Cash outflow to purchase shares issued by another company.

26. Which of the following forms of business organizations is created as a distinct legal entity owned by one or more individuals or entities?
a. General Partnership
b. Limited Partnership
c. Sole-proprietorship
d. Corporation

27. The mixture of debt and equity maintained by a firm is called:
a. Capital Budgeting
b. None of the given options
c. Working capital
d. Capital structure

28. The accounting definition of income is:
a. Income = Fixed Assets – Current Assets
b. Income = Revenues – Expenses
c. Income = Revenues – Current Liabilities

d. Income = Current Assets – Current Liabilities

29. Which of the following is the goal of financial management?
   a. Maximize the number of shares
   b. Maximize the current value per share of the existing stock
   c. Maximize the working capital of the firm
   d. Maximize the long-term cash flow of the firm

30. Cash flow from assets can be calculated by using which one of the following expressions?
   a. Operating cash flow – net capital spending – Changes in net working capital
   b. Interest paid – dividend paid + new borrowings
   c. Earnings before interest and taxes + depreciation – taxes
   d. Cash flow to creditors - cash flow to shareholders

31. Which of the given area is NOT addressed by Business Finance?
   a. Financing
   b. Investing
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d. Income = Current Assets – Current Liabilities

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a. Annuity Due
b. Ordinary perpetuity
c. None of the given options
d. Ordinary Annuity

9. In which of the following procedure of voting for a company's directors, each shareholder is entitled to one vote per share?
   a. Cumulative Voting (Not Confirmed)
   b. None of the given options
   c. Proportional Voting
   d. Straight Voting

10. A project having non-conventional cash flows is actually a characteristics of:
    a. IRR
    b. AAR
    c. NPV
    d. PI

1. If you have Rs. 30 in asset A and Rs. 120 in another asset B, the weights for assets A and B will be ____ and ____ respectively.
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c. 0.09101
d. 0.10521

1. **In MACRS property classes, 7-year class includes which of the following ?**
   a. Equipment used in research
   b. All of the given options
   c. Autos & computers
   d. Most industrial equipment ✔ *SPARKY*
2. A model which makes an assumption about the future growth of dividends is known as:
   a. All of the given options
   b. Dividend Policy Model
   c. Dividend Price Model
   d. Dividend Growth Model ✔ *SPARKY*
3. Which of the following is NOT included in discounted cash flow criteria for capital budgeting decision?
   a. Payback Period ✔ *SPARKY*
   b. Profitability Index
   c. Net Present Value
   d. Internal Rate of Return
4. Which of the following can be calculated if, average net income is divided by average book value?
   a. NPV
   b. Payback period
   c. AAR ✔ *SPARKY*
   d. IRR
5. Which of the following statement is TRUE regarding Average Accounting Return?
   a. An investment is acceptable if its AAR is greater than a benchmark AAR
   b. An investment is acceptable if its AAR is less than a benchmark AAR
   c. AAR is a rate that makes the NPV equal to zero
   d. None of the given options
6. Which one of the following typically applies to preferred stock but not to common stock?
   a. Tax deductible dividends
   b. Dividend yield
   c. Voting rights
   d. Cumulative dividends ✔ *SPARKY*
7. Which of the following term refers to the difference between the present value of cash inflows and the present value of cash outflows?
   a. Internal Rate of Return (IRR)
   b. Average Accounting Return (AAR)
   c. Profitability Index (PI)
   d. Net Present Value (NPV) ✔ *SPARKY*
8. Which of the following entity manages the sinking fund?

a. Board of Directors
b. Board of Governors
c. Bond trustee ✔ *SPARKY*
d. Chief Executive Officer

1. **Which of the following is NOT an example of systematic risk ?**
   a. **Inflation**
   b. **Strike call in a company** ✓*SPARKY*
   c. **Gross Domestic Product**
   d. **Interest Rate**
2. **Mr. Nadeem has bought 100 shares of a corporation one year ago at Rs. 22 per share. Over the last year, he received a dividend of Rs. 2.50 per share. As per given information what will be the dividend yield ?**
   a. **11.36%** ✓*SPARKY*
   b. **9.92%**
   c. **40.00%**
   d. **21.12%**
3. **Which of the following type of risk can be eliminated by diversification ?**
   a. **None of the given options**
   b. **Market Risk**
   c. **Unsystematic Risk** ✓*SPARKY*
   d. **Systematic Risk**
4. **Your gain (or loss) on an investment that you buy is called your :**
   a. **Loss on investment**
   b. **Risk on investment**
   c. **Gain on investment**
   d. **Return on investment** ✓*SPARKY*
5. **What will be the risk premium for a stock that has an expected return rate of 14% and a risk-free rate of 5% ?**
   a. **6 %**
   b. **24 %**
   c. **15 %**

    d. 9 % ✓SPARKY
6. Tax adjustment is generally required for which of the following costs?
    a. Cost of preferred stock
    b. Cost of retained earnings
    c. Cost of common equity
    d. Cost of debt✓SPARKY
7. If the book value exceeds the market value, then the difference is treated as a __________ for tax purposes.
    a. Loss ✓SPARKY
    b. None of the given options
    c. Surplus
    d. Profit