

# SYBFM SEM IV

## MODEL QUESTIONS

### CORPORATE FINANCE

No.	Question	Option A	Option B	Option C	Option D
1	Which of the following is not a function of a corporate finance manager?	Negotiations with the suppliers for purchase of raw materials	regular reviews of the master budget	control the company's expenses	setting goals for achieving specific revenues
2	The fact that the true value (capitalization) of an enterprise depends upon its earnings and earning capacity is	Earning Theory of Capitalization	Cost theory of capitalization	MM theory	Net Income theory
3	Which of the following is not part of Capitalization?	Advance receipts	Bonds	Common Stock	Retained Earnings
4	Which of these play an important role in designing the capital structure which is suitable for the company?	Capital structure decisions	Cost of Capital	WACC	Cost theory of capitalization
5	Which of the following is not an assumption of Net Income Approach?	All investors are Rational	There are no corporate taxes.	The cost debt is less than the cost of equity.	The use of debt does not change the risk perception of the investor.
6	According to which of these approaches, the change in capital structure will not lead to any change in the total value of the firm and market price of shares as well as the overall cost of capital.	Net Operating Income Approach	Net Income Approach	MM Approach	Traditional Approach
7	A firm has 60% debt and 40% equity in its capital structure. The after-tax cost of debt and equity are 9% and 16% respectively. Tax rate is 50% What is the overall cost of the firm?	11.80%	12.85%	10.28%	15.80%
8	Total Cost is a sum of Fixed cost and	Variable Cost	Marginal Cost	Rational Cost	Total Cost
9	the generation of annual average cash flow by a business as a percentage of investment.	Return on Investment	Profitability Index	Internal Rate of Return	Net Present Value

10	The ratio of current value of future cash flows to the initial investment is	Profitability Index	Return on Investment	Profitability Index	Pay Back Period
11	These are costs which have already been incurred.	Sunk Cost	Incremental Cash flow	Opportunity Cost	Relevant Cost
12	This refers to what a resource is worth if it is put to its next-best use.	Opportunity Cost	Sunk Cost	Incremental Cash flow	Relevant Cost
13	This is the cash flow which is realized because of a decision.	Incremental Cash flow	Opportunity Cost	Sunk Cost	Relevant Cost
14	when the aggregate of the par value of its shares and debentures exceeds the true value of its fixed assets	Over Capitalization	Under Capitalization	Watered Capitalization	Optimal Capitalization
15	If the earnings are lower than Expected returns , then its	Over Capitalization	Under Capitalization	Watered Capitalization	Optimal Capitalization
16	The remedial procedure of over-capitalisation is more difficult and expensive as compared to the remedial procedure of under-capitalisation.	This statement is true	This statement is False	No conclusion cannot be drawn based on the statement	This is neither true nor false statement
17	Over-capitalisation involves a great-strain on the financial resources of a company whereas under-capitalisation implies high rate of earnings on its shares.	This statement is true	This statement is False	No conclusion cannot be drawn based on the statement	This is neither true nor false statement
18	when the rate of profits it is making on the total capital is exceptionally high in relation to the return enjoyed by similarly situated companies in the same industry, or when it has too little capital with which to conduct its business	Under Capitalization	Over Capitalization	Watered Capitalization	Optimal Capitalization
19	Which of the following is not the cause of under capitalization?	Aggressive Dividend Policy	Under-Estimation of Capital Requirements	Under-Estimation of Future Earnings	Promotion during Depression
20	Which of the following is not a remedy for Under Capitalization?	Decreasing the Par value of the shares	Fresh Issue of Shares	Issue of Bonus Shares	Stock Splitting
21	Which of the following is not the cause of over capitalization?	High depreciation	Over-issue of capital	Promotion, formation or development during inflation	Buying assets of lower value at higher prices

22	Which of the following is not a remedy for Over Capitalization?	Issue of Funded Debts	Redemption of Preference Shares	To have Efficient Management	Reorganisation of Equity Share Capital
23	Which of the following care of return of interest as well as principal repayment?	Debt Service Coverage Ratio (DSCR)	Interest Coverage Ratio (ICR)	Return on Investment	Net Borrowing
24	The cost involved in the issue of shares.	Floataion Cost	Equity Cost	Return on Investment	ICR
25	Which of these means the proportion of debt and equity used for financing the operations of business?	Capital Structure	WACC	Overall cost of Capital	NPV

## DEBT MARKETS II

No.	Question	Option A	Option B	Option C	Option D
1	Which of the following is not a Capital Market instrument	Commercial Bill	Stocks	Bonds	Term Loan
2	Which of this is high risk investment	MMFM	Balanced Fund	Hedge Fund	Mid Cap Mutual Fund
3	Which of this is a plain vanilla bond	Long term Infrastructure bond	Inflation indexed bond	Zero Coupon bond	Gilts Edged Bonds
4	An debt instruments that has features of both debt and equity is known as _____	Mezzanine Bonds	Convertible Bonds	Inflation indexed bond	Preference Shares
5	An instrument that has a hedge against inflation is _____	Floating Rate Bond	Equity Shares	REIT's	Zero Coupon bond
6	A rational investor prefers	Low risk over high risk	Low return over high return	Low risk for Low return	No risk
7	Debt Market is part of all except _____	Money Market	Capital Market	Primary Market	Secondary Market
8	Which of the following is a marketable asset	Mutual Funds	Provident Fund	Pension Fund	Insurance Fund
9	RBI is the regulator for the	Government Bond Market	Corporate Bond Market	Capital Market	Debt Mutual Funds
10	The institutions should have which of the following accounts to trade in money market	Dematerialization account	SGL Account	Bank Account	Trading Account
11	Which of the following is not a Money Market instrument	Call Money	Government Bond	Govt Securities	Term Loan
12	Which of this is Low risk investment	MMFM	Balanced Fund	Hedge Fund	Mid Cap Mutual Fund
13	Which of this is not a Hybrid Bond	Long term Infrastructure bond	Inflation indexed bond	Zero Coupon bond	Gilts Edged Bonds
14	An instrument that has features of both debt and equity is known as _____	Foreign Currency convertible bond	Convertible Bonds	Inflation indexed bond	Preference Shares
15	Which of the following is a not marketable asset	Equity Mutual Fund	Provident Fund	Shares	Government Bonds
16	Which of the following is a government Security	Shares	Debenture	Bills of Exchange	Promissory Note
17	SEBI is the regulator for	Government Bond Market	Corporate Bond Market	Money Market	Debt Mutual Funds

18	Uniform price auction is also known as	Dutch Auction	French Auction	English Auction	Bermuda Auction
19	The bidders that bid for the price of the bond are	Competitive Bidders	Non-Competitive Bidders	Qualified Institutional Bidders	Non-Qualified Bidders
20	The allotment of bonds is done on Pro rata basis for	Competitive Bidders	Non-Competitive Bidders	Qualified Institutional Bidders	Non-Qualified Bidders
21	Successful bidders pay the respective price for the bond in case of	Dutch Auction	French Auction	English Auction	Bermuda Auction
22	In yield-based auction the bids are arranged in	Ascending order	Descending order	FIFO	LIFO
23	Zero Coupon bond has	Zero Return	Zero Coupon	Perpetual Maturity	Low risk
24	Bonds with low credit rating has	low risk	high return	high liquidity	marketability
25	The Face value is Rs. 1000, with maturity is 6 years the Coupon rate is 12% if the market interest rate is 8%, then the price of the bond is	995	1184	985	1250

## MERCHANT BANKING

Question	A	B	C	D
Merchant bankers have to comply with rules of	RBI	IRDA	SEBI	SBI
_____ is the service of merchant banking	Deposits	Issues management	Solving problems	Advances
The process of involving a group of lenders to fund various portions of loan for a single borrower is	Loan syndication	Angel investors	Seed Capital	Venture Capital
_____ mean an offer of specified securities by a listed issuer to public	Bonus shares	FPO	IPO	Right Issue
Under ASBA investors apply in using their bank account	Public issue	Preferential issue	Bonds	Debentures
Issue size of IDR shall not be less than _____ cores	100	75	50	80
The first Indian bank to start merchant banking division in India is	SBI	ICICI	BOB	PNB
Stock brokers require registration from	IRDA	SEBI	RBI	EXIM Bank
An _____ is a way for a foreign company to raise money in India	ADR	GDR	IDR	Euro Bonds
_____ is an hybrid instrument	FCEB	FCCB	GDR	ECB
Bonds are _____ instruments	Equity	Derivatives	Debt	Preferred
Merchant banker leading a public offer is known as	Manager	Lead Manager	Trustee	issuer
Merchant bankers should register with	SEBI	RBI	Central govt	IRDA
ADR stands for	American depositary receipt	Average direct revenue	Average demand revenue	Asian Development revenue
_____ is the minimum subscription for allotment	50%	90%	80%	75%
_____ issue to existing share holders	Preference shares	Right shares	offer for sale	FPO
FCEB involves _____ parties	4	2	3	5
Basic objectives of listing the securities is	to provide liquidity	to make popular	to protect issue company	to provide Safety
_____ is not the service of Merchant Banking.	Deposits	Issue management	project counselling	Lending
_____ is the statutory body that oversees India's IPO market.	SEBI	BSE	Ministry of finance	RBI
ADR's that don't qualify or are not intended to be listed on stock exchange are referred to as	Level I ADR	Level II ADR	Level III ADR	Level IV ADR
_____ is a security issued in the US to represent claims on shares of a foreign stock.	ADR	GDR	IDR	Euro Bonds

The initial registration fees for merchant banker is .	2.5 lakhs	10 lakhs	20 lakhs	5 Lakhs
_____ is required to look into and monitor the redressed of the investor grievance if any has arisen during issue management process.	Registrar	Depository	Lead Merchant Banker	SEBI

## BUSINESS ECONOMICS II

Sr. No.	Questions	Option 1	Option 2	Option 3	Option 4
1	Which of the following is NOT a subject matter of macroeconomics?	National income	Trade cycles	General price level	Individual price level
2	Macroeconomics deals with	Individual quantities	Individual incomes	Individual output	National income
3	National income can be estimated through	Consumption method, Income method, Expenditure method	Production method, Income method, Real method	Production method, Income method, Nominal method	Production method, Income method, Expenditure method
4	During recession, which one of the following policies is government likely to adopt?	Reduced public expenditure	Increasing CRR	Restricting private sector investment	Reduced taxation
5	Which economist believed that short-run equilibrium is a more realistic one as in the long-run we are all dead?	David Ricardo	Adam Smith	Alfred Marshall	J. M. Keynes
6	One of the following will NOT be part of gross investment.	Expenditure on factories	Expenditure on purchase of new machines	Expenditure on buildings	Expenses on maintenance of machines
7	Of the minimum reserve of Rs. 200 crores maintained by the RBI, how much is to be maintained in the form of Gold only?	Rs. 125 crores	Rs. 100 crores	Rs. 105 crores	Rs. 115 crores
8					



	According to classical approach to demand for money which one of the following functions of money is applicable?	Standard of deferred payment	Unit of account	Store of value	Medium of exchange
9	Which one of the following is NOT a selective method of credit control?	Differential rate of interest	Moral suasion	Margin requirement	SLR
10	Which one of the following is a non-tax revenue?	Corporate tax	Wealth tax	Excise duty	Fees and fine
11	Which one of the following is NOT a canon of public expenditure?	Canon of benefit	Canon of economy	Canon of Surplus	Canon of elasticity
12	FRBM was enacted in the year _____.	1950	1992	1990	2003
13	Comparative cost advantage theory was propounded by _____.	Alfred Marshall	J. M. Keynes	Lionel Robbins	David Ricardo
14	An economy that does not engage in foreign trade is known as _____.	Open economy	Developed economy	Developing economy	Closed economy
15	$GDP = C + I + G + (X - M)$ where C stands for _____.	Consumer	Consumption expenditure	Constant expenditure	Closed economy
16	_____ is the total money value of all final goods and services produced by an economy during a given period of time.	National income	Consumer income	Inflation	CPI
17	A phase of decreasing demand, investment, production and employment is known as _____.	Boom	Depression	Recession	Recovery
18	When consumption expenditure in an economy is Rs. 400 crore and the national income is Rs. 1000 crore, APC will be	4	600	0.6	0.4

19	The average number of times a unit of money passes from one hand to another during a given period of time is _____ called _____.	Instrument of monetary policy	New measure of money supply	Supply of money	Velocity of circulation of money
20	When people desire to hold cash balances to meet unforeseen emergencies, they are said to have _____ motive.	Investment	Transaction	Speculative	Precautionary
21	_____ may occur due to a rise in wage rate or due to a rise in the rate of profit.	Disinflation	Stagflation	Demand-pull inflation	Cost-push inflation
22	Inflation proves to be most harmful to _____.	Children	Fixed income groups	Debtors	Borrowers
23	Who amongst the following favoured a deficit budget or surplus budget?	David Ricardo	Neo-classical	Classical economists	J. M. Keynes
24	Which one of the following is NOT a canon of taxation?	Canon of convenience	Canon of certainty	Canon of equity	Canon of surplus
25	On the basis of duration, loans are classified into	Compulsory and Voluntary	Short term and Long term	Funded and Unfunded	Redeemable and Irredeemable

\*\*\*\*\*