Management Accounting Course for PGCHRM Batch 15			
End Term Examination			
Weightage	60%	Duration	90 minutes

Name ______________________ **Roll No.** ____________________

INSTRUCTIONS

1. **It is Closed Book Examination**
2. **Answer all questions.**
3. **Students cannot use laptop.**
4. **Students cannot bring their mobiles inside exam room.**

You are not allowed to borrow book, paper, calculators, etc.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

[Each Wrong Answer & Each No Attempt: – $^{1}/_{5}$ mark]

1. Which one of the following is a current liability?
   a. account receivable
   b. mortgage payable over thirty years
   c. account payable
   d. inventory
   e. retained earnings

2. Which of the following are components of stockholders' equity?
   I. Equity Shares
   II. Capital surplus
   III. Long-term debt
   IV. Retained earnings

a. I and IV only
b. I and II only
c. II and III only
d. II and IV only
e. I, II, and IV only

3. Weakness of IRR can be noted as:
   a. Do not account for Time Value of Money
   b. Do not consider cash flows.
   c. More subjectivity
   d. Assumes all cash flows reinvested at the IRR
   e. All of the above

4. The ideal capital structure for a firm is the mixture of debt and equity that:

   a. Equates the level of debt to the level of equity.
   b. Minimizes the long-term debt.
   c. Minimizes the annual interest expense.
   d. Maximizes both the level of debt and the level of equity.
   e. Maximizes the value of the firm.

5. A firm's balance sheet shows current assets of Rs. 410, net fixed assets of Rs. 685, long-term debt of Rs. 320, and owners' equity of Rs. 590. What is the value of the firm's current liabilities?
   a. Rs. 35
   b. Rs. 165
   c. Rs. 185
   d. Rs. 225
   e. Rs. 825

6. A firm has cash of Rs. 15, accounts payable of Rs. 18, inventory of Rs. 102, net fixed assets of Rs. 147, accounts receivable of Rs. 31, and stockholder's equity of Rs.87. The current assets equal _____ and the long-term debt is______:

a. Rs.148; Rs.187
b. Rs.148; Rs.190
c. Rs.148; Rs.208
d. Rs.295; Rs.190
e. Rs.295; Rs.208

7. Finance includes decisions related to a firm's:
   a. Net working capital, such as determining the appropriate amount of long-term debt to be acquired to finance a new capital project.
   b. Capital budgeting, such as determining the optimal level of inventory.
   c. Capital structure, such as determining the extent to which debt should be used to finance the firm's operations.
   d. Capital expenditures, such as deciding when a supplier should be paid.
   e. Net working capital, such as determining the amount to be distributed as a dividend.

8. Which of the following will not appear in books of Dipankar Acharya's Profit and Loss Account?
   a. Purchase of computer software
   b. Insurance premium
   c. Repair of machinery
   d. Salesmen commission
   e. None of the above

9. A common-size income statement expresses all accounts as a percentage of:
   a. sales.
   b. EBIT.
   c. EBIT plus depreciation.
   d. taxable income.
   e. net income.

10. Under which depreciation method, the depreciation amount will be less than that in the previous year?
    a. Straight-line method
    b. Written down value method
    c. Time Value of Money Method
    d. Ratio Analysis Method
    e. None of the above

11. ___________________arises in the normal course of business as a result of acquisition of goods or services on credit.
    a. Accounts Payable
    b. Accounts Receivable.
    c. Total liabilities.
    d. Total equity.
    e. Prepaid accounts

12. The net income as shown on the common-size income statement for the past three years for Ashish Pani and Company is 6.3 percent, 6.9 percent, and 7.1 percent, respectively. This indicates that the firm is:
    a. Increasing in size.
    b. Improving its profit per sales INR.
    c. Increasing its total profits.
    d. Increasing its profits at the same rate as its sales growth.
    e. Paying less in taxes.

13. Which one of the following statements concerning the current ratio is correct?
    a. The current ratio is computed by dividing current liabilities by current assets.
    b. The current ratio will always be greater than the quick ratio in companies that carry inventory.
    c. The current ratio measures the long-run liquidity position of a firm.
    d. The higher the current ratio, the more cash a firm has on hand.
    e. None of the above.

14. The _____ is a liquidity ratio.
    a. return on assets
    b. total asset turnover
    c. Quick ratio
    d. times interest earned ratio
    e. profit margin

15. _______ratios are designed to determine a firm's long-run ability to meet its obligations.
    a. Liquidity
    b. Asset turnover
    c. Profitability
    d. Financial leverage
    e. Market value

16. The total asset turnover ratio measures the:
    a. Ability of the combined assets of a firm to generate sales.
    b. Length of time it takes a firm to completely replace its fixed assets.
    c. Amount of net income a firm generates per dollar of total assets.
    d. Operating income per dollar of assets owned by a firm.
    e. Amount of sales each dollar of fixed assets generates.

17. Total Debt Ratio =?
    a. (Total Shareholders Fund – Total Assets) / Total Assets
    b. (Total Assets – Total Shareholders Fund) / Total Shareholders Fund
    c. (Total Shareholders Fund – Total Assets) / Total Shareholders Fund
    d. (Total Assets – Total Assets) / Total Shareholders Fund
    e. (Total Assets – Total Shareholders Fund) / Total Assets

18. All else constant, the present value _____ when the discount rate increases.
    a. increases
    b. decreases

c. remains constant
d. can either increase or decrease
e. can either remain constant or decrease

19. Formula of Quick Ratio is:
    a. (Current Assets – Capital Work in Progress) / Current Liabilities
    b. (Current Assets – Current Liabilities) / Inventory
    c. (Current Liabilities – Cash) / Current Assets
    d. (Current Assets – Inventory) / Current Liabilities
    e. (Current Assets – Current Liabilities) / Cash

20. Unpaid debt is a liability of the firm. If it is not paid, the creditors can legally claim the _________of the firm.
    a. Dividends
    b. Minority interest
    c. Assets
    d. Profit margin
    e. shares

21. Your goal is to have Rs.15,000 in your savings account 3 years from now so that you can purchase a home. Which one of the following statements is correct given this situation? Assume that you only make one initial deposit into the savings account.
    a. The higher the interest rate on your savings, the larger the amount that you need to deposit today to fund this account.
    b. If you deposit Rs.7,500 today and earn 7 percent interest, you will reach your goal in 3 years.
    c. If you have Rs.10,000 to deposit today, you will need to earn at least 15 percent interest to reach your goal.
    d. The less money you have to deposit today into the account, the greater the interest rate must be if you are to reach your goal of Rs.15,000.
    e. You will have to deposit Rs.12,460 today if the interest you can earn is 4.7 percent.

22. _____________is a strength of Pay Back Period.
    a. Accounts for Time Value of Money
    b. Can be used to know the Pay Back Period (of a project)
    c. Considers cash flows beyond the Pay Back Period (of a project)
    d. Cut off period is not subjective
    e. All of the above

23. What is the future value of Rs.12,000 received today if it is invested at 10.5 percent compounded annually for 25 years?
    a. Rs.131,484.77
    b. Rs.145,625.76
    c. Rs.147,475.83
    d. Rs.152,521.75
    e. Rs.153,374.89

24. ___________ is a stream of constant cash flows that lasts for a fixed number of periods.

    a. Growing perpetuity
    b. Annuity
    c. Perpetuity
    d. Growing annuity
    e. Perpetual Annuity

25. In the one-period case, the formula for FV can be written as:
    a. Future Value = (Present Value × Interest Rate) + Interest Rate
    b. Future Value = Present Value + (1 + Interest Rate)
    c. Future Value = Present Value - (1 + Interest Rate)
    d. Future Value = Present Value /(1 + Interest Rate)
    e. Future Value = Present Value × (1 + Interest Rate)

26. Generally, the financial deficit is covered by __________and __________new equity, the sources of external financing.
    a. borrowing; issuing
    b. buying; selling
    c. borrowing; buying
    d. borrowing; holding
    e. buying; financing

27. Factor/factors influencing market value or shareholder(s) value:
    a. Profitability & Risk
    b. Risk
    c. Growth
    d. Capital Market Conditions
    e. a, c and d.

28. The formula of 'market-to-book ratio' is:
    a. market value per share / book value per share
    b. market ratio/ book ratio
    c. company face value per share/ book value per share
    d. market price per share/ book value per share
    e. market value per share/ book shares outstanding

29. ________is the discount rate that sets Net Present Value to zero.
    a. Internal Rate of Return
    b. Annualized Rate of Return
    c. Present Value
    d. Coupon rate
    e. Annualized Present Rate

30. _____________claim has priority over the owner(s) claim on the assets and hence owner(s) equity is always a residual claim against assets.

a. Outsiders
b. Stakeholders
c. Creditors
d. Investors
e. CEO

31. The value of a pure discount bond will ________ when the market rate of interest increases, all else constant.
   a. be unaffected
   b. increase
   c. decrease
   d. either be unaffected or increase, depending on the time to maturity
   e. either be unaffected or decrease, depending on the time to maturity

32. ____________ is used for security in tangible property.
   a. Mortgage
   b. Net Worth
   c. Advances
   d. Retained Earnings
   e. Fixed assets

33. Shareholders' equity is best defined as:
   a. The total market value of a firm's assets.
   b. The summation of the net profits retained by a firm from its inception.
   c. A residual claim on the value of a firm's assets after the firm's debts have been paid.
   d. The total amount received by a firm from the sale of equity securities.
   e. The distribution of a firm's profits to its shareholders.

34. Which of the following will result in a decrease of net profit?
   a. Payment to suppliers

b. Purchase of building
c. Payment of personal loan
d. Commission paid to middlemen for getting the tender order
e. None of the above

35. The expense leads to following effect on the owner's equity:
a. Increase
b. Decrease
c. Constant
d. None of the above
e. will affect the owner's assets

36. Most investors prefer cash _____ and have a(n) _____ risk.
a. sooner rather than later; preference for
b. sooner rather than later; aversion to
c. sooner rather than later; neutral stance towards
d. later rather than sooner; preference for
e. later rather than sooner; aversion to

37. _______________which is also considered as 'marketability' is the ability to sell a significant volume of securities.
a. Liquidity
b. Annuity
c. Goodwill
d. Dividends
e. Retained Earnings

38. The value of the assets at cost is usually referred to as '____________________' or 'Gross Block'.
a. Net Block
b. Net Fixed Assets
c. Gross Fixed Assets

d. Cumulative block

e. Gross Current Assets

39.The Net Present Value rule assumes that all cash flows can be reinvested at the ____________ rate.

a. discount

b. minority interest

c. annual coupon

d. Effective annual

e. Internal Rate of Return

40.Which of the following are strengths of the Net Present Value method of analysis?

I. the consideration of every cash flow related to a project
II. the analysis is based on cash flows
III. the profits and losses expected over the life of a project are considered
IV. time value of money is considered

a. I and II only

b. II and IV only

c. I, III, and IV only

d. II, III, and IV only

e. I, II, and IV only

41.Which of the following statements are correct?

I. The Net Present Value of a project will increase if the required discount rate is decreased.
II. A financial manager acts in the shareholders' best interests by identifying and implementing positive Net Present Value projects.
III. The discount rate used in the Net Present Value computation is the opportunity cost of the project.
IV. A project with an Net Present Value equal to zero is earning a return exactly equal to its required return.

a. I and II only

b. II and III only
c. II, III, and IV only
d. I, II, and IV only
e. All the above

42. Net Present Value (NPV) is:
a. Is equal to the initial investment in a project.
b. Is a rupees comparison of a project's cost to the present value of the project's benefits.
c. Is equal to zero when the discount rate applied is less than the internal rate of return (IRR).
d. Is simplified by the fact that the discount rate applicable to an individual project is easy to determine.
e. Requires a firm to set an arbitrary cutoff point in time for determining whether or not a project should be accepted.

43. Which of the following is also known as Net Income?
a. Profit before depreciation and tax
b. Sales revenue less cost of sales and expenses
c. The cash in the bank account
d. Total Revenue less expenses
e. None of the above

44. A bond is a legally binding agreement between a borrower and a lender that specifies the:
a. Par (face) value
b. Coupon rate
c. Coupon payment
d. Maturity Date
e. All of the above

45. The internal growth rate tells us how much the firm can grow assets using ______________________as the only source of financing.

a. Retained earnings
b. Profit margin
c. Debt ratio
d. Net working capital
e. Profit After Tax

46. Cash paid to shareholders is determined by __________?
a. capital budgeting decisions
b. dividend policy decisions
c. capital structure decisions
d. working capital decisions

47. Which of the following will increase the book value per share?
I. sale of newly issued shares at a market price which exceeds the book value of the previously issued shares
II. additional net income which is not being currently distributed to shareholders
III. a dividend payment
IV. a sale of newly issued shares at a time when the market value per share equals the book value per share

a. I and III only
b. II and IV only
c. I and II only
d. II and III only
e. I, II, and III only

48. Total Asset Turnover =?
a. Cost of Goods Sold / Total assets
b. Sales / Total Assets
c. Total Assets/ Inventory
d. Cost of Goods Sold / Inventory
e. Total Assets / Sales

49. A capital investment is one that
    a. Has the prospect of long-term benefits.
    b. Has the prospect of short-term benefits.
    c. Is only undertaken by large corporations.
    d. Applies only to investment in fixed assets.
    e. Applies to all types of Investments.

50. In 3 years you are to receive Rs.5,000. If the interest rate were to suddenly increase, the present value of that future amount to you would
    a. Fall
    b. Rise
    c. Remain unchanged
    d. Cannot be determined without more information
    e. Randomly variable

51. The process of planning expenditures that will influence the operation of a firm over a number of years is called:
    a. Investment
    b. Capital structuring
    c. Capital budgeting
    d. Net present valuation
    e. Dividend valuation

52. Current ratio is 4:1.Net Working Capital is Rs.30,000. Find the amount of current assets.
    a. 4,000
    b. 14,000
    c. 24,000
    d. 34,000
    e. 40,000

53. Current ratio is 2:5.Current liability is Rs.30000.The Net working capital is:
    a. Rs.18,000
    b. Rs.18,450
    c. Rs.(-)18,000
    d. Rs.(-)18,450
    e. Rs.(-)19,000

54. Debt Equity Ratio is 3:1, the amount of total assets Rs.20 lac, current ratio is 1.5:1 and owned funds Rs.3 lac. What is the amount of current asset?
    a. Rs.5 lac
    b. Rs.3 lac
    c. Rs.9 lac
    d. Rs.12 lac
    e. Rs.15 lac

55. DuPont analysis could be written as:
    a. Gross Profit Margin x Asset Utilization ratio x Capital Gearing Ratio
    b. Net Profit Margin x Asset Backing ratio x Equity Gearing Ratio
    c. Gross Profit Margin x Asset Backing ratio x Equity Multiplier (Leverage) Ratio
    d. Net Profit Margin x Asset Utilization ratio x Equity Multiplier (Leverage) Ratio
    e. None of the above

56. The name associated with the amount removed from a future value when discounting it to the present value is
    a. Time period
    b. Installments
    c. Interest
    d. Annuity
    e. None of the above

57. Which of the following is NOT one of questions used as map in analyzing financial ratios?
    a. How liquid is the firm?
    b. Is management generating adequate operating profits on the firm's assets?
    c. How much should the firm invest in the equipment next year?
    d. How is the firm financing its assets?
    e. Are the shareholders receiving an adequate return on their investment?

58. The decrease in the economic utility of a tangible fixed asset (say, due to wearing out or using up) is best known as:
    a. Devaluation
    b. Depreciation
    c. Amortisation
    d. Utilization

e. All of the above

59. Which among the followings is assumed to be non-depreciating?
   a. Land
   b. Goodwill
   c. Plant
   d. All of the above
   e. None of the above

60. If during a period, purchases are made for Rs.10,000 and Sales Rs.9,000. Calculate Closing Stock if the profit margin is 20% on cost.
   a. (1,500)
   b. 1,000
   c. 2,500
   d. 2,000
   e. 1,500

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