**ACC501 solved Quiz # 4 Fall 2014**

**1. The relationship between real and nominal returns is described by the:**

**Select correct option:**

M&M Proposition

Capital Asset Pricing Model

**Fisher’s Effect**

BCG Matrix

**2.** **Which of the following ratios are intended to address the firm’s financial leverage?**

Select correct option:

Liquidity Ratios

**Long-term Solvency Ratios**

Asset Management Ratios

Profitability Ratios

**3. An investment should be accepted if the Net Present Value (NPV) is \_\_\_\_\_\_\_\_\_\_ and**

**Rejected if it is \_\_\_\_\_\_\_\_.**

Select correct option:

Positive; positive

**Positive; negative**

Negative; negative

Negative; positive

4. In which of the following procedure of voting for a company's directors, each Shareholder is entitled to one vote per share?

Select correct option:

Straight Voting

Proportional Voting

**Cumulative Voting**

None of the given options

**5. The preferred stock of a company currently sells for Rs. 25 per share. The annual**

**dividend of Rs. 2.50 is fixed. Assuming a constant dividend forever, what is the rate**

**of return on this stock?**

**Select correct option:**

5.00 percent

7.00 percent

8.45 percent

**10.0 percent**

**6. Which of the following form of business organization is least regulated?**

**Select correct option:**

**Sole-proprietorship**

General Partnership

Limited Partnership

Corporation

**7. Which of the following cash flow activities are reported in the Cash Flow Statement**

**and Income Statement?**

**Select correct option:**

**Operating Activities**

Investing Activities

Financing Activities

All of the given options

**8. A given rate is quoted as 9 percent APR, but the EAR is 9.38 percent. What is the**

**compounding period?**

**Select correct option:**

Semiannually

Quarterly

**Monthly**

Daily

**9. Mr. Aslam owns 100 shares of a company and there are four directors to be elected.**

**How much votes Mr. Aslam would have as per cumulative voting procedure?**

**Select correct option:**

100 votes

200 votes

300 votes

**400 votes**

**10. Which of the following terms refers to the use of debt financing?**

**Select correct option:**

Operating Leverage

**Financial Leverage**

Manufacturing Leverage

None of the given options

**11. Which of the following financial statement shows both dollars and percentages in**

**the report?**

**Select correct option:**

Balance Sheet

**Common-Size Statement**

Income Statement

Relative Statement of Equity

**12. A \_\_\_\_\_\_\_\_\_\_\_ is an agent who arranges security transactions among investors.**

**Select correct option:**

**Broker**

Dealer

Member

Specialist

**13. In which type of the market, securities are originally sold to the investors?**

**Select correct option:**

**Primary Market**

Secondary Market

Tertiary Market

None of the given options

**14. Which of the following item(s) is(are) not included while calculating Operating Cash**

**Flows?**

**Select correct option:**

Depreciation

Interest

Expenses related to firm’s financing of its assets

**All of the given options**

**15. 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?**

**Select correct option:**

1.01

1.26

1.39

**1.52**

**16. SNT Corporation has policy of paying a Rs. 6 per share dividend every year. If this**

**policy is to continue indefinitely, what will be the value of a share of stock at a 15%**

**required rate of return?**

**Select correct option:**

Rs. 30

**Rs. 40**

Rs. 50

Rs. 60

**17. If a firm uses cash to purchase inventory, its quick ratio will:**

**Select correct option:**

Increase

**Decrease**

Remain unaffected

Become zero

**18. A firm has paid out Rs. 150,000 as dividends from its net income of Rs. 250,000. What is the retention ratio for the firm?**

**Select correct option**:

12 %

25 %

**40 %**

60 %

**19. If the dividend for a share is growing at a steady rate then which of the following formula(s) can be used to find the dividend in two periods?**

**Select correct option:**

D2 = D1 x (1 + g )

D2 = Do x ( 1 + g )2

D2 = [ Do x ( 1 + g ) ] ( 1 + g **)**

All of the given options

**20. One would be indifferent between taking and not taking the investment when:**

**Select correct option:**

NPV is greater than Zero

**NPV is equal to Zero (doubt)**

NPV is less than Zero

All of the given options

**“** **An investment should be accepted if the net present value is positive and rejected if it is**

**negative.” Pg 104.**