ACC501 SOLVED FINALTERM

QUIZ NO-4 Fall 2014

\_\_\_\_\_\_\_\_ is the market in which already issued securities are traded among investors.

    a. Primary market

    b. **Secondary market**

    c. Financial market

    d. Capital market

\_\_\_\_\_\_\_ is a grant of authority by a shareholder to someone else to vote the shareholder’s share.

1. Cumulative voting
2. Straight voting
3. **Proxy voting**
4. None of the given options

---------------- refers to the extent to which fixed-income securities (debt and preferred stock) are used in a firm's capital structure.

1. **Financial risk**
2. Portfolio risk
3. Operating risk
4. Market risk

If SNT Corporation pays out 30% of net income to its shareholders as dividends. What would be the Retention Ratio for SNT Corporation?

a)      90 %

b)      30

c)      50 %

**d)** **70 %**

You can determine the number of periods (n) in a present value calculation, if you know**:**

a)      Future amount

b)      Present value

c)      Interest rate

**d)** **All of the given options**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_ involves the sale of used securities from one investor to**

a)      Primary Market

b)      **Secondary Market**

c)      Tertiary Market

d)     None of the given options

**The process of planning and managing a firm's long-term investments is called:**

a)      Planning Process

b)      Capital Structure

**c)** **Capital Budgeting**

d)     Managing Process

The process of planning and managing a firm's long-term investments is

called:

Select correct option:

a)      Planning Process

b)      Capital Structure

**c)** **Capital Budgeting**

d)     Managing Process

Which of the following is subcategory (ies) of finance department?

Select correct option:

a)      Accounting department only

b)      Treasury department only

**c)** **Accounting department and Treasury department**

d)     None of the given options

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:

a)      5.00 percent

b)      7.00 percent

c)      8.45 percent

**d)** **10.0 percent**

An investment should be accepted if the Net Present Value (NPV) is

\_\_\_\_\_\_\_\_\_\_ and rejected if it is \_\_\_\_\_\_\_\_.

Select correct option:

a)      Positive; positive

**b)** **Positive; negative**

c)      Negative; negative

**d)** Negative; positive

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

Select correct option:

a)     NPV is greater than Zero

**b)** **NPV is equal to Zero**

c)      NPV is less than Zero

d)     All of the given options

A portion of profits, which a company distributes among its

shareholders, is known as:

Select correct option:

**Dividends**

Retained Earnings

Capital Gain

None of the given options

**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

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**1. 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

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

**Select correct option:**

**Broker**

Dealer

Member

Specialist

**3. 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

**4. 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**

**5. 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**

**6. 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

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

**Select correct option:**

Increase

**Decrease**

Remain unaffected

Become zero

**8. 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 %

**9. 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

**10. 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