

Financial Management

Question 1.

Higher debt-equity ratio results in:

- (a) a Higher degree of financial risk
- (b) a Higher degree of operating risk
- (c) Higher EPS
- (d) Lower financial risk

▼ [Answer](#)

Answer: (a) a Higher degree of financial risk

Question 2.

Cost of advertising and printing prospectus is called _____

- (a) Floatation cost
- (b) Debt cost
- (c) Equity cost
- (d) Dividend cost

▼ [Answer](#)

Answer: (a) Floatation cost

Question 3.

The primary goal of the financial management is _____

- (a) To maximize the return
- (b) To minimize the risk
- (c) To maximize the wealth of owners
- (d) To maximize profit

▼ [Answer](#)

Answer: (c) To maximize the wealth of owners

Question 4.

Which of the following affects the Dividend Decision of a company?

- (a) Taxation Policy
- (b) Cash Flow Position
- (c) Earnings
- (d) All of the above

▼ [Answer](#)

Answer: (d) All of the above

Question 5.

Which of the following affects capital budgeting decision?

- (a) Investment Criteria and interest rate
- (b) Rate of Return
- (c) Cash Flow of the Project
- (d) All of the above

▼ [Answer](#)

Answer: (d) All of the above

Question 6.

Higher working capital usually results in:

- (a) Higher equity, lower risk, and lower profits
- (b) Lower current ratio, higher risk, and profits
- (c) Lower equity, lower risk, and higher profits
- (d) Higher current ratio, higher risk, and higher profits

▼ [Answer](#)

Answer: (d) Higher current ratio, higher risk, and higher profits

Question 7.

Which of the following is not concerned with the Long term investment decision

- (a) Management of fixed capital
- (b) Inventory management
- (c) Research and Development Programme
- (d) Opening a new branch

▼ [Answer](#)

Answer: (b) Inventory management

Question 8.

Favourable financial leverage is a situation where _____

- (a) ROI is higher than the rate of interest on debt
- (b) ROI is Equal to the Rate of interest on debt
- (c) ROI is lower than the rate of interest on debt
- (d) None of the above

▼ [Answer](#)

Answer: (a) ROI is higher than the rate of interest on debt

Question 9.

Other things remaining the same, an increase in the tax rate on corporate profits will:

- (a) Make the debt relatively cheaper
- (b) Make the debt relatively the dearer

- (c) Have no impact on the cost of debt
- (d) None of the above

▼ [Answer](#)

Answer: (a) Make the debt relatively cheaper

Question 10.

Higher dividend per share is associated with:

- (a) High earnings, high cash flows, stable earnings, and high growth opportunities
- (b) High earnings, high cash flows, stable earnings, and lower growth opportunities
- (c) High earnings, low cash flows, stable earnings, and lower growth opportunities
- (d) High earning, high cash flows, unstable earnings, and higher growth opportunities

▼ [Answer](#)

Answer: (b) High earnings, high cash flows, stable earnings, and lower growth opportunities

Question 11.

The main objective of financial planning is to ensure that_____

- (a) Enough funds are available at the right time
- (b) Dividend is paid to shareholders at the right time
- (c) Purchase of raw material
- (d) Purchase of fixed assets

▼ [Answer](#)

Answer: (a) Enough funds are available at the right time

Question 12.

Financial planning arrives at:

- (a) Doing only what is possible with the funds that the firms have at its disposal
- (b) Entering that the firm always have significantly more funds than required so that there is no paucity of funds
- (c) Minimising the external borrowing by resorting to equity issues
- (d) Ensuring that the firm faces neither a shortage nor a glut of unusable funds

▼ [Answer](#)

Answer: (d) Ensuring that the firm faces neither a shortage nor a glut of unusable funds

Question 13.

Which of the following is not a financial Decision?

- (a) Financing Decision
- (b) Investment Decision
- (c) Staffing Decision
- (d) Dividend Decision

▼ Answer

Answer: (c) Staffing Decision

Question 14.

The cheapest source of finance is:

- (a) Preference share
- (b) Retained earning
- (c) Equity share capital
- (d) Debenture

▼ Answer

Answer: (b) Retained earning

Question 15.

Financial leverage is called favourable if:

- (a) Return on Investment is lower than the cost of debt
- (b) If the degree of existing financial leverage is low
- (c) Debt is easily available
- (d) ROI is higher than the cost of debt

▼ Answer

Answer: (d) ROI is higher than the cost of debt

Question 16.

Short-term Investment Decision is also known as _____

- (a) Working capital
- (b) Dividend Decision
- (c) Capital Budgeting
- (d) None of the above

▼ Answer

Answer: (a) Working capital

Question 17.

Which of the following affects the Dividend Decision of a company?

- (a) Earnings
- (b) Cash Flow Position
- (c) Taxation Policy
- (d) All of the above

▼ Answer

Answer: (d) All of the above

Question 18.

Short term investment decisions affect the _____

- (a) Purchase of fixed assets
- (b) Long term profitability
- (c) Day to Day working of the business
- (d) Large amount of funds for future

▼ [Answer](#)

Answer: (c) Day to Day working of the business

Question 19.

Financial Management is mainly concerned with _____

- (a) All aspects of acquiring and utilizing financial resources for firms activities
- (b) Arrangement of funds
- (c) Efficient Management of every business
- (d) Profit maximization

▼ [Answer](#)

Answer: (a) All aspects of acquiring and utilizing financial resources for firms activities

Question 20.

A fixed asset should be financed through:

- (a) A long-term liability
- (b) A short-term liability
- (c) A mix of long and short-term liabilities
- (d) None of the above

▼ [Answer](#)

Answer: (a) A long-term liability

Question 21.

Long term investment decision is also known as _____

- (a) Capital Budgeting
- (b) Working Capital
- (c) Dividend Decision
- (d) None of the above

▼ [Answer](#)

Answer: (a) Capital Budgeting

Question 22.

Current assets of a business firm should be financed through:

- (a) Current liability only
- (b) Long-term liability only

- (c) Both of the above
- (d) None of the above

▼ [Answer](#)

Answer: (c) Both of the above

Question 23.

Companies with a higher growth pattern are likely to:

- (a) Dividends are not affected by growth considerations
- (b) Pay higher dividends
- (c) Pay lower dividends
- (d) None of the above

▼ [Answer](#)

Answer: (c) Pay lower dividends