

**NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA**

(An Autonomous Institute)

Affiliated to Dr. A.P.J. Abdul Kalam Technical University, Uttar Pradesh, Lucknow

MBA

**FIRST YEAR (SEMESTER-II) THEORY EXAMINATION (2020-2021)**

(Objective Type)

Subject Code: AMBA0204

Subject: Financial Management

General Instructions:

All questions are compulsory.

Question No- 1 to 15 are objective type question carrying 2 marks each.

Question No- 16 to 35 are also objective type/Glossary based question carrying 2 marks each.

Max. Mks. : 70

Time : 70 Minutes

Q.No	Question Content	Question Image	Category	Sub Category	Marks	Options Randomization	Type	Difficulty	Correct	Option1	Option2	Option3	Option4
1	The valuation of a financial asset is based on determining		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	the present value of future cash flows	the present value of future cash flows	the current yield to maturity on long term corporate bonds	the capital budgeting process	what the corporation is paying to attract preferred shareholders
2	The long-run objective of financial management is to:		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	maximize the value of the firm's common stock.	maximize earnings per share.	maximize the value of the firm's common stock.	maximize return on investment.	Maximize market share
3	Risk of two securities having different expected return can be compared with		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	coefficient of variation	standard deviation of securities	variance of securities	coefficient of variation	None of these
4	Comparing two otherwise equal firms, the beta of the common stock of a levered firm is _____ than the beta of the common stock of an unlevered firm.		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	greater	equal to	significantly less	slightly less	greater
5	A firm with high operating leverage has:		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	high fixed costs in its production process.	low fixed costs in its production process.	high variable costs in its production process.	high fixed costs in its production process.	None of these
6	The term "Capital Structure" refers to :		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	Long-term debt, preferred stock, and common stock equity	Long-term debt, preferred stock, and common stock equity	Current assets and current liabilities.	Total assets minus liabilities	Shareholders' equity.
7	CAPM stands for.		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	Capital asset pricing model	Capital asset pricing model	Capital amount printing model.	Capital amount pricing model.	Capital asset printing model
8	This type of risk is avoidable through proper diversification.		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	Unsystematic risk	Portfolio risk	Systematic risk	Unsystematic risk	None of these
9	_____ of debt capital is a factor in favor of using more debt capital.		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	Tax advantage.	Tax advantage.	Debt equity norms.	Leverage effect.	Security of assets
10	Which of the following is an argument for the relevance of dividends?		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	All of the above	Informational content.	Reduction of uncertainty	Some investors' preference for current income.	All of the above
11	Which of the following examples best represents a passive dividend policy?		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	The firm pays dividends with what remains of net income after taking acceptable investment projects	The firm sets a policy such that the proportion of dividends paid from net income remains constant	The firm pays dividends with what remains of net income after taking acceptable investment projects	The firm sets a policy such that the quantity (dollar amount per share) of dividends paid from net income remains constant.	None of these

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12	A decrease in a firm's willingness to pay dividends is likely to result from an increase in its _____ allocates saving efficiently in an economy to ultimate users either for investment in real assets or for consumption		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	Profitable investment opportunities.	Earnings stability	Access to capital markets	Profitable investment opportunities.	Collection of accounts receivable.
13	What is the maximum duration for which term money can be lent/borrowed in money market?		Single Choice Questions	Single Choice Questions	2		Single Choice	Brilliant	Financial system	Economic system	Banking system	Financial system	Market system
14	The financial Market where debt and stocks are traded and maturity period is more than a year is classified as:		Single Choice Questions	Single Choice Questions	2		Single Choice	Smart	Capital Markets	Short term Markets	Capital Markets	Counter Markets	Long-term Markets
15	Mutual funds invest in a portfolio of _____.		Glossary I	Glossary I	2		Single Choice	Brilliant	Securities	Securities	Diversification	NAV	Custodial Services
16	Investing in a mutual fund enables _____ and therefore a reduction in risk.		Glossary I	Glossary I	2		Single Choice	Smart	Diversification	Securities	Diversification	NAV	Custodial Services
17	The value of each unit of the investor's holding in a mutual fund is denoted by _____.		Glossary I	Glossary I	2		Single Choice	Brilliant	NAV	Securities	Diversification	NAV	Custodial Services
18	_____ services are mainly provided to foreign investors.		Glossary I	Glossary I	2		Single Choice	Brilliant	Custodial Services	Securities	Diversification	NAV	Custodial Services
19	According to Walter normal firms are those whose _____ equals to _____		Glossary II	Glossary II	2		Single Choice	Brilliant	$r$ and $K$	$r$ and $K$	$r > K$	$r < K$	MM Approach
20	Walter's Model says that firm should have 100 percent dividend payout rate when _____.		Glossary II	Glossary II	2		Single Choice	Brilliant	$r < K$	$r$ and $K$	$r > K$	$r < K$	MM Approach
21	Walter's Model says that firm should have 0 percent dividend payout rate when _____.		Glossary II	Glossary II	2		Single Choice	Smart	$r > K$	$r$ and $K$	$r > K$	$r < K$	MM Approach
22	According to _____ theory the dividend decision is irrelevant.		Glossary II	Glossary II	2		Single Choice	Brilliant	MM Approach	$r$ and $K$	$r > K$	$r < K$	MM Approach
23	According to NOI approach _____ and _____ are constant for all degrees of leverage.		Glossary III	Glossary III	2		Single Choice	Brilliant	$K_o, K_d$	$K_o, K_d$	Arbitrage	Equal	Present value
24	MM approach is proved based on _____ process.		Glossary III	Glossary III	2		Single Choice	Brilliant	Arbitrage	$K_o, K_d$	Arbitrage	Equal	Present value
25	When you consider tax in MM approach value of levered firm equals to value of in levered firm plus _____ of tax shield.		Glossary III	Glossary III	2		Single Choice	Brilliant	Present value	$K_o, K_d$	Arbitrage	Equal	Present value
26	Arbitrage process comes to an end when two firms values are _____.		Glossary III	Glossary III	2		Single Choice	Brilliant	Equal	$K_o, K_d$	Arbitrage	Equal	Present value
27	Internal Rate of Return (IRR), _____, and profitability index are three discounted cash flow techniques		Glossary IV	Glossary IV	2		Single Choice	Brilliant	Net present value	Internal Rate of Return	Constant annual cash inflows	Net present value	Trial and error
28	Original investment in dividend by _____ to get pay back period.		Glossary IV	Glossary IV	2		Single Choice	Smart	Constant annual cash inflows	Internal Rate of Return	Constant annual cash inflows	Net present value	Trial and error
29	Internal Rate of Return (IRR) also called as _____ method.		Glossary IV	Glossary IV	2		Single Choice	Smart	Trial and error	Internal Rate of Return	Constant annual cash inflows	Net present value	Trial and error
30	The discount rate at which present value of cash inflows equals to the present value of cash outflows is called as _____.		Glossary IV	Glossary IV	2		Single Choice	Brilliant	Internal Rate of Return	Internal Rate of Return	Constant annual cash inflows	Net present value	Trial and error
31	Maximization of _____ is the main goal of financial management.		Glossary V	Glossary V	2		Single Choice	Brilliant	Shareholders Wealth	Shareholders Wealth	Dividend Payout Ratio.	Traditional	Macro Economics
32	The proportion of profit distributed as dividend is called the _____.		Glossary V	Glossary V	2		Single Choice	Brilliant	Dividend Payout Ratio.	Shareholders Wealth	Dividend Payout Ratio.	Traditional	Macro Economics

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34	&hellip;&hellip;&hellip;... phase was only outsiders looking approach, due to its over emphasis on episodic events and lack of importance to day-to-day problems.		Glossary V	Glossary V	2		Single Choice	Brilliant	Traditional	Shareholders Wealth	Dividend Payout Ratio.	Traditional	Macro Economics
35	The relationship between finance and economics can be studied under Micro Economics and &hellip;&hellip;&hellip;&hellip;...areas of economics.		Glossary V	Glossary V	2		Single Choice	Brilliant	Macro Economics	Shareholders Wealth	Dividend Payout Ratio.	Traditional	Macro Economics