

MULTIPLE CHOICE QUESTIONS

1. Equity shares:

- (a) Have an unlimited life, and voting rights and receive dividends
- (b) Have a limited life, with no voting rights but receive dividends
- (c) Have a limited life, and voting rights and receive dividends
- (d) Have an unlimited life, and voting rights but receive no dividends

2. External sources of finance do not include:

- (a) Debentures
- (b) Retained earnings
- (c) Overdrafts
- (d) Leasing

3. Internal sources of finance do not include:

- (a) Better management of working capital
- (b) Ordinary shares
- (c) Retained earnings
- (d) Reserve and surplus

4. In preference shares:

- (a) Dividends are not available
- (b) Limited voting rights are available
- (c) are not part of a company's share capital
- (d) Interest can be received

5. A debenture:

- (a) is a long term loan
- (b) Does not require security
- (c) Is a short term loan
- (d) Receive dividend payments

6. Debt capital refers to:

- (a) Money raised through the sale of shares
- (b) Funds raised by borrowing that must be repaid
- (c) Factoring accounts receivable
- (d) Inventory loans

7. The most popular source of short term funding is:

- (a) Factoring
- (b) Trade credit
- (c) Family and friends
- (d) Commercial banks

8. Marketable securities are primarily:
- | | |
|---------------------------------|----------------------------------|
| (a) short-term debt instruments | (b) short-term equity securities |
| (c) long-term debt instruments | (d) long-term equity securities |
9. Which of the following marketable securities is the obligation of a commercial bank?
- | | |
|---------------------------|---------------------------------------|
| (a) Commercial paper | (b) Negotiable certificate of deposit |
| (c) Re-purchase agreement | (d) T-bills |
10. Reserve & Surplus are which form of financing?
- | | |
|------------------------|-----------------------------|
| (a) Security financing | (b) Internal financing |
| (c) Loans financing | (d) International financing |
11. With reference to 'IFC Masala Bonds', which of the statements given below is/are correct?
1. The International Finance Corporation, which offered these bonds, is an arm of the World Bank.
 2. They are rupee-denominated bonds and are a source of debt financing for the public and private sector.
- | | |
|----------------|---------------------|
| (a) 1 only | (b) 2 only |
| (c) Both 1 & 2 | (d) Neither 1 nor 2 |
12. External Commercial borrowings can be accessed through_____
- | | |
|---------------------------------------|------------------------------------------|
| (a) only automatic route | (b) only approval route |
| (c) both automatic and approval route | (d) neither automatic nor approval route |
13. Which of the following is not a short-term source of finance?
- | | |
|----------------------|-----------------------------------|
| (a) Trade credit | (b) Working capital loans |
| (c) Accrued expenses | (d) External commercial borrowing |
14. "A callable bond has a call option which gives the borrower the right to redeem the bond before maturity at a predetermined price known as the call price". This statement is ____.
- | | |
|----------------------------------|-----------------------|
| (a) True | (b) False |
| (c) Partly true and partly false | (d) None of the above |
15. If the floating rate bond would be automatically converted into fixed rate bond if interest rate falls below a predetermined level than such bond is known as ____.
- | | |
|------------------------------------|------------------------|
| (a) Drop lock bond | (b) Variable rate bond |
| (c) Convertible floating rate bond | (d) Plain vanilla bond |
16. Bonds issued in Germany denominating in Indian rupees are known as ____.
- | | |
|----------------------|--------------------|
| (a) Yield curve bond | (b) Drop lock bond |
| (c) Masala bond | (d) Euro bond |

17. ____ refers to loan taken for a short period because of pending disbursement of loan sanctioned by financial institution.
- | | |
|---------------------|-----------------------------------|
| (a) Venture capital | (b) External commercial borrowing |
| (c) Bridge finance | (d) Debt securitisation |
18. Which of the following is not a method of venture capital financing?
- | | |
|----------------------|-----------------------|
| (a) Equity financing | (b) Conditional loan |
| (c) Income note | (d) None of the above |
19. In ____ lease, lessor enters into the transaction only as financier.
- | | |
|--------------------|-----------------------|
| (a) Operating | (b) Financial |
| (c) Both (a) & (b) | (d) None of the above |
20. In operating lease, ____ bears the risk of obsolescence.
- | | |
|--------------------|-----------------------|
| (a) Lessor | (b) Lessee |
| (c) Both (a) & (b) | (d) None of the above |
21. In ____, lessor borrows a part of the purchase cost of assets from the third party.
- | | |
|--------------------------|-----------------------|
| (a) Sales and lease back | (b) Sales-aid lease |
| (c) Leveraged lease | (d) None of the above |
22. In ____ lease, lessee has the option of purchasing the assets at the end of the lease period.
- | | |
|--------------------|-----------------------|
| (a) Open-ended | (b) Close-ended |
| (c) Both (a) & (b) | (d) None of the above |
23. Commercial papers are issued in denominations of ____ or multiples thereof.
- | | |
|--------------|---------------|
| (a) ₹1 lakhs | (b) ₹3 lakhs |
| (c) ₹5 lakhs | (d) ₹10 lakhs |
24. Which of the following is not a type of packing credit?
- | |
|---------------------------------------------------|
| (a) Packing credit against hypothecation of goods |
| (b) Forward exchange contract |
| (c) E.C.G.C guarantee |
| (d) Multi forward contract |
25. If interest rate is 11%, the inflation is 5% and the investor will earn 16%, this type of bond is known as ____.
- | | |
|------------------------|----------------------|
| (a) Inflation bond | (b) Option bond |
| (c) Deep discount bond | (d) Zero coupon bond |
26. Which of the following is not a type of ESG bonds?
- | | |
|---------------------------------|------------------|
| (a) Green bonds | (b) Social bonds |
| (c) Sustainability linked bonds | (d) Yellow bonds |

27. Securities offered by non US companies who want to list on any of the US exchange are known as _____.
 (a) American Depository Receipts (b) Global Depository Receipts
 (c) Indian Depository Receipts (d) None of the above
28. The _____ receipt mechanism is used to raise funds in the Indian Capital Market.
 (a) American Depository (b) Global Depository
 (c) Indian Depository (d) None of the above
29. Which is not a type of crowd funding?
 (a) Equity funding (b) Peer-to-peer lending
 (c) Donation-based (d) None of the above
30. Which of the following is not a source of long-term source of finance?
 (a) Retained earnings (b) Venture capital funding
 (c) Deferred expenses (d) Assets securitization

Answer Key

1. (a)	2. (b)	3. (b)	4. (b)	5. (a)	6. (b)	7. (b)	8. (a)	9. (b)	10. (b)
11. (c)	12. (c)	13. (d)	14. (b)	15. (a)	16. (c)	17. (c)	18. (d)	19. (b)	20. (a)
21. (c)	22. (a)	23. (c)	24. (d)	25. (a)	26. (d)	27. (a)	28. (c)	29. (d)	30. (c)