

## MULTIPLE CHOICE QUESTIONS

1. Which of the following is financial management decision
  - (a) Investment decision
  - (b) Financing decision
  - (c) Dividend decision
  - (d) All of above
2. In investment decision we decide
  - (a) Where to invest
  - (b) From where to borrow
  - (c) How much dividend to be distributed
  - (d) None of above
3. In financing decision we decide
  - (a) Where to invest
  - (b) From where to borrow
  - (c) How much dividend to be distributed
  - (d) None of above
4. In dividend decision we need to decide
  - (a) Where to invest
  - (b) From where to borrow
  - (c) How much dividend to be distributed
  - (d) None of above
5. Which objective of financial management focus on short term
  - (a) Profit maximization
  - (b) Wealth maximization
  - (c) Both of (a) & (b)
  - (d) None of above
6. Which objective of financial management recognize risk-return relationships
  - (a) Profit maximization
  - (b) Wealth maximization
  - (c) Both of (a) & (b)
  - (d) None of above
7. Which objective of financial management recognize the effect of all future cash flows, dividend EPS etc.
  - (a) Profit maximization
  - (b) Wealth maximization
  - (c) Both of (a) & (b)
  - (d) None of above
8. Does investment, financing, dividend decisions are inter-related to each other?
  - (a) True
  - (b) False
  - (c) Partially true
  - (d) Partially false

9. Which of following position is goods for a business?
- (a) High risk (b) High return  
(c) Risk-return (d) No risk
10. \_\_\_\_ is concerned with the acquisition, financing, and management of assets with some overall goal in mind.
- (a) Financial Management (b) Profit Maximization  
(c) Agency Theory (d) Social Responsibility
11. \_\_\_\_ is concerned with the maximization of a firms earnings after taxes.
- (a) Shareholder wealth maximization (b) Profit maximization  
(c) Stakeholder maximization (d) EPS maximization
12. The \_\_\_\_ decision involves determining the appropriate make-up of the right-hand side of the balance sheet.
- (a) Asset management (b) Financing  
(c) Investment (d) Capital budgeting
13. The long-run objective of financial management is to:
- (a) Maximize earnings per share (b) Maximize the value of the firms common stock  
(c) Maximize return on investment (d) Maximize market share
14. Which of the following is not an objective of financial management?
- (a) Maximization of wealth of shareholders (b) Maximization of profits  
(c) Mobilization of funds at an acceptable cost (d) Ensuring discipline in the organization.
15. Which of the following is a function of the finance manager?
- (a) Mobilizing funds (b) Risk returns trade off  
(c) Deployment of funds (d) All of above
16. Focus of financial management is mainly concerned with the decision related to:
- (a) Financing (b) Investing  
(c) Dividend (d) All of above
17. The main objective of financial management is to:
- (a) Secure profitability (b) Maximize shareholder wealth  
(c) Enhancing the cost of debt (d) None of above
18. The shareholder value maximisation model holds that the primary goal of the firm is to maximise its:
- (a) Accounting profit (b) Liquidity  
(c) Market value (d) Working capital

- 19.** Wealth maximisation approach is based on the concept of:
- (a) Cost benefit analysis
  - (b) Cash flow approach
  - (c) Time value of money
  - (d) All of the above
- 20.** Management of all matters related to an organisation's finances is called:
- (a) Cash inflows and outflows
  - (b) Allocation of resources
  - (c) Financial management
  - (d) Finance
- 21.** Which of the following is the disadvantage of having shareholders wealth maximisation goals?
- (a) Emphasizes the short-term gains
  - (b) Ignores the timing of returns
  - (c) Requires immediate resources
  - (d) Offers no clear relationship between financial decisions and share price
- 22.** The most important goal of financial management is:
- (a) Profit maximisation
  - (b) Matching income and expenditure
  - (c) Using business assets effectively
  - (d) Wealth maximisation
- 23.** To achieve wealth maximization, the finance manager has to take careful decision in respect of:
- (a) Investment
  - (b) Financing
  - (c) Dividend
  - (d) All of the above
- 24.** Early in the history of finance, an important issue was:
- (a) Liquidity
  - (b) Technology
  - (c) Capital structure
  - (d) Financing options
- 25.** Which of the following are microeconomic variables that help define and explain the discipline of finance?
- (a) Risk and return
  - (b) Capital structure
  - (c) Inflation
  - (d) All of the above
- 26.** Financial management is mainly concerned with the-
- (a) Acquiring and developing assets to forfeit its overall benefit
  - (b) Acquiring, financing and managing assets to accomplish the overall goal of a business enterprise
  - (c) Efficient management of the business
  - (d) Sole objective of profit maximization
- 27.** Which of the following need not be followed by the finance manager for measuring and maximising shareholder's wealth?
- (a) Accounting profit analysis
  - (b) Cash flow approach
  - (c) Cost benefit analysis
  - (d) Application of time value of money

### Answer Key

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