

- 001.** Maximum number of members in public limited company is _____ **D**
 A 10 B 20
 C 50 D unlimited
- 002.** A Private Company minimum partnership share capitas is **A**
 A Rs.1,00,000/- B Rs.5,00,000/-
 C Rs.10,00,000/- D Rs..15,00,000/-
- 003.** In case of public limited company, after getting the _____ the company can start **C**
 the business
 A Memorandum of Association B Table A
 C Certificate of commencement of business D Articles of Association
- 004.** Maximum number of member in case of partnership as for new norms **C**
 A 10 B 20
 C 100 D 200
- 005.** Private limited company establish with minimum number is **A**
 A 2 B 7
 C 50 D 100
- 006.** Minimum number of members in case of public company is _____ **D**
 A 4 B 5
 C 6 D 7
- 007.** Debit the receiver and credit the giver principal for account is a _____ **A**
 A personal account B Real account
 C Nominal account D Impersonal account
- 008.** Joint Stock Companies with following act **B**
 A Partnership Act 1932 B Company Act 1956
 C Consumer Protection Act 1986 D None
- 009.** How many minimum numbers required for partnership firm **A**
 A Two B Ten
 C One D Twenty
- 010.** Which documents is most important for registration company **C**
 A Board of directors letter B Auditor letter
 C Memorandum and Articles of Company D Offer letter
- 011.** A partner who is not actually involved in the partnership but lends his name for public **C**
 relations purposes is a:
 A silent partner. B general partner.
 C nominal partner. D dominant partner.
- 012.** A _____ partner is an owner who has unlimited liability and is active in **B**
 managing the firm:
 A senior partner. B general partner.
 C silent partner. D limited partner.
- 013.** Which of the following is probably the most important reason for incorporating? **A**
 A limited liability of shareholders. B more money for investment.
 C increased flexibility. D shared management.
- 014.** The most effective form of business organization for raising capital is the: **C**
 A joint venture. B partnership.
 C corporation. D proprietorship.
- 015.** The main disadvantage of a general partnership is: **A**
 A the unlimited liability of the partners. B disagreement amongst partners.
 C shared management. D difficulty of termination.
- 016.** A _____ is a business with two or more owners: **C**
 A corporation. B conglomerate.
 C partnership. D public corporation.
- 017.** If Company A purchases the majority shares of Company B, what combination would **B**

this be referred to?

- A Amalgamation
- C Absorption

- B Takeover
- D None

018. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as _____ **A**

- A Amalgamation
- C Internal reconstruction
- B Absorption
- D External reconstruction

019. When one of the existing companies take over business of another company or companies, it is known as _____ **B**

- A Amalgamation
- C Internal reconstruction
- B Absorption
- D External reconstruction

020. The simplest form of business ownership is a: **A**

- A proprietorship.
- C corporation.
- B partnership.
- D cooperative.

021. When aggregate economic activity is declining, the economy is said to be in **A**

- A a contraction.
- C a trough.
- B an expansion.
- D a turning point.

022. Peaks and troughs of the business cycle are known collectively as **B**

- A volatility.
- C equilibrium points.
- B turning points.
- D real business cycle events

023. The tendency of many different economic variables to have regular and predictable patterns across industries over the business cycle is called **B**

- A Persistence.
- C Periodicity.
- B co movement.
- D Recurrence.

024. When aggregate economic activity is increasing, the economy is said to be in **A**

- A an expansion.
- C a peak.
- B a contraction.
- D a turning point.

025. The trough of a business cycle occurs when _____ hits its lowest point. **C**

- A inflation
- C aggregate economic activity
- B the money supply
- D the unemployment rate

026. The low point in the business cycle is referred to as the **C**

- A expansion.
- C trough.
- B boom.
- D peak

027. which of the following types of business organisation is owned by its customers? **C**

- A A Partnership
- C A retail Co-operative
- B A Public Limited Company
- D A Franchise

028. One disadvantage of forming a Partnership is? **D**

- A The number of Partners is limited
- C More Financial Capital is usually available
- B Specialist skills may be introduced
- D Any Financial Losses must be shared

029. Limited Liability means? **B**

- A A firm is unlikely to go bankrupt
- C The organisation is either a Private or Public company
- B Shareholders cannot be asked to pay for the company debts
- D Employees are insured against accidents at work

030. Which is not a form of business ownership in the private sector? **B**

- A A Partnership
- C A Sole Trader
- B The National Health Service
- D A Public Limited Company.

031. Public company Should start business only after getting certificate of **B**

- A Incorporation
- C None
- B Commencement of business
- D All

032. Private company can start business only after getting certificate of **A**

- A Incorporation
- C None
- B Commencement of business
- D All

- 033.** Usually business cycles **A**
 A have averaged four to five years B have generated expansions that have lasted four and one-half years on the average
 C have generated recessions that have lasted seven months on average D create depressions every two years
- 034.** The doctrine of indoor management is an _____ to the doctrine of constructive notice **B**
 A Exception B Extension
 C Alternative D None
- 035.** Which of the following is most sensitive to the business cycle **A**
 A durable goods B non-durable consumer goods
 C services D exports
- 036.** Recurrent expansions and contractions of economic activity that take place over several years refers to **D**
 A stagflation B disinflation
 C depression D the business cycle
- 037.** The tendency for declines in economic activity to be followed by further declines, and for growth in economic activity to be followed by more growth is called **A**
 A persistence. B comovement.
 C periodicity. D recurrence
- 038.** The four phases of the business cycle are **A**
 A peak, recession, trough, and recovery B peak, recession, trough, and boom
 C peak, depression, trough, and boom D peak, depression, bust, and boom
- 039.** Business cycles are measured from **A**
 A peak to peak B recession to recession
 C depression to depression D boom to bust
- 040.** Business cycles share all of these characteristics except **C**
 A consumer expenditures decline abruptly B business inventories of steel, automobiles and other durable goods rise unexpectedly
 C the interest rates rise D wage growth slows down
- 041.** If a new company get registered with a name which resembles the name of existing company then it should apply to whom? **A**
 A NCLT B SEBI
 C ROC D None
- 042.** Companies are now allotted a _____ in addition to their name **D**
 A PAN B SIN
 C PIN D CIN
- 043.** In how many days did the company have its registered office after incorporation **C**
 A 10 B 20
 C 30 D 40
- 044.** Under which section if company fails to commence its main object the court may order winding up **D**
 A 403 (f) B 413 (f)
 C 423 (f) D 433 (f)
- 045.** An act ultra virus the directors can be rectified if it is not ultra vires **C**
 A the articles B the memorandum
 C Company Act D None
- 046.** the lending of funds ultra vires, the company has no rights **A**
 A under the companys Act B contract Act
 C under equity D None
- 047.** The doctrine of _____ does not apply to acts void ab initio. **D**
 A Ultra virus B Intra virus
 C constructive notice D Indoor management

- 048.** A company can change its name at its own discretion by passing _____ **B**
 A Ordinary resolution B Special resolution
 C Boards resolution D None
- 049.** Any change in the address of the registered office must be communicated to the registrar with in: **C**
 A 15 days B 30 days
 C 1 Month D 12 months
- 050.** Transfer of shares in the company is **B**
 A Restricted B Freely transferable
 C Prohibited D None
- 051.** Transfer of shares in the partnership firm is **A**
 A Restricted B Freely transferable
 C Prohibited D None
- 052.** Generally partnership firm liability is **B**
 A Limited B Unlimited
 C Situation does not arise D None
- 053.** The term company is defined under which sec of the Act? **A**
 A Sec 3 (1) B Sec 4 (2)
 C Sec 2 (4) D Sec 1 (3)
- 054.** MOA should be in form _____ in case of company limited by shares **B**
 A Table A B Table B
 C Table C D Table D
- 055.** The liability of members if company is limited by shares **A**
 A Unpaid value of shares B Guarantee amount
 C Unlimited liability D None
- 056.** In case of forgeries acts done in the name of the company are **C**
 A Valid B Void
 C Void ab initio D None
- 057.** Signature of memorandum and articles should be done by _____ number of persons in case of public company **A**
 A 7 B 5
 C 4 D None
- 058.** Signature of memorandum and articles should be done by _____ number of persons in case of private company **C**
 A 3 B 4
 C 2 D None
- 059.** Which of the following highlights the correct order of the stages in the accounting cycle? **B**
 A Journalizing, final accounts, posting to the ledger and trial balance B Journalizing, posting to the ledger, trial balance and final accounts
 C Posting to the ledger, trial balance, final accounts and journalizing D Posting to the ledger, journalizing, final accounts and trial balance
- 060.** One is not used for financial Analysis **D**
 A Ratio and Fund flow B Cash and Fund flow
 C Tend and Fund flow D Competition Fund flow
- 061.** One of the detailed rules used to record business transaction is **C**
 A Objectivity B Accruals
 C Double entry book keeping D Going Concern
- 062.** The elements of the accounting equation are I. AssetsII. LiabilitiesIII. Trial BalanceIV. Capital **B**
 A I, II and III B I, II and IV
 C I, III and IV D II, III and IV
- 063.** Minimum subscription should be received within _____ days **A**
 A 120 B 125

- C 130 D 135
- 064.** Which of the following describes the practical framework of bookkeeping **A**
 A Classifying, recording and summarizing B Reporting, analyzing and interpreting
 C Classifying, analyzing and interpreting D Recording, summarizing and reporting
- 065.** Property of the company belongs to **A**
 A Company B Share holders
 C Members D Promoters
- 066.** Which company shares can be freely transferable **C**
 A Private Company B Public Company
 C Private Company and Public Company D None
- 067.** Maximum no. of members in case of private company is **A**
 A 50 B 100
 C 150 D 200
- 068.** Which of the following books of original entry should be used to record credit sales? **A**
 A Sales journal B Sales returns journal
 C Purchases journal D Purchases returns journal
- 069.** The features of Double Entry System are- i) It has two parties; Receiver and Giverii) Total amount of Debit will be equal to total amount of Creditiii) Receiver is Debit and Giver is Credit. Which one is correct? **A**
 A i & ii B ii & iii
 C i & iii D i, ii & iii
- 070.** Double Entry System is a **D**
 A Reporting system B Financial Statement preparation system
 C Recording system D Debit and Credit determining system
- 071.** Which sequence is correct? **A**
 A Trial balance, adjusting entries, works sheet, financial statement B Adjusting entries, trial balance, financial statement, works sheet
 C Works sheet, trial balance, adjusting entries, financial statement D Trial balance, works sheet, adjusting entries, financial statement
- 072.** A debit note is a document made out when goods are **D**
 A returned B overcharged
 C sold D undercharged
- 073.** Which of the following entries will be entered in the General journal? **C**
 A Sold goods on credit B Goods purchased and paid by cash
 C Investment made by the owner D Purchase goods on credit
- 074.** Which of the following items are used to prepare a balance sheet?I. The name of the firmII. The name of the financial statementIII. The date it is being preparedIV. The style use for the preparation of the statement **C**
 A I and II B I and IV
 C I, II and III D I, III and IV
- 075.** Which of the following concepts use the rules every transaction affects two or more ledger accounts? **B**
 A Going concern B Double entry book-keeping
 C Money measurement D Periodicity
- 076.** Arielle W. bought furniture on credit from Chanel. Which of the following journal entries will be made for this transaction in Arielle W. books? **D**
 A Dr. Furniture Cr. Cash B Dr. Purchases Cr. Arielle W.
 C Dr. Arielle W. Cr. Purchases D Dr. Furniture Cr. Arielle W.
- 077.** Which of the following is the CORRECT formula to calculate stock turnover? **A**
 A Cost of goods sold /average stock B Gross profit /Cost of goods sold

- C Current assets /Current liabilities D Gross profit/net sales
- 078.** The ratios use to measure liquidity are I. Return on Capital employedII. Acid test ratioIII. D Gross marginIV. Debtors turnover **D**
- A I and II B I and III
C II and III D II and IV
- 079.** Which of the following is NOT a profitability ratio? **B**
- A Return on Capital employed B Current ratio
C Gross markup D Net profit margin
- 080.** Accounts payable, accruals and notes payables are listed on balance sheet as **B**
- A accrued liabilities B current liabilities
C accumulated liabilities D noncurrent liabilities
- 081.** The Trial balance **A**
- A is a listing of all the general ledger account balances at a particular date. B is a listing of all the assets and expenses at a particular date.
C is a summary of all revenues and expenses at a particular date. D is a summary of cash inflows and cash outflows at a particular date.
- 082.** Which of the following describes the presentation of Karlenes balance sheet? **B**
- A Vertical B Horizontal
C Liquidity D Periodic
- 083.** Which one is the principle of Double Entry System? **C**
- A Purchase increases Debit, income decreases Credit B Expense increases Debit, Income decreases Credit
C Receiver is Debit and Giver is Credit D Receiver is Credit and Giver is Debit
- 084.** Now-a-days base of accounting isi) Cost accounting systemii) Single entry systemiii) Double entry system Which one is correct of the following? **C**
- A i B ii
C iii D i & iii
- 085.** In which journal are debit notes received from suppliers are entered? **D**
- A Returns outwards B Returns inwards
C Sales D Purchases
- 086.** the term current asset doesnt cover **A**
- A Car B Debtors
C Stock D Prepaid expenses
- 087.** P&L statement is also known as **B**
- A Statement of operations B Statement of income
C Statement of earnings D All
- 088.** Which of the following is true about financial statements? i. Financial statements gives a summary of accounts ii. Financial statements can be stated as recorded facts **C**
- A Only i B Only ii
C Both i and ii D None
- 089.** Which of the following statements are true? i. Financial statements are only interim report ii. Financial statements are also known as annual records iii. Financial statements are historic. **C**
- A Both i and ii B Both i and iii
C Both ii and iii D i, ii and iii
- 090.** The term Financial Statement covers **C**
- A Profit & Loss Statement B Balance sheet and Profit & Loss Statement appropriation account
C Profit & Loss Statement and Balance sheet D All of above are false
- 091.** The form of balance sheet is **D**
- A Vertical B Horizontal
C Horizontal and vertical D Horizontal or vertical
- 092.** Cash and equivalents, inventories and accounts receivables are classified as **A**

- A assets on balance sheet B liabilities on balance sheet
C earnings on income statement D payments on income statement
- 093.** In situation of bankruptcy, stock which is recorded above common stock and below debt account is **B**
A debt liabilities B preferred stock
C hybrid stock D common liabilities
- 094.** Wages and salaries of employees which company owns in this accounts are called **C**
A accrued expenses B accruals accounts
C Both A and B D zero liabilities
- 095.** Which of the following is not included in current assets? **B**
A Debtors B Stock
C Cash at bank D Cash in hand
- 096.** Determine stock turnover ratio if, Opening stock is Rs 31,000, Closing stock is Rs 29,000, Sales is Rs 3,20,000 and Gross profit ratio is 25% on sales. **C**
A 31 times B 11 times
C 8 times D 32 times
- 097.** Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock. **A**
A Rs 54,000 B Rs 60,000
C Rs 1,62,000 D None
- 098.** The ideal level of liquid ratio is **A**
A 1:1 B 2:1
C 3:1 D 4:1
- 099.** Liquidity ratios are expressed in **A**
A Pure ratio form B Percentage
C Rate or time D None
- 100.** Return on Proprietors funds is also known as: **D**
A Return on net worth B Return on Shareholders fund
C Return on Shareholders Investment D All
- 101.** Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000. **A**
A 80% B 15%
C 25% D 11%
- 102.** Determine Debtors turnover ratio if, closing debtors is Rs 40,000, Cash sales is 25% of credit sales and excess of closing debtors over opening debtors is Rs 20,000. **A**
A 4 times B 2 times
C 6 times D 8 times
- 103.** What will be the Gross Profit if, total sales is Rs 2,60,000, cost of net goods sold is Rs 2,00,000 and sales return is Rs 10,000? **D**
A 13% B 28%
C 26% D 20%
- 104.** The ideal level of current ratio is **C**
A 4:2 B 2:1
C 4:2 & 2:1 D None
- 105.** Working capital turnover ratio can be determined by: **C**
A (Gross Profit / Working capital) B (Cost of goods sold / Net sales)
C (Cost of goods sold / Working capital) D None
- 106.** Return on equity capital is calculated on basis of: **C**
A Funds of equity shareholders B Equity capital only
C Either a or b D None
- 107.** Operating ratio is calculated by **C**
A (Operating Cost / Gross sales) * 100 B (Operating Cost / Gross sales) * 100
C (Operating cost / Net sales) * 100 D None
- 108.** Liquid ratio is also known as P. Quick ratioQ. Acid test ratio R. Working capital ratio S. **A**

Stock turnover ratio

A P and Q

C Q and R

B P and R

D R and S

109. Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000. **B**

A 5 times

C 3 times

B 6 times

D 1.5 times

110. The most precise test of liquidity is **C**

A Quick ratio

C Absolute Liquid ratio

B Current ratio

D None

111. Liquid assets is determined by **A**

A Current assets stock - Prepaid expenses

C Current assets + Prepaid expenses

B Current assets + stock + prepaid expenses

D None

112. Debt-equity ratio is a sub-part of **B**

A Short-term solvency ratio

C Debtors turnover ratio

B Long-term solvency ratio

D None

113. Funds Flow Statement holds significance for **D**

A Shareholders

C Government

B Financiers

D All

114. Cash Flow Statement is also known as **C**

A Statement of Changes in Financial Position on Cash basis

C Both a and b

B Statement accounting for variation in cash

D None.

115. In cash flow statement, the item of interest is shown in **C**

A Operating Activities

C Investing Activities

B Financing Activities

D None

116. Which of the following statements are false? i) Cash Flow Statement is helpful in the formation of policies. ii) Cash Flow Statement is useful for external analysis iii) Cash Flow Statement is helpful in estimating future cash flow **D**

A Both i and ii

C Both ii and iii

B Both i and iii

D None

117. Funds Flow Statement is also known as **D**

A Statement of Funds Flow

C Statement of Sources and Uses of Funds

B Statement of Sources and Application of Funds

D All

118. Which statement is prepared in the process of funds flow analysis? **A**

A Schedule of changes in working capital

C Both a and b

B Funds Flow Statement

D None

119. Given Net profit for the year Rs 2,50,000 transferred to general reserves Rs 40,000 and old machinery bought for Rs 50,000 was sold for Rs 20,000. Calculate funds from operations. **A**

A Rs 2,80,000

C Rs 2,90,000

B Rs 2,20,000

D Rs 3,00,000

120. Which of the following are applications of funds? **D**

A Payment of dividend on share capital

C Increase in working capital

B Payment of tax

D All

121. Which of the following are sources of funds? A) Issue of bonus shares B) Issue of shares against the purchase of fixed assets C) Conversion of debentures into shares D) Conversion of loans into shares **D**

A A and C

C A, B, C and D

B A and D

D None

- 122.** The internal Rate of Return (IRR) criterion for project acceptance, under theoretically infinite funds is: accept all projects which have **B**
 A IRR equal to the cost of capital B IRR greater than the cost of capital
 C IRR less than the cost of capital D None
- 123.** Which of the following criterion is often preferred **C**
 A Net present value B Profitability index
 C Internal Rate of Return D All
- 124.** The project is accepted if **D**
 A if the profitability index is equal to one B The funds are unlimited
 C If the profitability index is greater than one D Both (B) and (C)
- 125.** Where capital availability is unlimited and the projects are not mutually exclusive, for the same cost of capital, following criterion is used **D**
 A Net present value B Internal Rate of Return
 C Profitability Index D Any of the above
- 126.** Projects with _____ are preferred **A**
 A Lower payback period B Normal payback period
 C Higher payback period D All
- 127.** Under Net present value criterion, a project is approved if **C**
 A Its net present value is positive B The funds are unlimited
 C Both (A) and (B) D None
- 128.** Which of the following statements are true? i. Cash flow reveals only the inflow of cash **D**
 ii. Cash flow reveals only the outflow of cash iii. Cash flow is a substitute for income statement iv. Cash flow statement is not a replacement of funds flow statement
 A Only i B Only ii
 C Both ii and iii D Only iv
- 129.** Cash Flow Statement is based upon **A**
 A Cash basis of accounting B Accrual basis of accounting
 C Credit basis of accounting D None
- 130.** The objectives of Cash Flow Statement are i) Analysis of cash position ii) Short-term cash planning iii) Evaluation of liquidity iv) Comparison of operating Performance **D**
 A Both i and ii B Both i and iii
 C Both ii and iv D i, ii, iii and iv
- 131.** Capital Budgeting deals with: **A**
 A Long-term Decisions, B Short-term Decisions,
 C Both (a) and (b), D Neither (a) nor (b).
- 132.** Which of the following is NOT a capital budgeting decision? **D**
 A Expansion Programme, B Merger,
 C Replacement of an Asset, D Inventory Level.
- 133.** Capital Budgeting Decisions are based on: **B**
 A Incremental Profit, B Incremental Cash Flows,
 C Incremental Assets D Incremental Capital
- 134.** Cash Inflows from a project include: **D**
 A Tax Shield of Depreciation, B After-tax Operating Profits,
 C Raising of Funds, D Both (a) and (b)
- 135.** A project is accepted when **D**
 A Net present value is greater than zero B Internal Rate of Return will be greater than cost of capital
 C Profitability index will be greater than unity D Any of the above
- 136.** Capital Budgeting is a part of: **A**
 A Investment Decision, B Working Capital Management
 C Marketing Management, D Capital Structure.
- 137.** A project may be regarded as high risk project when **A**

- A It has smaller variance of outcome but a high initial investment B It has larger variance of outcome and high initial investment
- C It has smaller variance of outcome and a low initial investment D It has larger variance of outcome and low initial investment
- 138.** With limited finance and a number of project proposals at hand, select that package of projects which has **A**
- A The maximum net present value B Internal rate of return is greater than cost of capital
- C Profitability index is greater than unity D Any of the above
- 139.** The values of the future net incomes discounted by the cost of capital are called **D**
- A Average capital cost B Discounted capital cost
- C Net capital cost D Net present values
- 140.** Which of the following is not a relevant cost in Capital Budgeting? **D**
- A Sunk Cost, B Opportunity Cost
- C Allocated Overheads, D Both (a) and (c) above.
- 141.** Which of the following does not effect cash flows proposal? **D**
- A Salvage Value, B Depreciation Amount,
- C Tax Rate Change, D Method of Project Financing.
- 142.** Which of the following is not true with reference capital budgeting? **C**
- A Capital budgeting is related to asset replacement decisions, B Cost of capital is equal to minimum required return,
- C Existing investment in a project is not treated as sunk cost, D Timing of cash flows is relevant.
- 143.** Which of the following is not followed in capital budgeting? **C**
- A Cash flows Principle, B Interest Exclusion Principle,
- C Accrual Principle, D Post-tax Principle.
- 144.** Which of the following is not incorporated in Capital Budgeting? **D**
- A Tax-Effect, B Time Value of Money,
- C Required Rate of Return, D Rate of Cash Discount
- 145.** A sound Capital Budgeting technique is based on: **A**
- A Cash Flows B Accounting Profit,
- C Interest Rate on Borrowings D Last Dividend Paid.
- 146.** The span of time within which the investment made for the project will be recovered by the net returns of the project is known as **B**
- A Period of return B Payback period
- C Span of return D None
- 147.** Which of the following is not used in Capital Budgeting? **C**
- A Time Value of Money B Sensitivity Analysis
- C Net Assets Method D Cash Flows.
- 148.** Capital Budgeting Decisions are: **B**
- A Reversible B Irreversible,
- C Unimportant D All
- 149.** In mutually exclusive projects, project which is selected for comparison with others must have **A**
- A higher net present value B lower net present value
- C zero net present value D all
- 150.** Relationship between Economic Value Added (EVA) and Net Present Value (NPV) is considered as **C**
- A valued relationship B economic relationship
- C direct relationship D inverse relationship
- 151.** An uncovered cost at start of year is Rs.200, full cash flow during recovery year is Rs. 400 and prior years to full recovery is 3 then payback would be **B**
- A 5 years B 3.5 years
- C 4 years D 4.5 years

- 152.** In capital budgeting, positive net present value results in **B**
 A negative economic value added B positive economic value added
 C zero economic value added D percent economic value added
- 153.** Savings in respect of a cost is treated in capital budgeting as: **A**
 A An Inflow, B An Outflow,
 C Nil, D None
- 154.** A project whose cash flows are more than capital invested for rate of return then net present value will be **A**
 A positive B independent
 C negative D zero
- 155.** Which of the following is not applied in capital budgeting? **C**
 A Cash flows be calculated in incremental terms, B All costs and benefits are measured on cash basis,
 C All accrued costs and revenues be incorporated, D All benefits are measured on after-tax basis.
- 156.** Evaluation of Capital Budgeting Proposals is based on Cash Flows because: **C**
 A Cash Flows are easy to calculate, B Cash Flows are suggested by SEBI,
 C Cash is more important than profit, D None
- 157.** A proposal is not a Capital Budgeting proposal if it: **C**
 A is related to Fixed Assets B brings long-term benefits,
 C brings short-term benefits only, D has very large investment.
- 158.** projects which are mutually exclusive but different on scale of production or time of completion then the **B**
 A external return method B net present value of method
 C net future value method D internal return method
- 159.** Graph which is plotted for projected net present value and capital rates is called **D**
 A net loss profile B net gain profile
 C net future value profile D net present value profile
- 160.** A modified internal rate of return is considered as present value of costs and is equal to **C**
 A Pv of hurdle rate B Fv of hurdle rate
 C Pv of terminal value D Fv of terminal value
- 161.** Set of projects or set of investments to maximize firm value is classified as **A**
 A optimal capital budget B minimum capital budget
 C maximum capital budget D greater capital budget
- 162.** In independent projects evaluation, results of internal rate of return and net present value lead to **C**
 A cash flow decision B cost decision
 C same decisions D different decisions
- 163.** In internal rate of returns, discount rate which forces net present values to become zero is classified as **D**
 A positive rate of return B negative rate of return
 C external rate of return D internal rate of return
- 164.** In cash flow analysis, two projects are compared by using common life, is classified as **D**
 A transaction approach B replacement chain approach
 C common life approach D Both B and C
- 165.** Other factors held constant, but lesser project liquidity is because of **B**
 A shorter payback period B greater payback period
 C less project return D greater project return
- 166.** In capital budgeting, an internal rate of return of project is classified as its **B**
 A external rate of return B internal rate of return
 C positive rate of return D negative rate of return
- 167.** A discount rate which is equal to present value of TV to project cost present value is classified as **B**
 A negative internal rate of return B modified internal rate of return

- C existed internal rate of return D relative rate of return
- 168.** An uncovered cost at start of year is Rs. 300, full cash flow during recovery year is Rs. 650 and prior years to full recovery is 4 then payback would be **D**
 A 3.46 years B 2.46 years
 C 5.46 years D 4.46 years
- 169.** Project whose cash flows are sufficient to repay capital invested for rate of return then net present value will be **B**
 A negative B zero
 C positive D independent
- 170.** Present value of future cash flows is Rs.2000 and an initial cost is Rs.1100 then profitability index will be **B**
 A 0.55 B 1.82
 C 0.55 D 0.0182
- 171.** In capital budgeting, term of bond which has great sensitivity to interest rates is **A**
 A long-term bonds B short-term bonds
 C internal term bonds D external term bonds
- 172.** Process in which managers of company identify projects to add value is classified as **A**
 A capital budgeting B cost budgeting
 C book value budgeting D equity budgeting
- 173.** Payback period in which an expected cash flows are discounted with help of project cost of capital is classified as **A**
 A discounted payback period B discounted rate of return
 C discounted cash flows D discounted project cost
- 174.** In alternative investments, constant cash flow stream is equal to initial cash flow stream in approach which is classified as **B**
 A greater annual annuity method B equivalent annual annuity
 C lesser annual annuity method D zero annual annuity method
- 175.** In capital budgeting, a negative net present value results in **C**
 A zero economic value added B percent economic value added
 C negative economic value added D positive economic value added
- 176.** An initial cost is Rs.6000 and probability index is 5.6 then present value of cash flows will be **C**
 A 25000 B 28000
 C 33600 D 30000
- 177.** In capital budgeting, a technique which is based upon discounted cash flow is classified as **A**
 A net present value method B net future value method
 C net capital budgeting method D net equity budgeting method
- 178.** In capital budgeting, two projects having cost of capital as 12% is classified as **A**
 A hurdle rate B capital rate
 C return rate D budgeting rate
- 179.** Sum of discounted cash flows is best defined as **C**
 A technical equity B defined future value
 C project net present value D equity net present value
- 180.** Present value of future cash flows is Rs.4150 and an initial cost is Rs.1300 then profitability index will be **B**
 A 0.0319 B 3.19
 C 0.31 times D 5450
- 181.** A type of project whose cash flows would not depend on each other is classified as **B**
 A project net gain B independent projects
 C dependent projects D net value projects
- 182.** Profitability index in capital budgeting is used for **C**
 A negative projects B relative projects
 C evaluate projects D earned projects

- 183.** In calculation of internal rate of return, an assumption states that received cash flow from project must **A**
- | | | | |
|---|---------------|---|-------------------|
| A | be reinvested | B | not be reinvested |
| C | be earned | D | not be earned |
- 184.** Net present value, profitability index, payback and discounted payback are methods to **B**
- | | | | |
|---|--------------------|---|-------------------|
| A | evaluate cash flow | B | evaluate projects |
| C | evaluate budgeting | D | evaluate equity |