

**Dibrugarh University Entrance Test**

**2016-2017**

**Department of Commerce**

**Group: Finance**

**Full Marks: 100**

**Time: One Hour**

*General Instruction:*

1. There are 50 (Fifty) Questions and each questions shall carry 2 (Two) Marks.
2. There shall be negative marking of 50%.
3. The Questions will be of multiple Choice Objective types with four options.
4. The Candidate should use Ball Point Pen for answering.
5. The Candidate is required to write the correct Option in the appropriate box given along with each of the questions.
6. Overwriting or use of erasers or other means of tempering inside the box is liable to be considered as wrong answer.
7. Please write your *Roll Number* in the appropriate box as given below.
8. Names or any other indication of identification of the candidate inside the booklet is not permissible and subject to *rejection* of the candidature.
9. The filled in booklet containing the questions should be handed over to the invigilator after the examination is over.

Roll No. (in figures) : \_\_\_\_\_

Roll No. (in words) : \_\_\_\_\_

1. The field of finance is closely related to the fields of:
- (a) Statistics and economics
  - (b) Statistics and risk analysis
  - (c) Economics and accounting
  - (d) Accounting and comparative return analysis
2. \_\_\_\_\_ is concerned with the acquisition, financing and management of assets with some overall goal in mind.
- (a) Theory of finance
  - (b) Financial management
  - (c) Financial Accounting Information
  - (d) Cost and Management Accounting
3. Stocks and bonds would be classified as:
- (a) Real Assets
  - (b) Indirect Assets
  - (c) Personal Assets
  - (d) Financial Assets
4. The investment professionals that arrange the sale of new securities are called:
- (a) Arbitragers
  - (b) Traders
  - (c) Investment Bankers
  - (d) Specialists
5. Underlying all investments is the trade –off between:
- (a) Expected return and actual return
  - (b) Low risk and high risk
  - (c) Actual risk and high risk
  - (d) Expected return and risk

6. Which of the following investment areas is heavily tied to work using mathematical and statistical models?
- (a) Security analysis
  - (b) Portfolio management
  - (c) Institutional investing
  - (d) Retirement planning
7. Which of the following would be considered a risk-free investment?
- (a) Gold
  - (b) Equity in a house
  - (c) High-grade corporate bonds
  - (d) Treasury bills
8. International investing
- (a) Is only practical for institutional investors
  - (b) Increases the overall risk of the stock portfolio
  - (c) Always leads to higher returns than a domestic portfolio
  - (d) Can reduce risk due to increased diversification
9. Ratan Tata is a member (a type of owner) of a marine supply business. His business is
- (a) A sole proprietorship
  - (b) A corporation
  - (c) A limited liability
  - (d) A general partnership
10. A 30 year bond issued by Paharpur Warehouse Ltd. In 1997 would now trade in the
- (a) Primary Money Market
  - (b) Secondary Money Market
  - (c) Primary Capital Market
  - (d) Secondary Capital Market

11. The purpose of financial markets is to
- (a) Increase the price of stocks
  - (b) Lower the yield on bonds
  - (c) Allocate savings efficiently
  - (d) Control inflation
12. A (an) \_\_\_\_\_ would be an example of principal, while a (an) \_\_\_\_\_ would be an example of an agent
- (a) Shareholder; manager
  - (b) Manager; bondholder
  - (c) Accountant; bondholder
  - (d) Shareholder; bondholder
13. The market price of equity share is determined by:
- (a) The bond of directors of the firm
  - (b) The stock exchange on which the stock is listed
  - (c) The president of the company
  - (d) Individuals buying and selling the stock
14. A company's \_\_\_\_\_ is (are) potentially the most effective instrument of good corporate governance.
- (a) Common Stock shareholders
  - (b) Board of directors
  - (c) Top executive officers
  - (d) Company secrecy
15. \_\_\_\_\_ refers to meeting the meeting the needs of the present without comprising the ability of future generations to meet their own needs.
- (a) Corporate Social Responsibility
  - (b) Sustainability
  - (c) Convergence
  - (d) Green Economics

**16. A major advantage of the corporate form of organization is:**

- (a) Reduction of double taxation
- (b) Limited owner liability
- (c) Legal restrictions
- (d) Ease of organization

**17. Financial Markets**

- (a) Exist as a vast global network of individual and financial institutions
- (b) Include a broad range group lenders, borrowers, owners, institutional investors, corporations, government units and others
- (c) Circulate information quickly that affects prices of securities
- (d) All the above

**18. Agency theory examines the:**

- (a) Relationship between the owners and managers of the firm
- (b) Insurability of the firm's assets
- (c) Relationship between dividend policy and firm value
- (d) Value of the firm relative to other firms in the industry

**19. Which of the following are not among the daily activities of financial management?**

- (a) Sale of shares and bonds
- (b) Credit management
- (c) Inventory Control
- (d) The receipt and disbursement of funds

**20. The mix of debt and equity in a firm is referred to as the firm's:**

- (a) Primary Capital
- (b) Capital Composition
- (c) Cost of Capital
- (d) Capital Structure

21. The decision function of financial management can be broken down into the decisions:

- (a) Financing and investment
- (b) Investment, financing and asset management
- (c) Financing and dividend
- (d) Capital budgeting, cash management and credit management

22. The controller's responsibilities are primarily \_\_\_\_\_ in nature, while the treasurer's responsibilities are primarily related to \_\_\_\_\_.

- (a) Operational; financial management
- (b) Financial management; accounting
- (c) Accounting; financial management
- (d) Financial management; operations

23. What are the earnings per share (EPS) for company that earned Rs. 1,00,000 last year in after tax profits, has 2,00,000 common shares outstanding and Rs. 1.2 million in retained earnings at the year end?

- (a) Rs. 1,00,000
- (b) Rs. 6.00
- (c) Rs. 0.50
- (d) Rs. 6.50

24. Which of the following is the best definition of wealth from business perspective?

- (a) The sum of all current and future income
- (b) The total of all assets and all income
- (c) The total of assets and income less any liabilities
- (d) The sum of current income and the present value of future income

25. Technically, investment include:

- (a) Only financial assets
- (b) Only marketable assets
- (c) Financial and real assets that are marketable or non-marketable

- (d) Only financial and real assets that are marketable
26. Most investors are risk averse which means:
- (a) They will assume more risk only if they are compensated by higher expected return
  - (b) They will always invest in the investment with the lowest possible risk
  - (c) They actively seek to minimize their risks
  - (d) They avoid the stock market due to the high degree of risk
27. Security Analysis is most concerned with:
- (a) Analysis of the overall securities market and its direction
  - (b) Valuation and analysis of individual securities
  - (c) Purchasing securities at the best price
  - (d) Determination of the investor's required return
28. The rise of internet has:
- (a) Greatly increased the cost of security trading
  - (b) Significantly democratized the flow of investment information
  - (c) Led to fewer number of discount brokers
  - (d) Led to large amounts of security fraud
29. The retirement plans that guarantee retirees a set amount of money each month are known as:
- (a) Group Pension Scheme
  - (b) Self-directed Plans
  - (c) Defined-benefit Plans
  - (d) Defined-contribution Plans
30. Which of the following is not a perquisite (perk)?
- (a) Salary
  - (b) Company provided vehicle
  - (c) Expensive Office
  - (d) Club Membership (Free)

31. Basic objective of financial management:
- (a) Maximization of profits.
  - (b) Maximization of shareholders wealth
  - (c) Ensuring financial discipline in the organization
  - (d) None of the above
32. The useful life of a depreciable asset:
- (a) Cannot exceed the economic life of the asset
  - (b) Can exceed the economic life of the asset
  - (c) Is equal to the economic life of the asset
  - (d) None of the above
33. Prepaid insurance premium should be classified as
- (a) Current asset
  - (b) Fictitious asset
  - (c) Non-current asset
  - (d) None of the above
34. A provision is
- (a) A liability of uncertain timing
  - (b) A liability of uncertain timing and amount
  - (c) A liability of uncertain amount
  - (d) None of the above
35. What is the underlying concept that supports the immediate recognition of an estimated loss?
- (a) Substance over form
  - (b) Consistency
  - (c) Matching
  - (d) Prudence
36. Which of the following is an essential characteristic of an asset?
- (a) The claim to an asset's benefit is legally enforceable
  - (b) An asset is tangible
  - (c) An asset is obtained at cost
  - (d) An asset provides future benefits



37. An increase in current assets results in:
- (a) Increase in cash flow from operation
  - (b) Decrease in cash flow from operation
  - (c) Decrease in cash flow from operation, if the operating result for the period is loss
  - (d) None of the above
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38. An asset is classified as a non-current asset or current asset based on
- (a) The utility of the asset
  - (b) Whether the asset is movable or not
  - (c) Its intended use
  - (d) None of the above
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39. While making the trading and profit and loss account
- (a) Only nominal accounts are transferred to the trading and profit and loss account
  - (b) Only nominal accounts and opening stock are transferred to the trading and profit and loss account
  - (c) All nominal accounts and real accounts are transferred to the trading and profit and loss account
  - (d) Only real accounts are transferred to the trading and profit and loss account
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40. Dividend can be paid only out of:
- (a) Current year's profit
  - (b) Current year's profit and undistributed profits of previous year
  - (c) Current year's profit, undistributed profits of previous year and Govt. grants received for the purpose
  - (d) Current year's profits and Govt. grants received for the purpose
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41. Which of the following is the most liquid asset?
- (a) Money
  - (b) Land
  - (c) A government bond
  - (d) A share
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42. The four parts of the business cycle occur in the following order:
- (a) recession, trough, peak, expansion
  - (b) expansion, trough, peak, recession
  - (c) recession, trough, expansion, peak
  - (d) expansion, trough, recession, peak
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43. Working capital is a measure of:
- (a) Consistency
  - (b) Liquidity
  - (c) Profitability
  - (d) Solvency
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44. Which of the following is not an activity listed in the statement of cash flows?
- (a) Investing Activities
  - (b) Funding Activities
  - (c) Operating Activities
  - (d) Financing Activities
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45. "Shareholder wealth" in a firm is represented by:
- (a) the number of people employed in the firm
  - (b) the book value of the firm's assets less the book value of its liabilities
  - (c) the amount of salary paid to its employees
  - (d) the market price per share of the firm's common stock
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46. The degree of operating leverage measures the sensitivity of operating income (EBIT) to \_\_\_\_\_
- (a) Percentage change in EPS
  - (b) Fixed operating costs
  - (c) Percentage changes in Sales Volume
  - (d) Variable operating Costs
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47. Which of the following risks can be diversified?
- (a) Unsystematic risk
  - (b) Systematic risk
  - (c) Total Risk
  - (d) All of these
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48. When a company issues new shares to the existing shareholders in lieu of paying dividend in cash is known as:

- (a) Rights issue
- (b) Private Placement
- (c) Bonus issue
- (d) None of these

49. Cost of printing the Memorandum of Association and Articles of Association are:

- (a) Operating Expenses
- (b) Preliminary Expenses
- (c) Prepaid Expenses
- (d) None of these

50. The minimum number of members of a Public Ltd Company is:

- (a) 2
- (b) 4
- (c) 7
- (d) 9

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