

TAMILNADU PUBLIC SERVICE COMMISSION
HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS -
OCTOBER - 2021

FINANCIAL MANAGEMENT
(FOR ASSISTANT / DEPUTY COLLECTORS)

Time : 1½ Hours

Maximum Marks : 50

(WITHOUT BOOKS)

Answer ALL questions.

Each question carries one mark. (50 × 1 = 50)

1. The concept of financial management is
 - (A) Profit maximisation
 - (B) All features of obtaining and using financial resources for company operations
 - (C) Organisation of funds
 - (D) Effective management of every company

2. In his traditional role the finance manager is responsible for
 - (A) Proper utilisation of funds
 - (B) Arrangement of financial resources
 - (C) Acquiring capital assets of the organisation
 - (D) Efficient management of capital

3. Future value interest factor takes
 - (A) Compounding rate
 - (B) Discounting rate
 - (C) Inflation rate
 - (D) Deflation rate

[Turn over

4. The decision to invest a substantial sum in any business venture expecting to earn a minimum return is called
- (A) Working capital decision (B) A production decision
(C) A sales decision (D) An investment decision
5. The main objective of financial management of an enterprise is to
- (A) Maximise the business expenses (B) Maximise the production costs
(C) Maximise the profit (D) Maintain bill and payments
6. Time value of money supports the comparison of cash flows recorded at different time period by
- (A) Discounting all cash flows to a common point of time
(B) Compounding all cash flows to a common point of time
(C) Using either (A) or (B)
(D) None of the above
7. This decision is about the quantum of finance to be raised from various long-term sources.
- (A) Investment decision (B) Financing decision
(C) Dividend decision (D) Capital budgeting decision
8. When the stock market index is rising, a company may issue in order to meet its financial requirements?
- (A) Debentures (B) Bonds
(C) Equity shares (D) None of the above
9. Financial managers use the time value of money to
- (A) Make business decisions
(B) Compare cash flows of different projects
(C) Determine the price of common stock
(D) Both (A) and (B)

10. The value of money to be received in the future is _____ the value of the same amount of money in hand today?
- (A) Higher than (B) Lower than
(C) The same as (D) None of the above
11. Comparative financial statement is a tool of
- (A) Ratio Analysis (B) Financial Analysis
(C) Trend Analysis (D) Fund flow Analysis
12. Financial statement analysis based upon
- (A) Monetary information
(B) Non-monetary information
(C) Both monetary and non-monetary information
(D) None of these
13. Liquid assets include
- (A) Only cash
(B) Cash and debtors
(C) Cash and debtors (except bad debts)
(D) Cash, debtors (except bad debts) and marketable securities
14. Identify the item that is not taken into account in computing the current ratio
- (A) Sundry debtors (B) Sundry creditors
(C) Bank overdraft (D) Furniture
15. Given : The opening stock at ₹ 60,000, closing stock at ₹ 50,000 and cost of goods sold being ₹ 2,20,000 the stock turnover ratio will be
- (A) 2 times (B) 3 times
(C) 4 times (D) 5 times

16. Depreciation of machinery is
- (A) Source of funds
 - (B) Application of funds
 - (C) No flow of funds
 - (D) None of these
17. Funds flow statement holds significance for
- (A) Share holders
 - (B) Financiers
 - (C) Government
 - (D) All of the above
18. Cash flow statement is prepared for financial planning of
- (A) Long range
 - (B) Medium range
 - (C) Short range
 - (D) Very long range
19. A flexible budget requires careful study and classification of expenses into
- (A) Past and current expenses
 - (B) Fixed, semi-variable and variable expenses
 - (C) Administrative, selling and factory expenses
 - (D) None of these
20. Capital budgeting deals with
- (A) Cash management
 - (B) Management of working capital
 - (C) Managing fixed assets
 - (D) None of these
21. Cost of capital is also known as
- (A) Composite cost of capital
 - (B) Weighted average cost of capital
 - (C) Combined cost of capital
 - (D) All of the above
22. If the actual profitability is _____ the projected cost of capital, then the financial performance may said to be satisfactory.
- (A) More than
 - (B) Less than
 - (C) Equal to
 - (D) None of the above

23. Stock dividend is also known as
- (A) Scrip dividend (B) Bonus shares
(C) Right shares (D) Property dividend
24. MM theory in perfect market suggests that dividend payment
- (A) Has a positive impact on the value of firm
(B) Has a negative impact on the value of firm
(C) Has no impact on the value of a firm
(D) Has negligible impact on the firm
25. According to Walter, firm should pay 100% dividend if
- (A) $r < k$ (B) $r > k$
(C) $r = k$ (D) None of the above
26. Right shares enjoy preferential rights with regard to
- (A) Payment of dividend (B) Payment of retained earnings
(C) Repayment of capital (D) None of the above
27. Which of the following is studied with the help of operating leverage?
- (A) Analysis of Business Risk (B) Analysis of Financial Risk
(C) Analysis of Production Risk (D) Analysis of Credit Risk
28. Which formula is used to measure the degree of financial leverage?
- (A) $EBT/EBIT$ (B) $Contribution/EBIT$
(C) $EBIT/EBT$ (D) $EBIT/contribution$
29. Margin of safety is in the following way related to degree of operating leverage
- (A) Bank overdraft (B) Equal
(C) Square (D) Reciprocal

30. Financial leverage will be one when
- (A) Debt is more than equity (B) Debt is less than equity
(C) Debt is nil (D) Preference dividend is nil
31. Which of the following is a long term source of working capital?
- (A) Issue of shares (B) Issue of debentures
(C) Loans (D) Depreciation
32. _____ working capital refers to the difference between current assets and current liabilities.
- (A) Zero (B) Net
(C) Gross (D) Distinctive
33. Which of the following factors affects the working capital requirement of a business unit?
- (A) Nature of business (B) Credit policy
(C) Production policy (D) All of the above
34. _____ function includes a firm's attempts to balance cash inflows and outflows.
- (A) Finance (B) Investment
(C) Liquidity (D) Dividend
35. Working capital is also known as
- (A) Operation capital
(B) Operating capital
(C) Current assets capital
(D) Capital relating to main projects of the company
36. Positive working capital means that
- (A) The company is able to pay off its long-term liabilities
(B) The company is able to select profitable projects
(C) The company is unable to meet its short-term liabilities
(D) The company is able to pay off its short-term liabilities

37. The goal of receivables management is to maximize the value of the firm by achieving a trade-off between
- (A) Risk and Profitability (B) Liquidity and Profitability
(C) Return and Profitability (D) Return and Liquidity
38. Risk of non-payment may due to
- (A) Insolvency (B) Liquidity problems
(C) Intention of cheating (D) All of the above
39. _____ may also be offered for the early payment of dues.
- (A) Trade discounts (B) Special discounts
(C) Cash discounts (D) Both (A) and (B)
40. The time period between placing an order its receipt in stock is known as
- (A) Lead time (B) Carrying time
(C) Shortage time (D) Over time
41. Bonds, bearer debenture, government securities are the example for
- (A) Non marketable asset (B) Marketable asset
(C) Primary asset (D) Secondary asset
42. Market for short term funds usually for one year is called
- (A) Money market (B) Capital market
(C) Primary market (D) Secondary market
43. The market for industrial securities is termed as
- (A) Long term loan market (B) Government securities market
(C) Money market (D) None of these
44. The markets which generally confined to the stock exchanges
- (A) Primary Market (B) Secondary Market
(C) Tertiary Market (D) All of the above

45. BSE's online trading system is called
- (A) COLT (B) DOLT
(C) BOLT (D) ROLT
46. _____ Pool resources from those who save and allocate them to various investment opportunities.
- (A) Mutual funds (B) LIC
(C) Banks (D) RBI
47. Indian companies are allowed to raise capital in the International market through the issue of
- (A) ADR (B) GDR
(C) ADR and GDR (D) None of the above
48. Stock exchange also referred as
- (A) Primary market (B) Secondary market
(C) FOREX market (D) OTCEI
49. When an unlisted company makes a fresh issue of securities for the first time to public, it is called?
- (A) FPO (B) Rights issue
(C) Bonus issue (D) IPO
50. To regulate scam in Indian capital market, which of the following body has regulatory power
- (A) SEBI (B) RBI
(C) SBI (D) None of the above
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