

TAMILNADU PUBLIC SERVICE COMMISSION

HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS – MAY - 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. Which of the following is not a function of Finance Controller?
(A) Financial statements (B) Internal audit
(C) Social responsibility (D) Safety of records

2. The most important goal of financial management is
(A) Profit maximization
(B) Maximization of return
(C) Wealth maximization
(D) Preference share capital maximization

3. The Financial Management is responsible for the concerns
(A) Finance function (B) Marketing function
(C) Accounting function (D) Managerial function

4. The initial investment is deducted from the present value of cash inflow to find out the
(A) Net Present Value (B) Net Profit
(C) Net Discount Value (D) Net annual Savings

[Turn over

5. Future value and present value both are based on
(A) Number of time periods (B) Interest rate
(C) Both (A) and (B) (D) Present value
6. Which of the following is not a function of a Finance Manager?
(A) Procurement of Fund
(B) Allocation of Fund
(C) Maintaining balance between Risk and Return
(D) Maneuvering the Share Price
7. Debt financing is a cheaper source of finance because of
(A) Time value of money
(B) Rate of interest
(C) Tax deductibility of interest
(D) Dividends not payable to lenders
8. Which is the most expensive source of funds?
(A) New Equity Shares (B) New Preference Shares
(C) New Debts (D) Retained Earnings
9. Which of the following is not included in the sources of short term finance?
(A) Trade credit (B) Bank credit
(C) Outstanding expenses (D) Debentures
10. Which is the cheapest source finance?
(A) Retained earnings (B) Preference shares
(C) Bonds (D) Long-term loans
11. Working capital turnover measures the relationship of working capital with
(A) Fixed assets (B) Sales
(C) Purchases (D) Stock

12. Net Profit ratio signifies
- (A) Long term solvency (B) Profit for lenders
(C) Operational profit-abilities (D) Liquidity position
13. Inventory turnover measures the relationship of inventory with
- (A) Average sales (B) Cost of goods sold
(C) Total purchases (D) Total assets
14. Procedure for preparation of projected financial statements should from
- (A) Projection of fixed assets (B) Projection of capital
(C) Projection of sales (D) Projection of profit
15. All listed companies are required to prepare
- (A) Cash flow statement (B) Fund flow statement
(C) Statement of affairs (D) Common size statement
16. Which one is not included in Current Assets?
- (A) Cash (B) Bank
(C) Debtors (D) Creditors
17. The liquid ratio should be around
- (A) 4 (B) 5
(C) 3 (D) 1
18. Accounting standard-3 is closely associated with
- (A) Funds Flow Statement (B) Cash Flow Statement
(C) Financial Statement (D) Balance Sheet

19. ROI stands for
- (A) Return on Investment (B) Reserve on Investment
(C) Risk on Investment (D) Retained on Investment
20. Which of the following is not a capital budgeting decision?
- (A) Expansion of programme (B) Merger
(C) Replacement of an asset (D) Inventory level
21. Which of the following is not a theory of Capital Structure?
- (A) Net Income Approach
(B) Net Operating Income Approach
(C) Weighted Average Cost of Capital
(D) Modigliani and Miller Approach
22. Net Operating Income Approach is suggested by
- (A) Durand (B) Modigliani and Miller
(C) Walter (D) Solomon
23. Combined leverage refers to
- (A) Various costs
(B) Financial leverage and EPS
(C) Financial and operating leverage
(D) Variable costs
24. Issue of Bonus Shares
- (A) Increase the number of equity share
(B) Decrease the number of equity share
(C) Neutral the number of equity share
(D) Increase the number of preference share

25. Profitability Index method is an extension of
- (A) Net Present Value (B) Internal Rate of Return
(C) Pay Back Period (D) Accounting Rate of Return
26. Cost of capital for government securities are also known as
- (A) Risk free rate of interest
(B) Maximum rate of return
(C) Rate of interest on fixed deposits
(D) Average rate of return
27. Financial structure refers to
- (A) Current assets only (B) Short term funds
(C) Long term funds (D) All financial resources
28. A model arguing for relevance of dividend decision to valuation of firm is developed by
- (A) Myron J. Gordon (B) Durand
(C) Solomon (D) I.M. Pandey
29. Operating leverage helps in analysis of
- (A) Financing risk (B) Business risk
(C) Production risk (D) Credit risk
30. Agency cost arises due to
- (A) Increase in cost of production (B) Hiring more employees
(C) Increase in debt (D) Sales decline
31. Gross working capital is equal to
- (A) Total assets (B) Total liabilities
(C) Total current liabilities (D) Total current assets

32. Current liabilities are those obligations which are generally to be discharged in
- (A) One year (B) One month
(C) One week (D) One Day
33. Which one is not a short term sources of working capital?
- (A) Trade Debtors (B) Stock in Trade
(C) Cash (D) Debentures
34. The excess of current assets over current liabilities are
- (A) Net working capital (B) Fixed assets
(C) Stock (D) Accounts Receivable
35. The business having more risk, but unstable income should prefer
- (A) Bonds (B) Preference shares
(C) Equity shares (D) Debentures
36. Marketable securities are primarily
- (A) Equity shares
(B) Preference shares
(C) Fixed deposits with companies
(D) Short term debt instruments
37. Operating cycle is also known as
- (A) Working capital cycle (B) Trade cycle
(C) Cash cycle (D) Both (A) and (C)
38. Which one is not included in the internal sources of working capital?
- (A) Trade credit (B) Depreciation fund
(C) Provision for taxation (D) Outstanding expenses

39. The term cash not includes
- (A) Coins (B) Currency notes
(C) Postal orders (D) Sale of assets
40. EOQ stands for
- (A) Economically Offering Quantity (B) Economic Order Quantity
(C) Economic Order Quality (D) Economic Offering Quality
41. Money market instrument do not includes
- (A) Treasury bill (B) Commercial deposits
(C) Commercial papers (D) Bonds
42. The market for fresh issue of securities are termed as
- (A) Capital Market (B) Stock Exchange
(C) Primary Market (D) Secondary Market
43. Find the odd man out
- (A) Platinum (B) Gold
(C) Silver (D) Debt
44. In India, the Treasury Bills have a maximum maturity period of
- (A) 364 Days (B) 360 Days
(C) 180 Days (D) 92 Days
45. IEPF Stands for
- (A) Investor Education and Protection Fund
(B) Investment Education and Payment Fund
(C) Investor Education and Payment Fund
(D) Investment Execution and Protection Fund

46. National Stock Exchange of India is located in
- (A) New Delhi (B) Mumbai
(C) Kolkata (D) Ahmedabad
47. Venture capital is originated in
- (A) UK (B) Japan
(C) USA (D) India
48. India's first mutual fund company is
- (A) UTI (B) IDBI
(C) PNB (D) BOI
49. Lease for a limited period is termed as
- (A) leverage lease (B) Financial lease
(C) Cross-border lease (D) Operating lease
50. The inflation-free instrument is
- (A) Option bond
(B) Variable rate debentures
(C) Index-linked gilt bond
(D) Deep discount bond
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