TAMILNADU PUBLIC SERVICE COMMISSION

HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS – APRIL - 2026

FINANCIAL MANAGEMENT

(FOR ASSISTANT / DEPUTY COLLECTORS)

(WITHOUT BOOKS)

Time : $1\frac{1}{2}$ Hours | Maximum Marks : 50

Answer ALL questions.

Each question carries equal marks.

(50 × 1 = 50)

1. Basic objective of Financial Management is
   (A) Maximization of profit
   (B) Maximization of share holder's wealth
   (C) Ensuring financial discipline in the firm
   (D) All of these

2. Financial structure refers to
   (A) Short-term resources
   (B) All the financial resources
   (C) Long-term resources
   (D) All of these

3. The market value of the firm is the result of
   (A) Dividend decisions
   (B) Working capital decisions
   (C) Capital budgeting decisions
   (D) Trade-off between risk and return

[Turn over

4. It is concerned with the internal environment in which the firm operates

(A) Financial management
(B) Micro economics
(C) Macro economics
(D) None of the above

5. It means maximizing the net present value or wealth of a course of action to shareholders.

(A) Corporate Finance
(B) Profit maximization
(C) Wealth maximization
(D) Value maximization

6. Cost of capital means

(A) Lesser than the cost of debt capital
(B) Equal to the last dividend paid to the equity shareholders
(C) Equal to the dividend expectations of equity shareholders for the coming year
(D) None of the above

7. In Walter model formula D stands for

(A) Dividend per share
(B) Direct dividend
(C) Direct earnings
(D) None of these

8. Risk-return trade off implies

(A) Increasing the portfolio of the firm through increased production
(B) Not taking any loans which increase the risk
(C) Not granting credit to risky customers
(D) Taking decision in such a way which optimizes the balance between risk and return

9. The major benefit of diversification is to

(A) Increase the expected return

(B) Increase the size of the investment portfolio

(C) Reduce brokerage commissions

(D) Reduce the expected risk

10. The most appropriate goal of the firm

(A) Shareholder wealth maximization

(B) Profit maximization

(C) Stakeholder maximization

(D) EPS maximization

11. Wealth maximization is also known as

(A) Value maximization

(B) Profit maximization

(C) EBIT maximization

(D) None of the above

12. It involves the determination of the percentage of profits earned by the enterprise which is to be paid to its shareholders.

(A) Investment decision

(B) Capital budgeting

(C) Financing decision

(D) Dividend decision

13. If a company issues bonus shares the debt equity ratio

(A) Remain unaffected

(B) Will be affected

(C) Will improve

(D) EPS maximization

14. The long-run objective of financial management is to

(A) Maximize earnings per share

(B) Maximize the value of the firm's common stock

(C) Maximize return on investment

(D) Maximize market share

15. What is the present value of a Rs. 1,000 ordinary annuity that earns 8% annually for an infinite number of periods?

(A) Rs. 80
(B) Rs. 800
(C) Rs. 1,000
(D) Rs. 12,500

16. Which one of the following is/are the relevance theory?

(A) Gorden
(B) Walter
(C) Residual
(D) Both (A) and (B)

17. Traditionally, the role of financial manager was limited to

(A) Raising of funds
(B) Utilization of funds
(C) Making dividend decisions
(D) Coefficient of variation

18. Profit maximization is concerned with

(A) Maximizing the net present value
(B) Maximizing the EPS
(C) Actions that increase profits
(D) Probability distribution

19. Ratio of Net Profit before Interest and Tax to Sales is a

(A) Operating Profit Ratio
(B) Capital Gearing
(C) Solvency Ratio
(D) None of the above

20. The most important and common form of dividend is

(A) Stock dividend
(B) Cash dividend
(C) Bond dividend
(D) Scrip's dividend

21. Debt Equity Ratio is a

(A) Liquidity Ratio
(B) Solvency Ratio
(C) Profitability Ratio
(D) None of the above

22. An example of fixed asset is

(A) Live stock

(B) Value stock

(C) Income stock

(D) All of the above

23. To financial analysts, "gross working capital" means the same thing as

(A) Fixed assets

(B) Current assets

(C) Working capital

(D) Cost of capital

24. Networking capital refers to

(A) Total assets minus fixed assets

(B) Current assets minus current liabilities

(C) Current assets minus inventories

(D) Current assets

25. In finance, "working capital" means the same thing as

(A) Total assets

(B) Fixed assets

(C) Current assets

(D) Current assets minus current liabilities

26. Rate of tax on capital gain and current income may influence form of

(A) Equity

(B) Preference

(C) Debt

(D) Capital

27. The Turnover Ratio helps management in

(A) Managing resources

(B) Managing a debt

(C) Evaluating performance

(D) Maximizing the EPS

28. 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

29. The allocation of capital is determined by
    (A) Expected rates of return
    (B) The Bank of Canada
    (C) The initial sale of securities in the primary market
    (D) The size of the federal debt

30. Increase in an asset due to purchase is
    (A) Source of funds
    (B) Use of funds
    (C) Primary capital
    (D) None

31. The long-run objective of financial management is to
    (A) Maximize earnings per share
    (B) Maximize the value of the firm's common stock
    (C) Maximize return on investment
    (D) Maximize market share

32. When capital market is booming, firms can take market route to
    (A) Raise capital
    (B) Decrease capital
    (C) Stop growing
    (D) Stagnate

33. Tax paid is
    (A) Application of funds
    (B) Source of funds
    (C) No flow of funds
    (D) Sinking fund

34. Increase in the amount of bills payable results in
    (A) Increase in cash
    (B) Decrease in cash
    (C) No change in cash
    (D) Maximize market share

35. Contribution margin is also known as
    (A) Marginal Income
    (B) Gross Profit
    (C) Net Income
    (D) Stagnate

36. Period cost means
    (A) Variable cost
    (B) Fixed cost
    (C) Prime cost
    (D) Factory cost

37. The costing method in which fixed factory overheads are added to inventory is

(A) Direct costing
(B) Marginal costing
(C) Absorption costing
(D) None of these

38. When fixed cost is Rs. 10,000 and P/V ratio is 50%, the break-even point will be

(A) Rs. 20,000
(B) Rs. 40,000
(C) Rs. 50,000
(D) Rs. 18,000

39. When profit-volume ratio is 40% and sales value Rs. 10,000 the variable costs will be

(A) Rs. 4,000
(B) Rs. 6,000
(C) Rs. 10,000
(D) Rs. 20,000

40. When margin of safety is 20% and P/V ratio is 60%, the profit will be

(A) 30%
(B) $33\frac{1}{3}\%$
(C) 12%
(D) None of these

41. When sales are Rs. 2 lakhs, fixed cost Rs. 30,000, P/V ratio 40% the amount of profit will be

(A) Rs. 50,000
(B) Rs. 80,000
(C) Rs. 12,000
(D) Rs. 20,000

42. The rationale underlying the capital budgeting decision is

(A) Profitability
(B) Liquidity
(C) Efficiency
(D) None of the above

43. The pay back method of capital budgeting appraisal method is suitable when

(A) A firm suffers from liquidity crisis
(B) A firm expects long-term growth
(C) A firm has stable political conditions
(D) A firm has favorable market conditions

44. Current assets usually have

(A) Long life span
(B) Short life span
(C) Medium life span
(D) None of the above

45. The credit extended by the suppliers of goods and services in the normal course of transaction of the firm is known as

(A) Short-term credit
(B) Medium-term credit
(C) Long-term credit
(D) Trade credit

46. A commercial paper, when issued by a company directly to the investor is called a

(A) Direct paper
(B) Dealer paper
(C) Agent paper
(D) None of the above

47. Following is not a current asset

(A) Inventory
(B) Machinery
(C) Cash
(D) Marketable securities

48. Security of assets is determining factor for using

(A) Debt capital
(B) Equity capital
(C) Preference capital
(D) Cost of capital

49. Financial leverage refers to the rate of change in earnings per share for a given change in earnings

(A) Before tax
(B) Before interest
(C) Before interest and tax
(D) After interest and tax

50. A project costs Rs. 1,00,000 annual cash flow of Rs. 20,000 for 8 years. Its Payback period is

(A) year
(B) 2 years
(C) 3 years
(D) 5 years