TAMILNADU PUBLIC SERVICE COMMISSION

HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS – OCTOBER - 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. A balance sheet is a statement of ————————.

(A) Income and expenditure only

(B) Cash receipts and payments

(C) Assets and liabilities of an enterprise at a particular date

(D) Future business plans

2. Liquidity refers to ————————.

(A) Profit earned by a business

(B) Ability of an asset to be converted into cash quickly

(C) Amount of depreciation charged

(D) Ownership of fixed assets

3. According to the principle of prudence, when there is a choice between two values for an asset, an accountant should generally choose the ————————.

(A) Higher value (B) Average value

(C) Replacement value (D) Lower value

4. Depreciation is charged mainly because fixed assets ————————.

(A) Gradually lose value through use and wear

(B) Are intended for resale

(C) Always increase in value

(D) Become current assets

5. Shareholders' funds represent ————————.

(A) Money borrowed from banks

(B) The owners' claim on the assets of the business

(C) Trade creditors' balances

(D) Government grants

6. Ordinary (equity) shareholders are ————————.

(A) Creditors of the company

(B) Government officials

(C) Employees of the company

(D) Owners of the company

7. Financial structure refers to the relationship between ————————.

(A) Sales and profit

(B) Assets and depreciation

(C) The sources of finance used by the enterprise

(D) Purchases and inventory

8. A balanced financial structure should ————————.

(A) Maintain an appropriate mix of owners' funds and borrowed funds

(B) Depend entirely on equity capital

(C) Depend entirely on borrowed funds

(D) Avoid long-term finance completely

9. The purchase of fixed assets is classified as ————————.

(A) A source of funds
(B) A use (application) of funds
(C) A current liability
(D) A capital surplus

10. A statement of sources and uses of funds primarily helps users to understand ————————.

(A) Daily cash receipts only
(B) Inventory valuation methods
(C) Income tax liability only
(D) Changes in the financial position of the enterprise

11. Solvency refers to the ability of a business to ————————.

(A) Pay day-to-day expenses only
(B) Meet its long-term financial obligations
(C) Increase sales every year
(D) Reduce inventory levels

12. The Current Ratio compares ————————.

(A) Current Assets with Current Liabilities
(B) Fixed Assets with Current Assets
(C) Sales with Inventory
(D) Profit with Capital Employed

13. The primary purpose of the Profit and Loss Account is to determine ————————.

(A) The financial position on a particular date
(B) The profit or loss earned during an accounting period
(C) The market value of assets
(D) The authorised share capital

14. Profitability is commonly measured in relation to _____.

(A) Number of employees only

(B) Fixed assets only

(C) Current liabilities only

(D) Sales and investment (capital employed)

15. The value of an enterprise is influenced by _____.

(A) Its earning capacity and future prospects

(B) Only the cost of land and buildings

(C) Number of employees alone

(D) Government tax rates only

16. Goodwill represents _____.

(A) Cash balance of the company

(B) Intangible value arising from reputation and earning power

(C) Depreciation on machinery

(D) Share capital issued

17. The market value of an enterprise may differ from its book value because _____.

(A) Liabilities are ignored

(B) Book value always equals market value

(C) Future earning potential is considered by investors

(D) Depreciation is never charged

18. The reliability of financial statements depends largely on _____.

(A) Attractive presentation only

(B) Accurate records and proper accounting standards

(C) High sales volume alone

(D) Number of shareholders

19. Consistency in accounting methods helps users by making financial statements _____.

(A) Easier to compare over different accounting periods

(B) Longer

(C) Free from taxation

(D) More profitable

20. One important limitation of a balance sheet is that it _____.

(A) Measures employee satisfaction directly

(B) Records future profits accurately

(C) Predicts market prices with certainty

(D) Shows only the financial position at a particular date

21. Financial statements should be interpreted because they _____.

(A) Eliminate all business risks

(B) Never require analysis

(C) Contain estimates and accounting judgements

(D) Always show market values of assets

22. Which statement best describes the limitation of accounting information?

(A) It provides complete information about every aspect of a business

(B) It records only information that can be expressed in monetary terms

(C) It measures all qualitative factors accurately

(D) It predicts future business performance with certainty

23. Accounting figures become meaningful mainly when they are _____.

(A) Compared with similar figures for another period or entity

(B) Rounded off to whole numbers

(C) Prepared by government auditors

(D) Expressed in foreign currency

24. To improve the reliability of financial statements, they should be _____.

(A) Kept confidential

(B) Published every ten years

(C) Prepared on a timely basis and professionally audited

(D) Prepared only for shareholders

25. Financial Management is mainly concerned with _____.

(A) Arrangement of funds

(B) All aspects of acquiring and utilising financial resources for the firm's activities

(C) Efficient management of every business

(D) Systematic management of funds

26. A company with excessive debt in its financial structure may face _____.

(A) Lower repayment obligations

(B) Greater financial risk due to fixed interest commitments

(C) Higher retained earnings automatically

(D) Elimination of liabilities

27. Multiple Compounding means _____.

(A) Interest is compounded only once in a year

(B) Interest is paid many times at the same rate

(C) Interest is paid only once

(D) Interest is compounded more than once in a year

28. The three most useful general purpose financial statements for management are _____.

(A) Income Statement, Statement of Retained Earnings and Balance Sheet

(B) Income Statement, Balance Sheet and Statement of Changes in Financial Position

(C) Income Statement, Statement of Retained Earnings and Funds Flow Statement

(D) Statement of Retained Earnings, Balance Sheet and Funds Flow Statement

29. The term Fixed Assets includes _____.

(A) Stock-in-trade

(B) Book Debts

(C) Payment in Advance

(D) Furniture

30. Observing changes in the financial variables across the years is _____

(A) Vertical Analysis

(B) Horizontal Analysis

(C) Inter-firm Comparison

(D) Quality Analysis

31. Debt-Equity Ratio is a _____.

(A) Solvency Ratio

(B) Liquidity Ratio

(C) Profitability Ratio

(D) Profit Volume Ratio

32. Long-term solvency is indicated by _____

(A) Current Ratio

(B) Debt/Equity Ratio

(C) Net Profit Ratio

(D) Sales Ratio

33. An increase in the share premium accounts is _____

(A) An application of funds

(B) A source of funds

(C) No flow of funds

(D) No flow of interest

34. Cash from operations is equal to _____.

(A) Net profit plus increase in outstanding expenses

(B) Net profit plus increase in debtors

(C) Net profit plus increase in stock

(D) Net profit plus decrease in creditors

35. Free cash flow means _____.

(A) Cash is available for financing incremental working capital

(B) Cash is available for financing additional investment in plant and machinery

(C) Cash is available for meeting financial flows like debt servicing, dividend payment, etc.

(D) Cash is available for financing before risk

36. Contribution margin is also known as _____.

(A) Marginal Income (B) Gross Profit

(C) Net Income (D) Net Loss

37. 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. 6,000

(C) Rs. 10,000 (D) Rs. 30,000

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

(A) 30% (B) $33\frac{1}{3}\%$

(C) 12% (D) 18%

39. When sales are Rs. 2 lakh, fixed costs are Rs. 30,000, and the P/V ratio is 40%, the amount of profit will be _____

(A) Rs. 50,000 (B) Rs. 80,000

(C) Rs. 12,000 (D) Rs. 25,000

40. Sales budget is a _____.

(A) Functional Budget
(B) Master Budget
(C) Expenditure Budget
(D) Production Budget

41. The difference between fixed and variable costs has special significance in the preparation of _____.

(A) Flexible budget
(B) Master budget
(C) Cash budget
(D) Sales budget

42. In the case of materials, the key factor may be _____.

(A) Insufficient advertising
(B) Restrictions imposed by quotas
(C) Budget for the key factor
(D) Social Cost

43. Liquidity measures the ability of a business to _____.

(A) Earn maximum profit
(B) Meet its short-term obligations as they fall due
(C) Increase production capacity
(D) Reduce shareholders' funds

44. CDs cannot be issued by _____.

(A) State Bank of India
(B) Scheduled Commercial Banks
(C) Regional Rural Banks
(D) Private Sector Banks

45. The physical possession of equity shares in case of a GDR is with _____.

(A) Depository
(B) Custodian
(C) Foreign investor
(D) Fixed Interest

46. While evaluating capital investment proposals, the time value of money is considered in case of _____

(A) Discounted cash flow method

(B) Pay-back method

(C) Accounting rate of return method

(D) Interest Rate

47. A higher profit margin generally indicates _____.

(A) Lower profitability

(B) Greater operating efficiency

(C) Higher current liabilities

(D) Lower sales revenue

48. A lease agreement grants the lessee the right to _____.

(A) Own the asset

(B) Use the asset

(C) Own and use the asset

(D) Rent the asset

49. The lessor should record an asset given under a finance lease as _____.

(A) Property, plant and equipment

(B) Current Rent

(C) Current liability

(D) Receivables

50. Operating lease is favoured by the lessee in respect of assets which depreciate in value on account of _____

(A) Obsolescence

(B) Wear and tear

(C) Exhaustion

(D) Dear and near