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ACC501 FINAL TERM PAPER QUIZZES

The accounting definition of income is:

Select correct option:

-
-
-
-



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Which of the following statement is considered as the accountant's snapshot of firm's accounting value as of a particular date?

Select correct option:

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A borrower is able to pay Rs. 40,000 in 5 years. Given a discount rate of 12 percent, what amount of money the lender should lend? Answer = 22697

Select correct option:



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Rs. 14,186

Rs. 18,256

Rs. 22,697

Rs. 28,253

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Double taxation of earning is the major disadvantage of which of the following form of business?

Select correct option:

Corporate form

Partnership



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Sole proprietorship

None of the given options

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A business owned by a single person is known as:

Select correct option:

Sole-proprietorship

General partnership

Limited partnership

Corporation



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In 3 years you are to receive Rs. 5,000. If the interest rate were to suddenly decrease, the present value of that future amount to you would:

Select correct option:

-
-
-
-

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Which of the following is measured by retention ratio?

Select correct option:



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Operating efficiency

Asset use efficiency

Financial policy

Dividend policy

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Which of the following set of ratios is used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time?

Select correct option:

Liquidity Ratios



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Leverage Ratios

Profitability Ratios

Market Value Ratios

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When a corporation wishes to borrow from public on a long-term basis, it does so by issuing or selling; I think answer is bond

Select correct option:

Debt securities or bonds

Common Stocks

Preferred Stock



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All of the given options

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The process of determining the present value of a payment or a stream of payments that is to be received in the future is known as: compounding

Select correct option:

Discounting

Compounding

Factorization

None of the given options

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Period costs include which of the following? Selling

Select correct option:

- Selling expense
- Raw material
- Direct labor
- Manufacturing overhead

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Balance Sheet is based upon which of the following formula?

Select correct option:



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Assets = Liabilities – Stockholder's equity

Assets + Liabilities = Stockholder's equity

Assets + Stockholder's equity = Liabilities

Assets = Liabilities + Stockholder's equity

Business Finance addresses which of the following?

Select correct option:

Capital budgeting

Capital structure



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Working capital management

All of the given options

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Agency problems can be controlled by which of the way?

Select correct option:

Monitor what the agent is doing?

Employ auditors to review company books to make su

Pay bonus share to manager as compensation plan

All of the given options



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The concepts of present value and future value are: inversely related to each other

Select correct option:

- Directly related to each other
- Not related to each other
- Proportionately related to each other
- Inversely related to each other

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In case of international business which of the given factor(s) must be considered?

Select correct option:



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- Role of foreign exchange
- Balance of payments
- Attitude of Governments
- All of the given options

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Which of the following measure reveals how much profit a company generates with the money shareholders have invested?

Select correct option:

- Profit Margin
- Return on Assets



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Return on Equity

Debt-Equity Ratio

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A firm has paid out Rs. 150,000 as dividends from its net income of Rs. 250,000. What is the retention ratio for the firm?

Select correct option:

12 %

25 %

40 %



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60 %

Which of the following equation is known as Cash Flow (CF) identity?

Select correct option:

$CF \text{ from Assets} = CF \text{ to Creditors} - CF \text{ to Stockholder}$

$CF \text{ from Assets} = CF \text{ to Stockholders} - CF \text{ to Creditors}$

$CF \text{ to Stockholders} = CF \text{ to Creditors} + CF \text{ from Assets}$

$CF \text{ from Assets} = CF \text{ to Creditors} + CF \text{ to Stockholder}$

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Which of the following is NOT included in a bond indenture?



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Select correct option:

-
-
-
-

Which of the following is disadvantage of sole proprietor business?

Select correct option:

-



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Business income is considered as personal income

Limited sources

None of the given options

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Net Income after taxation differs from Net Cash Flow from operations because:

Select correct option:

Depreciation expense is shown in the Cash Flow Stat

Non-cash items are included in the Income Statement



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Cash sales are shown in the Cash Flow Statement by

Cash expenses are shown in the Cash Flow Statemer

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Mr. A has just recently started a business by investing a capital of Rs. 500,000. He will be the only owner of the business and also enjoy all the profits of the business. Which type of business is being employed by Mr. A?

Select correct option:

Sole-proprietorship

Partnership

Corporation



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None of the given options

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Which of the following refers to the cash flows that result from the firm's day-to-day activities of producing and selling?

Select correct option:

Operating Cash Flows

Investing Cash Flows

Financing Cash Flows

All of the given options

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Decisions about how to raise money and what to do with it are part of which of the following?

Select correct option:

- Business Finance
- Change management
- Costing for accounting
- All of the given options

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Which of the following statement is considered as the accountant's snapshot of firm's accounting value as of a particular date?

Select correct option:



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Income Statement

Balance Sheet

Cash Flow Statement

Retained Earning Statement

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Agency problems can be controlled by which of the way?

Select correct option:

Monitor what the agent is doing?



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- Employ auditors to review company books to make sure
- Pay bonus share to manager as compensation plan
- All of the given options

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Which of the following is the process of planning and managing a firm's long-term investments?

Select correct option:

- Capital Structuring
- Capital Rationing



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Capital Budgeting

Working Capital Management

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If a firm is allowed to miss a coupon payment on a bond in a year in which it reports an operating loss, the bond is most likely a(n) _____ bond.

Select correct option:

Income

Zero coupon

Floating-rate

Put



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Time value of money is an important finance concept because:

Select correct option:

- It takes risk into account
- It takes time into account
- It takes compound interest into account
- All of the given options

If a firm has a ROA of 8 percent, sales of Rs. 100,000, and total assets of Rs. 75,000. What is the profit margin?

Select correct option:

- 4.30%



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6.00%

10.70%

16.73%

A portion of profits, which a company retains itself for further expansion, is known as:

Select correct option:

Dividends

Retained Earnings

Capital Gain



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Which of the following is (are) the characteristic(s) of sole proprietor business?

Select correct option:

- Easy to start
- Business income is considered as personal income
- Limited sources
- All of the given options

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Which of the following financial statement shows both dollars and percentages in the report?

Select correct option:



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Balance Sheet

Common-Size Statement

Income Statement

Relative Statement of Equity

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Which of the following terms refers to the use of debt financing?

Select correct option:

Operating Leverage

Financial Leverage



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Manufacturing Leverage

None of the given options

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in which form of Business, owners have limited liability.

Select correct option:

sole proprietorship

partnership

joint stock company

none of the above



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As the dividend is always same for a zero growth stock, so the stock can also be viewed as:

Select correct option:

Ordinary Annuity

Annuity Due

Ordinary perpetuity

None of the given options

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In which of the given business form, business income is taxed twice?



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Select correct option:

- Corporate form
- Partnership
- Sole proprietorship
- None of the given options

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Which of the following ratios is NOT from the set of Asset Management Ratios?

Select correct option:

- Inventory Turnover Ratio



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Receivable Turnover

Capital Intensity Ratio

Return on Assets

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Which of the following set of cash flows should be considered in the decision at hand?

Select correct option:

Which of the following set of cash flows should be considered in the decision at hand?

Select correct option:

Relevant Cash Flows



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Incremental Cash Flows

Negative Cash Flows

All of the given options

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One would be indifferent between taking and not taking the investment when:

Select correct option:

NPV is greater than Zero

NPV is equal to Zero

NPV is less than Zero



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All of the given options

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What would be the present value of Rs. 10,000 to be received after 6 years at a discount rate of 8 percent?

Select correct option:

Rs. 6,302

Rs. 9,981

Rs. 14,800

Rs. 15,869

Which of the following is an example of positive covenant?

Select correct option:



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- Maintaining any collateral or security in good condition
- Limiting the amount of dividend according to some formula
- Restricting pledging assets to other lenders
- Barring merger with another firm

When corporations borrow, they generally promise to: I. Make regular scheduled interest payments II. Give the right of voting to bondholders III. Repay the original amount borrowed (principal) IV. Give an ownership interest in the firm

Select correct option:

- I and II
- I and III



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II and IV

I, III, and IV

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Which of the following represents the linear relation between Net Present Value (NPV) and Profitability Index (PI)?

Select correct option:

If Profitability Index > 1 , NPV is Negative (-)

If Profitability Index < 1 , NPV is Positive (+)

If Profitability Index > 1 , NPV is Positive (+)

If Profitability Index > 1 , NPV is Zero (0)



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A given rate is quoted as 9 percent APR, but the EAR is 9.38 percent. What is the compounding period?

Select correct option:

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What will be the cash inflow if we have sales of Rs. 300,000 and accounts receivable are increased by Rs. 70,000 ?

Select correct option:



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Rs. 70,000

Rs. 230,000

Rs. 370,000

Rs. 470,000

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Financial policy is evaluated by which of the following?

Select correct option:

Profit Margin

Total Assets Turnover



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Debt-equity ratio

None of the given options

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SNT Inc. has net income of Rs. 300,000. How much is kept as retained earnings if the firm has a dividend payout ratio of 40%?

Select correct option:

Rs. 30,000

Rs. 120,000

Rs. 180,000

Rs. 200,000



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You need Rs. 10,000 to buy a new television. If you have Rs. 6,000 to invest at 5 percent compounded annually, how long will you have to wait to buy the television?

Select correct option:

8.42 years

10.51 years

15.75 years

18.78 years

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Finance is vital for which of the following business activity (activities)?

Select correct option:



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Marketing Research

Product Pricing

Design of marketing and distribution channels

All of the given options

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Mr. Y and Mr. Z are planning to share their capital to run a business. They are going to employ which of the following type of business?

Select correct option:

Sole-proprietorship

Partnership



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Corporation

None of the given options

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JJ Inc. has a 4 percent return on total assets of Rs. 500,000 and a net profit margin of 5 percent. Total sales for JJ Inc. would be :

Select correct option:

Rs. 150,000

Rs. 200,000

Rs. 250,000

Rs. 400,000



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The conflict of interest between stockholders and management is known as:

Select correct option:

- Agency problem
- Interest conflict
- Management conflict
- Agency cost

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Which of the following is NOT included in a bond indenture?

Select correct option:



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The basic terms of bond issue

The total amount of bonds issued

A personal profile of the issuer

A description of the security

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Which of the following term refers to establish of a standard to follow for comparison?

Select correct option:

Benchmarking

Standardizing



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Comparison

Evaluation

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Which of the following cash flow activities are reported in the Cash Flow Statement and Income Statement?

Select correct option:

Operating Activities

Investing Activities

Financing Activities



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All of the given options

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If a firm has a ROA of 8 percent, sales of Rs. 100,000, and total assets of Rs. 75,000. What is the profit margin?

Select correct option:

4.30%

6.00%

10.70%

16.73%



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Balance sheet for a company reports current assets of Rs. 700,000 and current liabilities of Rs. 460,000. What would be the Current Ratio for the company if there is an inventory level of Rs. 120,000?

Select correct option:

1.01

1.26

1.39

1.52

In corporate form of business, what is the objective of shareholder?



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Select correct option:

Maximize current year income

Delay in payment to supplier

Reduce the expenditure on inventory maintenance

Maximization of shareholder wealth

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Finance is the art and science of handling _____.

Select correct option:

Money



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People

Authority

None of the given options

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Which of the following forms of business organizations is created as a distinct legal entity owned by one or more individuals or entities?

Select correct option:

Sole-proprietorship

General Partnership



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Limited Partnership

Corporation

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Head of Treasury department reports to whom?

Select correct option:

Financial and cost Accountant

Chief of financial officer

Cash and credit manager



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Board of directors

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Which of the following statement measures performance over a specific period of time?

Select correct option:

Income Statement

Balance Sheet

Cash Flow Statement

Retained Earning Statement

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Which of the following statement shows assets, liabilities, and net worth as of a specific date?

Select correct option:

Income Statement

Balance Sheet

Owner's Equity Statement

Cash Flow Statement

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