

VU QUIZ REPORT

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Subject: ACC501

Quiz Completed: 1/6/2026, 4:09:55 AM

Total Questions: 10

Question 1:

Which of the following can be calculated if, average net income is divided by average book value?

A. AAR

B. Payback period

C. IRR

D. NPV

Selected Answer: A

Question 2:

Your gain (or loss) on an investment that you buy is called your :

A. Risk on investment

B. Gain on investment

C. Loss on investment

D. Return on investment

Selected Answer: D

Question 3:

Which of the following is (are) a non-cash item(s) ?

A. Expenses

B. Revenue

C. Depreciation

D. All of the given options

Selected Answer: C

Question 4:

The projected cash flows from a project are: Year 1: Rs. 100 Year 2: Rs. 300 Year 3: Rs. 400 Year 4: Rs. 800 The Project cost is Rs. 800. What would be the payback period for the project?

- A. 3.67 Years
- B. 3.00 Years**
- C. 2.00 Years
- D. 2.67 Years

Selected Answer: B

Question 5:

A Company has sold its asset for a price less than its book value, the company has:

- A. Gained capital gain
- B. Gained Tax Shelter**
- C. All of the given options
- D. Incurred Tax Liability

Selected Answer: B

Question 6:

Which of the following is the return that firm's creditors demand on new borrowings ?

- A. Cost of common equity
- B. Cost of preferred stock
- C. Cost of debt**
- D. Cost of retained earnings

Selected Answer: C

Question 7:

Which of the following is referred to as the ratio of the standard deviation of a distribution to the mean of that distribution ?

- A. Probability distribution
- B. The expected return
- C. The standard deviation
- D. Coefficient of variation**

Selected Answer: D

Question 8:

Internal Rate of Return (IRR) is sometimes referred to as:

- A. Simple Interest Rate
- B. Economic Rate of Return**
- C. Required Rate of Return
- D. Compound Interest Rate

Selected Answer: B

Question 9:

Which of the following is the most common capital budgeting technique?

- A. Net Present Value
- B. Internal Rate of Return
- C. Profitability Index
- D. Payback Period**

Selected Answer: D

Question 10:

A firm's equity is worth 4 million and its debt is worth 2 million. What is the percentage of firm's financing that is equity ?

- A. 67%**
- B. 40%
- C. 33%
- D. 20%

Selected Answer: A

VU QUIZ REPORT

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Subject: ACC501

Quiz Completed: 1/6/2026, 8:21:03 AM

Total Questions: 10

Question 1:

Prime advantage of investing in different securities is:

- A. Reduced risk**
- B. Increased liquidity
- C. All of the given options
- D. Easy management of securities

Selected Answer: A

Question 2:

Suppose market value exceeds book value by Rs. 250,000. What will be the after-tax proceeds if there is a tax rate of 34 percent ?

- A. Rs. 105,600
- B. Rs. 148,500
- C. Rs. 165,000**
- D. Rs. 225,000

Selected Answer: C

Question 3:

A project having non-conventional cash flows is actually a characteristics of:

- A. PI
- B. AAR
- C. IRR**
- D. NPV

Selected Answer: C

Question 4:

What would be the payback period of a project which requires Rs. 80,000 as initial investment and has cash flows of Rs. 30,000, 40,000 and 45,000 in first, second and third year respectively?

- A. 2 years
- B. 3.22 years
- C. 3 years
- D. 2.22 years**

Selected Answer: D

Question 5:

An investment plan is acceptable if its NPV is:

- A. Less than ZERO
- B. Greater than ZERO**
- C. All of the above
- D. Equal to ZERO

Selected Answer: B

Question 6:

Standard deviations for Investment A and Investment B are 15% and 32% respectively. This indicates that :

- A. Investment B is less volatile than Investment A
- B. Investment B is more volatile than Investment A**
- C. Investment A is equally volatile to Investment B
- D. Investment A is more volatile than Investment B

Selected Answer: B

Question 7:

Which one of the following typically applies to preferred stock but not to common stock?

- A. Dividend yield
- B. Voting rights
- C. Tax deductible dividends
- D. Cumulative dividends**

Selected Answer: D

Question 8:

Which of the following type of risk can be eliminated by diversification ?

- A. None of the given options
- B. Market Risk
- C. Unsystematic Risk**
- D. Systematic Risk

Selected Answer: C

Question 9:

A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred as :

- A. Coefficient of variation
- B. Probability distribution**
- C. The standard deviation
- D. The expected return

Selected Answer: B

Question 10:

Which of the following equation is correct for calculating the operating cash flows?

- A. $EBIT - Depreciation + Taxes$
- B. $EBIT - Depreciation - Taxes$
- C. $EBIT + Depreciation + Taxes$
- D. $EBIT + Depreciation - Taxes$**

Selected Answer: D

VU QUIZ REPORT

Generated by VU TALK Extension

Subject: ACC501

Quiz Completed: 1/6/2026, 11:30:05 PM

Total Questions: 10

Question 1:

Expected new sales due to the introduction of a diet version of an existing beverage results in decline in the sale of existing beverage is an example of:

- A. Sunk cost
- B. Opportunity cost
- C. Financing cost

D. Cannibalism

Selected Answer: D

Question 2:

Which of the following is the most common capital budgeting technique?

- A. Net Present Value
- B. Internal Rate of Return
- C. Profitability Index

D. Payback Period

Selected Answer: D

Question 3:

The value of the firm's cash flows (or the value of the firm) is _____ when the WACC is _____.

A. maximized; minimized

B. minimized; minimized

C. maximized; maximized

D. None of the given options

Selected Answer: A

Question 4:

What is the amount of net working capital if, taxes, account receivable, account payable and company's fix cost for current year are given 8000, 82,000, 67,000 and 15,000 respectively?

- A. Rs. 172,000
- B. Rs. 8,000
- C. Rs. 15,000**
- D. Rs. 38,000

Selected Answer: C

Question 5:

What will be the risk premium for a stock that has an expected return rate of 14% and a risk-free rate of 5% ?

- A. 9 %**
- B. 6 %
- C. 15 %
- D. 24 %

Selected Answer: A

Question 6:

Dividend received on stocks held by an investor is called:

- A. Total profit
- B. Capital yield
- C. Income yield**
- D. Total Return

Selected Answer: C

Question 7:

An investment plan is acceptable if its NPV is:

- A. Less than ZERO
- B. Equal to ZERO
- C. Greater than ZERO**
- D. All of the above

Selected Answer: C

Question 8:

A project whose acceptance prevents the acceptance of one or more alternative projects is referred to as a(n):

- A. contingent project
- B. independent project
- C. mutually exclusive project**
- D. dependent project

Selected Answer: C

Question 9:

Which of the following objective(s) may lead a firm towards the usage of payback period technique to evaluate its projects?

- A. If the firm wishes to avoid projects that require a large amount of research and development.
- B. All of the given options**
- C. If the firm wishes to accept projects with high degree of liquidity.
- D. If the firm wishes to avoid the higher forecasting errors associated with cash flow a long way into the future.

Selected Answer: B

Question 10:

If there is zero depreciation, taxes and fixed cost of the project, the operating cash flows for the project would always be same as:

- A. Net working capital
- B. EBIT**
- C. Sales
- D. Future cash flows

Selected Answer: B

VU QUIZ REPORT

Generated by VU TALK Extension

Subject: ACC501

Quiz Completed: 1/6/2026, 7:50:08 AM

Total Questions: 10

Question 1:

Standard deviations for Investment A and Investment B are 25% and 12% respectively. This indicates that :

- A. Investment B is equally volatile to Investment A
- B. Investment B is more volatile than Investment A
- C. Investment A is less volatile than Investment B
- D. Investment A is more volatile than Investment B**

Selected Answer: D

Question 2:

Which of the following equation is correct for calculating the operating cash flows?

- A. $EBIT - Depreciation + Taxes$
- B. $EBIT - Depreciation - Taxes$
- C. $EBIT + Depreciation - Taxes$**
- D. $EBIT + Depreciation + Taxes$

Selected Answer: C

Question 3:

All of the following are the drawbacks of Average Accounting Return (AAR) EXCEPT:

- A. It focuses on cash flow and market value**
- B. It focuses on net income and book value
- C. It ignores time value of money
- D. No objective base to compare with

Selected Answer: A

Question 4:

Which one of the following formulas can be used to calculate Operating Cash Flow (OCF) under tax shield approach?

A. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$

B. $OCF = (\text{sales} - \text{cost}) \times (1 + \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$

C. $OCF = (\text{sales} + \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$

D. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) - (\text{depreciation} \times \text{tax rate})$

Selected Answer: A

Question 5:

Dividend received on stocks held by an investor is called:

A. Total profit

B. Income yield

C. Total Return

D. Capital yield

Selected Answer: B

Question 6:

Mr. Nadeem has bought 100 shares of a corporation one year ago at Rs. 22 per share. Over the last year, he received a dividend of Rs. 2.50 per share. At the end of the year, the stock sells for Rs. 28. As per given information, what will be the capital gains yield ?

A. 45.00%

B. 27.27%

C. 25.10%

D. 15.85%

Selected Answer: B

Question 7:

If there is zero depreciation, taxes and fixed cost of the project, the operating cash flows for the project would always be same as:

A. Future cash flows

B. Net working capital

C. EBIT

D. Sales

Selected Answer: C

Question 8:

Which of the following objective(s) may lead a firm towards the usage of payback period technique to evaluate its projects?

A. If the firm wishes to accept projects with high degree of liquidity.

B. All of the given options

C. If the firm wishes to avoid the higher forecasting errors associated with cash flow a long way into the future.

D. If the firm wishes to avoid projects that require a large amount of research and development.

Selected Answer: B

Question 9:

Standard deviations for Investment A and Investment B are 15% and 32% respectively. This indicates that :

A. Investment A is more volatile than Investment B

B. Investment B is more volatile than Investment A

C. Investment A is equally volatile to Investment B

D. Investment B is less volatile than Investment A

Selected Answer: B

Question 10:

Preferred stock is similar to debt as both: I. frequently carry credit ratings. II. can be callable. III. receive a stated payment amount. IV. are considered debt instruments.

A. II and IV only

B. I, II, and III only

C. I and III only

D. II, III, and IV only

Selected Answer: B

Q.1 A project having non-conventional cash flows is actually a characteristics of:

- A. IRR
- B. NPV
- C. AAR
- D. PI

Q.2 Which of the following formula is used to calculate the price of a zero growth stock?

- A. $P_0 = D_0(1+g) / (R - g)$
- B. **$P_0 = D / R$**
- C. $P_0 = D_1 / (R - g)$
- D. $P_0 = D_0 (1+g) / R$

Q.3 Which of the following statement is TRUE regarding debt?

- A. Corporation's payment of interest on debt is fully taxable.
- B. Debt provides the voting rights to the bondholders.
- C. Debt is an ownership interest in the firm.
- D. **Unpaid debt can result in bankruptcy or financial failure.**

Q.4 If the dividend for a share is growing at a steady rate then which of the following formula(s) can be used to find the dividend in two periods?

- A. **All of the given options**
- B. $D_2 = D_0 \times (1 + g)^2$
- C. $D_2 = [D_0 \times (1 + g)] (1 + g)$
- D. $D_2 = D_1 \times (1 + g)$

Q.5 A bondholder has a right to redeem the bond at par on the coupon payment date after some specified period of time. This right is called:

- A. **Put provision**
- B. Correct answer is not given
- C. Call provision
- D. Call option

Q.6 Which of the following is (are) a non-cash item(s) ?

- A. **Depreciation**
- B. Expenses
- C. All of the given options
- D. Revenue

Q.7 If there is zero depreciation, taxes and fixed cost of the project, the operating cash flows for the project would always be same as:

- A. Net working capital
 - B. Sales
 - C. Future cash flows
 - D. EBIT**
-

Q.8 In MACRS property classes, 7-year class includes which of the following ?

- A. All of the given options**
 - B. Autos & computers
 - C. Equipment used in research
 - D. Most industrial equipment
-

Q.9 Which of the following is a measure of accounting profit relative to the book value?

- A. Average Accounting Return**
 - B. Profitability Index
 - C. Net Present Value
 - D. Internal Rate of Return
-

Q.10 Which one of the following terms refers to a percentage change in the purchasing power of the investor?

- A. Nominal return
 - B. Real return**
 - C. Un-adjusted inflation return
 - D. The inflation rate
-

Q.1 An investment should be accepted if the Net Present Value (NPV) is _____ and rejected if it is _____.

- A. Negative; negative
- B. Positive; positive
- C. Positive; negative**
- D. Negative; positive

Q.2 ABC Company has following information regarding its proposed investment:
250,000

Principal investment R3.
Net Present Value 40,000

Cost of Capital 12%

- A. 0.16 times
- B. 1.16 times**
- C. 16%
- D. 4%

What will be the Profitability Index (PI) of

Q.3 In which type of the market, previously issued securities are traded among investors?

- A. Tertiary Market
- B. Secondary Market**
- C. None of the given options
- D. Primary Market

Q.4 Which of the following comes under the head of accounting criteria for capital budgeting decision?

- A. Average Accounting Return**
- B. Net Present Value
- C. Profitability Index
- D. Payback Period

Q.5 Between the two identical bonds having different maturity periods, the price of the _____ bond will change less than that of _____ bond.

- A. long-term; short-term**
- B. lower-coupon; higher-coupon
- C. short-term; long-term
- D. None of the given options

Q.6 Which of the following is a characteristic of preferred stock?

- A. These stocks have not any kind of priority over common stocks
- B. Dividends on these stocks can be cumulative**
- C. These bonds hold credit ratings quite different from bonds
- D. These stocks have not stated liquidating value

Q.7 For preparing pro forma financial statements, we need to estimate all of the following quantities EXCEPT:

A. Administration cost per unit

- B. Selling price per unit
 - C. Variable cost per unit
 - D. Unit sales
-

Q.8 Which one of the following formulas can be used to calculate Operating Cash Flow (OCF) under tax shield approach?

A. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$

- B. $OCF = (\text{sales} + \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$
 - C. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) - (\text{depreciation} \times \text{tax rate})$
 - D. $OCF = (\text{sales} - \text{cost}) \times (1 + \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$
-

Q.9 Which of the following objective(s) may lead a firm towards the usage of payback period technique to evaluate its projects?

- A. If the firm wishes to avoid projects that require a large amount of research and development.
 - B. If the firm wishes to avoid the higher forecasting errors associated with cash flow a long way into the future.
 - C. All of the given options**
 - D. If the firm wishes to accept projects with high degree of liquidity.
-

Q.10 Which of the following is NOT a shortcoming of Payback Rule?

- A. None of the given options
 - B. Time value of money is ignored
 - C. Simple and easy to calculate**
 - D. It fails to consider risk differences
-

Q.1 ABC Company issues 5 year bonds having following characteristics: 497 and yield to maturity is 15%.

Rs.1000 face value, initial price Rs.

Bonds issued by ABC Company falls under which one of the following type of

A. Zero coupon bonds

B. Floating-rate bonds

C. Government bonds

D. Convertible bonds

Q.2 Which of the following is NOT included in discounted cash flow criteria for capital budgeting decision?

A. Payback Period

B. Internal Rate of Return

C. Net Present Value

D. Profitability Index

Q.3 A bondholder has a right to redeem the bond at par on the coupon payment date after some specified period of time. This right is called:

A. Call provision

B. Put provision

C. Call option

D. Correct answer is not given

Q.4 Suppose you have just passed your Intermediate and now planning to get admission in some college for graduation. You have three choices of colleges A, B, and C. You bought the prospectuses for all these three colleges and finally got admission in College B. The cost incurred on the prospectuses of other two colleges A and C will be considered as:

A. Opportunity Cost

B. Fixed Cost

C. Sunk Cost

D. None of the given options

Q.5 Which of the following type of bond pays no coupon at all and are offered at a price that is much lower than its stated value?

A. Government bonds

B. Floating-rate bonds

C. Zero coupon bonds

D. Euro bonds

Q.6 Which of the following is NOT an important feature of treasury notes and bonds?

A. Default free

B. Highly liquid

C. Taxable

D. Least liquid

Q.7 Which of the following is NOT a determinant of term structure?

- A. Interest rate risk
 - B. Real rate of interest
 - C. Internal rate of interest**
 - D. Expected inflation
-

Q.8 Preemptive right of a shareholder means:

- A. Right to share proportionately in assets remaining after liabilities at liquidation
 - B. Right to share proportionately in dividend paid
 - C. Right to share proportionately in any new stock sold**
 - D. Right to vote on matter of great importance
-

Q.9 Payment of interest on debt securities is fully tax deductible item because:

- A. Paid out of profit
 - B. Fixed nature cost
 - C. Debt is not owner's money
 - D. It's a cost of doing business**
-

Q.10 Which of the following objective(s) may lead a firm towards the usage of payback period technique to evaluate its projects?

- A. All of the given options**
 - B. If the firm wishes to avoid the higher forecasting errors associated with cash flow a long way into the future.
 - C. If the firm wishes to accept projects with high degree of liquidity.
 - D. If the firm wishes to avoid projects that require a large amount of research and development.
-

Q.1 Between the two identical bonds having different coupon, the price of the _____ bond will change less than that of _____ bond.

- A. Long-term; short-term
 - B. Higher-coupon; lower-coupon**
 - C. None of the given options
 - D. Lower-coupon; higher-coupon
-

Q.2 What would be the payback period of a project which requires Rs. 80,000 as initial investment and has cash flows of Rs. 30,000, 40,000 and 45,000 in first, second and third year respectively?

- A. 3.22 years
 - B. 3 years
 - C. 2 years
 - D. 2.22 years**
-

Q.3 Which of the following can be calculated if, average net income is divided by average book value?

- A. NPV
 - B. AAR**
 - C. IRR
 - D. Payback period
-

Q.4 Which of the following dividend growth model is used for calculating the total return?

- A. $R = D_0/P_0 + g$
 - B. $R = D_1/P_0 + g$**
 - C. $R = D_1/P_0 - g$
 - D. $R = D_0/P_0 - g$
-

Q.5 Which of the following is NOT the responsibility of bond trustee?

- A. Announcement of dividend**
 - B. Manage the sinking fund
 - C. Make sure the terms of indenture are obeyed
 - D. Represent the bondholders in default
-

Q.6 Which of the following has the voting right in the firm?

- A. Shareholder
 - B. All of the given options**
 - C. Bondholder
 - D. Preferred shareholder
-

Q.7 Autos and Computers falls under which one of the following MACRS property classes?

- A. 3-Year
 - B. 5-Year**
 - C. 7-Year
 - D. 10-Year
-

Q.8 Which one of the following is NOT considered under MACRS of depreciation?

- A. Historical cost value
 - B. Salvage value**
 - C. Depreciable value
 - D. Book value
-

Q.9 While evaluating an investment project, which of the following cash flows should be considered?

- A. Operating cash flows
 - B. Decremental cash flows
 - C. Relevant cash flows
 - D. Incremental cash flows**
-

Q.10 A bondholder has a right to redeem the bond at par on the coupon payment date after some specified period of time. This right is called:

- A. Correct answer is not given
 - B. Put provision**
 - C. Call option
 - D. Call provision
-

Q.1 All of the following are the drawbacks of Average Accounting Return (AAR) EXCEPT:

- A. It ignores time value of money
- B. No objective base to compare with
- C. It focuses on cash flow and market value**
- D. It focuses on net income and book value

Q.2 While evaluating an investment project, which of the following cash flows should be considered?

- A. Incremental cash flows
- B. Relevant cash flows**
- C. Decremental cash flows
- D. Operating cash flows

Q.3 If there is zero depreciation, taxes and fixed cost of the project, the operating cash flows for the project would always be same as:

- A. Net working capital
- B. Sales
- C. Future cash flows
- D. EBIT**

Q.4 The projected cash flows from a project are:

- 800
Year 1: Rs. 100
The Project cost is Rs. 800. What would be the payback period for the project?
Year 2: Rs. 300
B. 3.00 Years
Year 3: Rs. 400
Year 4: Rs. 500
D. 2.67 Years

Q.5 What is the amount of net working capital if, taxes, account receivable, account payable and company's fix cost for current year are given 8000, 82,000, 67,000 and 15,000 respectively?

- A. Rs. 38,000
- B. Rs. 172,000
- C. Rs. 15,000**
- D. Rs. 8,000

Q.6 Mr. Aslam owns 100 shares of a company and there are four directors to be elected. How much votes Mr. Aslam would have as per cumulative voting procedure?

- A. 400 votes**
- B. 200 votes
- C. 100 votes
- D. 300 votes

Q.7 ABC Corporation has two shareholders; Mr. Aamir with 50 shares and Mr. Imran with 70 shares. Both want to be elected as one of the four directors but Mr. Imran doesn't want Mr. Aamir to be director. How much votes would Mr. Aamir be able to cast as per cumulative voting procedure?

- A. 70
 - B. 120
 - C. 200**
 - D. 280
-

Q.8 Preemptive right of a shareholder means:

- A. Right to share proportionately in dividend paid
 - B. Right to share proportionately in any new stock sold**
 - C. Right to vote on matter of great importance
 - D. Right to share proportionately in assets remaining after liabilities at liquidation
-

Q.9 All of the following securities are also called debt securities EXCEPT:

- A. Notes
 - B. Shares**
 - C. Debentures
 - D. Bonds
-

Q.10 Suppose you have just passed your Intermediate and now planning to get admission in some college for graduation. You have three choices of colleges A, B, and C. You bought the prospectuses for all these three colleges and finally got admission in College B. The cost incurred on the prospectuses of other two colleges A and C will be considered as:

- A. Opportunity Cost
 - B. None of the given options
 - C. Sunk Cost**
 - D. Fixed Cost
-

Q.1 In how many ways can 4 people be arranged in a circle?

- A. 3
 - B. 6**
 - C. 12
 - D. 24
-

Q.2 The number of ways of arranging r different objects in a circle is $r!$.

- A. True
 - B. False**
-

Q.3 6C_2 is equal to

- A. 15**
 - B. 14
 - C. 16
 - D. 17
-

Q.4 The magnitude of two different complex numbers $\{Z_1\}$ and $\{Z_2\}$ _____

- A. zero
 - B. Maybe the same**
 - C. Always the same
 - D. Always different
-

Q.5 Why does the sequence 2,4,8,16,... diverge?

- A. The terms approach zero.
 - B. The terms are constant.
 - C. The ratio exceeds 1.**
 - D. The sum is finite.
-

Q.6 The equation of a line passing through points (1, 4) and (3, 10) is:

- A. $y - 4 = 3(x - 1)$**
 - B. $y + 10 = 2(x - 3)$
 - C. $y - 10 = 3(x - 2)$
 - D. $y + 4 = 2(x - 1)$
-

Q.7

Determine whether the lines $y = 2x + 3$ and $y = -\frac{1}{2}x - 4$ are:

- A. intersecting but not perpendicular
 - B. perpendicular**
 - C. parallel
 - D. overlapping
-

Q.8 Explain the difference between permutations and combinations.

- A. Combinations consider order; permutations do not.
 - B. Permutations consider order; combinations do not.**
 - C. Both consider order.
 - D. Neither considers order.
-

Q.9 The absolute value of the complex number $Z = 4 + 3i$ is _____

- A. 1
 - B. 12
 - C. 5**
 - D. 6
-

Q.10 In the linear function $y = mx + b$, what does the b value represent?

- A. slope
 - B. x - intercept
 - C. y - intercept**
 - D. rate of change
-

Q.11 Which of the following comes under the head of accounting criteria for capital budgeting decision?

- A. Average Accounting Return**
 - B. Profitability Index
 - C. Net Present Value
 - D. Payback Period
-

Q.12 Which of the following is the amount of time required for an investment to generate cash flows sufficient to recover its initial cost?

- A. Maturity Period
 - B. Accounts Receivable period
 - C. Yield to maturity
 - D. Payback period**
-

Q.13 Which one of the following is NOT considered under MACRS of depreciation?

- A. Book value
 - B. Salvage value**
 - C. Depreciable value
 - D. Historical cost value
-

Q.14 Investors demand a higher yield as compensation to the risk of possible default. This extra premium is called:

- A. Default risk premium**
 - B. Inflation risk premium
 - C. Interest rate risk premium
 - D. Taxability premium
-

Q.15 A project whose acceptance prevents the acceptance of one or more alternative projects is referred to as a(n):

- A. mutually exclusive project**
 - B. contingent project
 - C. independent project
 - D. dependent project
-

Q.16 What will be the cash inflow if we have sales of Rs. 400,000 and accounts receivable are decreased by Rs. 70,000 ?

- A. Rs. 330,000
 - B. Rs. 230,000
 - C. Rs. 470,000**
 - D. Rs. 70,000
-

Q.17 Which of the following is NOT the responsibility of bond trustee?

- A. Announcement of dividend**
 - B. Represent the bondholders in default
 - C. Make sure the terms of indenture are obeyed
 - D. Manage the sinking fund
-

Q.18 As the dividend is always same for a zero growth stock, so the stock can also be viewed as:

- A. Ordinary Annuity
 - B. Annuity Due
 - C. None of the given options
 - D. Ordinary perpetuity**
-

Q.19 Stock with dividend priority, normally having fixed dividend rate and having no voting rights is called as:

A. Preferred stock

B. Value stock

C. Growth stock

D. Common stock

Q.1 Which of the following bond can be swapped for a fixed number of shares at any time before maturity at the holder's option?

- A. Zero-coupon bond
 - B. Income Bond
 - C. Convertible bond**
 - D. Put bond
-

Q.2 Payment of interest on debt securities is fully tax deductible item because:

- A. Paid out of profit
 - B. Fixed nature cost
 - C. It's a cost of doing business**
 - D. Debt is not owner's money
-

Q.3 A project having non-conventional cash flows is actually a characteristics of:

- A. AAR
 - B. IRR**
 - C. NPV
 - D. PI
-

Q.4 Mr. Aslam owns 100 shares of a company and there are four directors to be elected. How much votes Mr. Aslam would have as per cumulative voting procedure?

- A. 400 votes**
 - B. 300 votes
 - C. 200 votes
 - D. 100 votes
-

Q.5 Autos and Computers falls under which one of the following MACRS property classes?

- A. 3-Year
 - B. 7-Year
 - C. 5-Year**
 - D. 10-Year
-

Q.6 A project whose acceptance does not prevent or require the acceptance of one or more alternative projects is referred to as a(n):

- A. dependent project
 - B. independent project**
 - C. mutually exclusive project
 - D. contingent project
-

Q.7 While calculating the present value of bond, which of the following rate is used for discounting purpose?

- A. You can use either coupon rate or market rate
 - B. Coupon Rate
 - C. Market required rate**
 - D. Use that rate which is lower of both (coupon and market rate)
-

Q.8 Which one of the following formulas can be used to calculate Operating Cash Flow (OCF) under tax shield approach?

- A. $OCF = (\text{sales} + \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$
 - B. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$**
 - C. $OCF = (\text{sales} - \text{cost}) \times (1 - \text{tax rate}) - (\text{depreciation} \times \text{tax rate})$
 - D. $OCF = (\text{sales} - \text{cost}) \times (1 + \text{tax rate}) + (\text{depreciation} \times \text{tax rate})$
-

Q.9 Which of the following bond allows the holder to force the issuer to buy the bond back at a stated price?

- A. Convertible bond
 - B. Zero-coupon bond
 - C. Income Bond
 - D. Put bond**
-

Q.10 Which one of the following typically applies to preferred stock but not to common stock?

- A. Dividend yield
 - B. Voting rights
 - C. Cumulative dividends**
 - D. Tax deductible dividends
-

Q.1 Which one of the following costs refers to an outlay that has already occurred and hence is not affected by the decision under consideration ?

- A. Variable
- B. Fixed
- C. Sunk**
- D. Opportunity

Q.2 A project has an initial investment of Rs. 600,000. What would be the NPV for the project if it has a profitability index of 1.12?

- A. Rs. 72,000**
- B. Rs. 40,000
- C. Rs. 55,000
- D. Rs. 65,000

Q.3 A grant of authority which gives one entity or person the authority to vote for another. This refers to which of the following voting procedures?

- A. Cumulative
- B. Staggering
- C. Proxy**
- D. Straight

Q.4 An investment plan is acceptable if its NPV is:

- A. Equal to ZERO
- B. Greater than ZERO**
- C. Less than ZERO
- D. All of the above

Q.5 Which of the following is NOT included in a bond indenture?

- A. A personal profile of the issuer**
- B. The basic terms of bond issue
- C. A description of the security
- D. The total amount of bonds issued

Q.6 Expectation of a ____ inflation rate will push long term interest rates ____ than short term rates reflected by an upward term structure.

- A. Higher; lower
- B. Lower; higher
- C. Higher; higher**
- D. None of the given options

Q.7 Which of the following is NOT included in discounted cash flow criteria for capital budgeting decision?

- A. Payback Period**
 - B. Profitability Index
 - C. Net Present Value
 - D. Internal Rate of Return
-

Q.8 The coupon rate of a floating-rate bond is capped and upper and lower rates are called:

- A. Surplus
 - B. Limit
 - C. Collar**
 - D. Float
-

Q.9 A bondholder has a right to redeem the bond at par on the coupon payment date after some specified period of time. This right is called:

- A. Put provision**
 - B. Call provision
 - C. Correct answer is not given
 - D. Call option
-

Q.10 Which of the following is basic purpose of sinking fund?

- A. Payment of Dividend
 - B. Payment of Salaries
 - C. Repayment of Shares
 - D. Repayment of Bonds**
-

Q.1 Which one of the following statements is INCORRECT regarding a broker?

- A. An agent who do not buy or sell securities for their own
- B. An agent who arranges security transactions among investors
- C. An agent who buy and sell securities from a maintained inventory**
- D. Matching investors wishing to buy and sell securities

Q.2 If the dividend for a share is growing at a steady rate then which of the following formula(s) can be used to find the dividend in two periods?

- A. All of the given options**
- B. $D_2 = D_1 \times (1 + g)$
- C. $D_2 = [D_0 \times (1 + g)] \times (1 + g)$
- D. $D_2 = D_0 \times (1 + g)^2$

**Q.3 ABC Company issues 5 year bonds having following characteristics:
497 and yield to maturity is 15%.**

Rs.1000 face value, initial price Rs.

Bonds issued by ABC Company falls under which one of the following type of

- A. Government bonds
- B. Zero coupon bonds**
- C. Convertible bonds
- D. Floating-rate bonds

Q.4 Which one of the following securities is considered as equity security?

- A. Notes
- B. Bonds
- C. Shares**
- D. Debentures

Q.5 Which of the following statement is TRUE regarding debt?

- A. Corporation's payment of interest on debt is fully taxable.
- B. Debt provides the voting rights to the bondholders.
- C. Debt is an ownership interest in the firm.
- D. Unpaid debt can result in bankruptcy or financial failure.**

Q.6 Which of the following capital budgeting technique is used by the financial management to increase the share value of the company?

- A. NPV**
- B. Payback period
- C. PI
- D. IRR

Q.7 Which of the following is the most common capital budgeting technique?

- A. Profitability Index
 - B. Internal Rate of Return
 - C. Net Present Value
 - D. Payback Period**
-

Q.8 A model which makes an assumption about the future growth of dividends is known as:

- A. All of the given options
 - B. Dividend Growth Model**
 - C. Dividend Policy Model
 - D. Dividend Price Model
-

**Q.9 Preferred stock is similar to debt as both:
receive a stated payment amount.**

- I. frequently carry credit ratings.**
- IV. are not considered debt instruments.**
- II. can be callable.**

B. II and IV only

III. C. I, II, and III only

D. I and III only

Q.10 An investment will be _____ if the IRR doesn't exceeds the required return and _____ otherwise.

- A. Accepted; rejected
 - B. Rejected; rejected
 - C. Rejected; accepted**
 - D. Accepted; accepted
-

Q.1 Standard deviations for Investment A and Investment B are 15% and 32% respectively. This indicates that :

A. Investment B is more volatile than Investment A

- B. Investment B is less volatile than Investment A
- C. Investment A is more volatile than Investment B
- D. Investment A is equally volatile to Investment B

Q.2 Which of the following set of cash flows represent the change in the firm's total cash flow that occurs as direct result of accepting the project ?

- A. Relevant Cash Flows
- B. All of the given options
- C. Incremental Cash Flows**
- D. Negative Cash Flows

Q.3 Which of the following is referred as the ratio of the standard deviation of a distribution to the mean of that distribution ?

- A. Coefficient of variation**
- B. The standard deviation
- C. The expected return
- D. Probability distribution

Q.4 Mr. Nadeem has bought 100 shares of a corporation one year ago at Rs. 22 per share. Over the last year, he received a dividend of Rs. 2.50 per share. At the end of the year, the stock sells for Rs. 28. As per given information, what will be the capital gains yield ?

- A. 25.10%
- B. 27.27%**
- C. 15.85%
- D. 45.00%

Q.5 Tax adjustment is generally required for which of the following costs?

- A. Cost of debt**
- B. Cost of retained earnings
- C. Cost of preferred stock
- D. Cost of common equity

Q.6 Standard Company purchased a vehicle for Rs. 450,000. Based on historical averages, this vehicle is worth 25% of the purchase price now and it is being sold at this price. What is the vehicle's market value ?

- A. Rs. 230,000
- B. Rs. 337,500
- C. Rs. 112,500**
- D. Rs. 14,875

Q.7 Which of the following is (are) a non-cash item(s) ?

- A. All of the given options
 - B. Expenses
 - C. Revenue
 - D. Depreciation**
-

Q.8 While calculating profitability index, present value of the future cash flows is divided with:

- A. Future cash flows
 - B. Growth rate
 - C. Initial investment**
 - D. Discount rate
-

Q.9 While evaluating an investment project, which of the following cash flows should be considered?

- A. Operating cash flows
 - B. Relevant cash flows
 - C. Decremental cash flows
 - D. Incremental cash flows**
-

Q.10 Systematic Risk is also known as :

- A. Asset-specific Risk
 - B. Diversifiable Risk
 - C. Market Risk**
 - D. Residual Risk
-

Q.1 The next dividend (D1) for a company is Rs. 5 per share. The stock current price is Rs. 50 per share. What will be the cost of capital if the dividends are estimated to grow steadily at 5%?

- A. 16%
- B. 13%
- C. 15%**
- D. 14%

Q.2 A set of possible values that a random variable can assume and their associated probabilities of occurrence are referred as :

- A. Coefficient of variation
- B. The standard deviation
- C. The expected return
- D. Probability distribution**

Q.3 Which of the following is referred as a statistical measure of the variability of a distribution around its mean ?

- A. The expected return
- B. The standard deviation**
- C. Probability distribution
- D. Coefficient of variation

Q.4 One would be indifferent between taking and not taking the investment when:

- A. NPV is less than Zero
- B. NPV is equal to Zero**
- C. NPV is greater than Zero
- D. All of the given options

Q.5 Which of the following rate makes the Net Present Value (NPV) equal to zero?

- A. Internal Rate of Return (IRR)**
- B. Average Accounting Return (AAR)
- C. Weighted Average Cost of Capital (WACC)
- D. Required Rate of Return (RRR)

Q.6 Suppose the initial investment for a project is Rs. 16 million and the cash flows are Rs. 4 million in the first year and Rs. 9 million in the second and Rs. 5 million in the third. The project will have a payback period of:

- A. 2.6 Years**
- B. 3.1 Years
- C. 4.1 Years
- D. 3.7 Years

Q.7 If the book value exceeds the market value, then the difference is treated as a _____ for tax purposes.

- A. None of the given options
 - B. Profit
 - C. Loss**
 - D. Surplus
-

Q.8 Prime advantage of investing in different securities is:

- A. All of the given options
 - B. Reduced risk**
 - C. Easy management of securities
 - D. Increased liquidity
-

Q.9 Which of the following is NOT included in discounted cash flow criteria for capital budgeting decision?

- A. Internal Rate of Return
 - B. Net Present Value
 - C. Payback Period**
 - D. Profitability Index
-

Q.10 What will be the weighted average cost of capital if a firm's capital structure has 55% debt and 45% common equity; while, after-tax cost for debt is 8% and the cost of common equity is 15%?

- A. 10.54 %
 - B. 9.91 %
 - C. 11.15 %**
 - D. 10.40 %
-

Q.1 If the book value exceeds the market value, then the difference is treated as a _____ for tax purposes.

- A. Surplus
 - B. None of the given options
 - C. Profit
 - D. Loss**
-

Q.2 Which of the following is NOT included in discounted cash flow criteria for capital budgeting decision?

- A. Payback Period**
 - B. Internal Rate of Return
 - C. Profitability Index
 - D. Net Present Value
-

Q.3 Which of the following comes under the head of accounting criteria for capital budgeting decision?

- A. Payback Period
 - B. Net Present Value
 - C. Profitability Index
 - D. Average Accounting Return**
-

Q.4 Which one of the following is a non-cash item?

- A. Depreciation**
 - B. Sales
 - C. Purchases
 - D. Inventory
-

Q.5 Which of the following type of risk can be eliminated by diversification ?

- A. Systematic Risk
 - B. Unsystematic Risk**
 - C. None of the given options
 - D. Market Risk
-

Q.6 What will be the weighted average cost of capital if a firm's capital structure has 55% debt and 45% common equity; while, after-tax cost for debt is 8% and the cost of common equity is 15%?

- A. 9.91 %
 - B. 11.15 %**
 - C. 10.40 %
 - D. 10.54 %
-

Q.7 A project has an initial investment of Rs. 600,000. What would be the NPV for the project if it has a profitability index of 1.12?

- A. Rs. 40,000
 - B. Rs. 55,000
 - C. Rs. 72,000**
 - D. Rs. 65,000
-

Q.8 While performing the feasibility analysis for a project, an operating cash flow of Rs. 500,000 has been calculated. Net working capital has declined by Rs. 45,000. There was no capital spending during the year. What will be the total cash flow for the project ?

- A. Rs. 455,000
 - B. Rs. 200,000
 - C. Rs. 315,000
 - D. Rs. 545,000**
-

Q.9 Which of the following is (are) a non-cash item(s) ?

- A. Expenses
 - B. Depreciation**
 - C. Revenue
 - D. All of the given options
-

Q.1 Which of the following is NOT a shortcoming of Payback Rule?

- A. It fails to consider risk differences
 - B. Simple and easy to calculate**
 - C. Time value of money is ignored
 - D. None of the given options
-

Q.2 An investment should be accepted if the Net Present Value (NPV) is _____ and rejected if it is _____.

- A. Positive; positive
 - B. Negative; negative
 - C. Positive; negative**
 - D. Negative; positive
-

Q.3 Which one of the following costs refers to an outlay that has already occurred and hence is not affected by the decision under consideration ?

- A. Fixed
 - B. Variable
 - C. Opportunity
 - D. Sunk**
-

Q.4 Dividend received on stocks held by an investor is called:

- A. Total profit
 - B. Income yield**
 - C. Total Return
 - D. Capital yield
-

Q.5 While evaluating an investment project, which of the following cash flows should be considered?

- A. Decremental cash flows
 - B. Incremental cash flows**
 - C. Relevant cash flows
 - D. Operating cash flows
-

Q.6 Which of the following statement is TRUE regarding Average Accounting Return?

- A. An investment is acceptable if its AAR is less than a benchmark AAR
 - B. None of the given options
 - C. An investment is acceptable if its AAR is greater than a benchmark AAR**
 - D. AAR is a rate that makes the NPV equal to zero
-

Q.7 Which of the following equation is correct for calculating the operating cash flows?

A. EBIT + Depreciation - Taxes

B. EBIT - Depreciation + Taxes

C. EBIT + Depreciation + Taxes

D. EBIT - Depreciation - Taxes

Q.8 What will be the Net Present Value (NPV) of an investment when Internal Rate of Return (IRR) is used as discount rate?

A. Less than ZERO

B. Equal to ZERO

C. Equal to the initial investment

D. Equal to the value of depreciation

Q.9 Standard Company purchased a vehicle for Rs. 450,000. Based on historical averages, this vehicle is worth 25% of the purchase price now and it is being sold at this price. What is the vehicle's market value ?

A. Rs. 337,500

B. Rs. 14,875

C. Rs. 112,500

D. Rs. 230,000

Q.10 Expected new sales due to the introduction of a diet version of an existing beverage results in decline in the sale of existing beverage is an example of:

A. Cannibalism

B. Financing cost

C. Opportunity cost

D. Sunk cost

Q.1 Which of the following is referred as the ratio of the standard deviation of a distribution to the mean of that distribution ?

- A. The standard deviation
 - B. Coefficient of variation**
 - C. The expected return
 - D. Probability distribution
-

Q.2 Total portfolio risk is equal to :

- A. systematic risk plus non-diversifiable risk
 - B. systematic risk plus diversifiable risk**
 - C. systematic risk plus market risk
 - D. unsystematic risk plus diversifiable risk
-

Q.3 Unsystematic Risk is also known as :

- A. None of the given options
 - B. Non-diversifiable Risk
 - C. Market Risk
 - D. Diversifiable Risk**
-

Q.4 What will be the Net Present Value (NPV) of an investment when Internal Rate of Return (IRR) is used as discount rate?

- A. Equal to the initial investment
 - B. Equal to ZERO**
 - C. Less than ZERO
 - D. Equal to the value of depreciation
-

Q.5 A project whose acceptance prevents the acceptance of one or more alternative projects is referred to as a(n):

- A. independent project
 - B. mutually exclusive project**
 - C. dependent project
 - D. contingent project
-

Q.6 Net Present Value (NPV) technique which is used to discounts the company's future cash flows is actually a type of:

- A. Stock evaluation technique
 - B. Loan acquiring technique
 - C. Capital budgeting technique**
 - D. Cash collection technique
-

Q.7 Which of the following is a characteristic of preferred stock?

- A. These stocks have not any kind of priority over common stocks
 - B. Dividends on these stocks can be cumulative**
 - C. These bonds hold credit ratings quite different from bonds
 - D. These stocks have not stated liquidating value
-

Q.8 Which of the following best describes dividend yield?

- A. It tells that how much income is earned for each unit invested in a company's shares**
 - B. It tells that how much interest is earned on each unit deposited in a broker account
 - C. It tells that how much tax is paid for each unit invested in a company's shares
 - D. It tells that how much tax is paid on each unit deposited in a broker account
-