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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Relevant cost analysis or relevant costing is used for various managerial decisions, like _____________________________.	Make or buy decision	Accepting or rejecting a special order	Both 1 and 2	Deciding sale quantity
2	Average Rate of Return (ARR) =	(Average Annual Profit after Tax/Average Investment) x 100	(Average Annual Profit after Tax/Opening Investment) x 100	(Average Annual Profit before Tax/Average Investment) x 100	(Average Annual Profit after Tax/Net Sales) x 100
3	A project with an initial investment of Rs.50 Lakh and life of 10 years, generates CFAT of Rs.10 Lakh per annum. Calculate the Payback Reciprocal.	10%	20%	100%	None of these
4	A project requires an initial investment of Rs.3,00,000. It yields annual cash inflow of Rs.60,000 for 8 years. You are required to find out the pay-back period of the project.	8 years	1 year	5 years	2 months
5	A project requires an initial investment of Rs.5,00,000. It yields annual cash inflow of Rs.1,00,000 for 8 years. You are required to find out the pay-back profitability of the project.	Rs.3,00,000	Rs.1,20,000	Rs.8,00,000	Rs.40,00,000
6	NPV at discounting rate of 10% = Rs.1250 and NPV at discounting rate of 11% = Rs. (-) 200. The IRR of the proposal is _____________________.	11.86%	10.86%	9.87%	11.96%
7	The Profitability Index of a project is 1.28 and its cost of investment is Rs. 2,50,000. The NPV of the project is___________________.	Rs. 75,000	Rs. 80,000	Rs. 70,000	Rs. 65,000
8	The IRR of a project is 10%. If the annual cash flow after tax is Rs.1,30,000 and project duration is 4 years, what is the initial investment in the project?	Rs.4,10,000	Rs. 4,12,100	Rs. 3,90,000	Rs. 4,05,000
9	Which of the following statements is/are true?	NPV is not useful for evaluating mutually exclusive projects.	The result of the NPV technique is not effected by the discount rate used.	Benefit-cost ratio helps in evaluating the projects which differ in initial outlays.	The advantage of NPV criteria is that it remains the same for all possible reinvestment rates of intermediate cash flows.

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10	Terminal value of the projects' cash inflows means______________	The sum of the future cash flows after a particular period of time	The present value of the projects' future cash inflows	The sum of the reinvested values of the cash inflows up to the end of the project life	The sum of the reinvested values of the cash inflows up to the end of the project life minus initial outlay
11	IRR can be viewed as _________________	Desired rate of return for the investment proposed	Rate of return earned on the initial investment	The discount rate at which the capital is procured	Rate of return earned on the intermediate cash flows of the project
12	At IRR, NPV is _______________.	0	1	100	-1
13	When NPV is zero, PI is _____________.	0	1	100	-1
14	Requirement of Social Cost Benefit Analysis is/are_____________.	Monetary Cost Benefit Analysis fails to consider the external effects of a project, which may be positive like development of infrastructure or negative like pollution and imbalance in environment.	Taxes and subsidies are monetary costs and gains, but these are only transfer payments from social point of view and therefore irrelevant.	Market prices used to measure costs and benefits in project analysis, do not represent social values due to imperfections in market.	All of these
15	Which of the following techniques is the most suitable, when NPV and IRR lead to inconsistent ranking due to life disparity between two or more projects?	Modified Net Present Value.	Modified Internal Rate of Return.	Uniform Annual Equivalent Cost/Benefit.	Discounted Payback Period.
16	The _______________________ analyses investment opportunities involving a sequence of decisions over time.	Decision-tree Method	Normal Probability Distribution	Social Cost Benefit Analysis	None of these
17	Given, Investment Rs.1,00,000, Life 3 years, Annual Cash Inflows Rs.2,00,000, Annual Cash Outflows Rs.1,50,000, Appropriate Discount Rate 10%. Calculate NPV .	Rs.24,300	Rs.23,400	Rs.15,000	Rs.60,000

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18	Coefficient of variation ____________	Is an absolute measure of risk	Is a relative measure of risk	Is given by mean expected return by standard deviation	Is given by the product of mean expected return and standard deviation
19	If nominal discounting rate is 15%, inflation rate is 5%, then real discounting rate will be __________________.	9.52%	9.25%	10.25%	10.52%
20	If expected NPV = Rs.1,20,000 and S.D = Rs.30,000, then coefficient of variation will be _______________________.	25%	20%	30.00%	50%
21	Given, expected value of profit without perfect information = Rs.1,600 and expected value of perfect information = Rs.300, then expected value of profit with perfect information will be _________________	Rs.1,300	Rs.1,900	Rs.950	None of these
22	If project cost = Rs.12,000, Annual cash flow = Rs.4,500 Cost of capital = 14%, life = 4 years, PVIFA (14%, 4) = 2.9137, then the sensitivity with respect to the project cost is ______________.	9.27%	10.27%	9.72%	10.72%
23	______________is an imitation of a real-world system using a mathematical model that captures the characteristic features of the system as it encounters random events in time.	Simulation	Scenario analysis	Sensitivity analysis	None of these
24	Limitations of Leasing are __________________	The lessor generally imposes certain restrictions on the leased assets. The Lessee may not be permitted to make additions on alterations to suit his needs.	A Financial Lease may entail a higher pay out obligation, if the equipment is not found useful subsequently, and the lessee opts for premature termination of the Lease arrangement.	In most circumstances, the Lessee does not become the owner of the asset, and is thus deprived of the residual value of the asset.	All of these
25	The major advantage of leasing is that it ________________________.	Provides flexible financing	Provides lower payments	Avoids risk of obsolescence	All of the above

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26	A finance lease is an agreement between an owner of an asset and a user of that asset wherein the:	usual risks and benefits of ownership are transferred to the user;	legal title to property is transferred to the lessee when the first lease payment is made;	ownership passes to the lessor on inception date of the lease;	substantially all of the risks and benefits of ownership remain with the lessor.
27	A way to analyse whether debt or lease financing would be preferable is to:	compare the net present values under each alternative, using the cost of capital as the discount rate.	compare the net present values under each alternative, using the after-tax cost of borrowing as the discount rate.	compare the payback periods for each alternative.	compare the effective interest costs involved for each alternative.
28	Which of following clearly define the Leasing services?	One party agrees to rent property owned by another party	It guarantees the lessee, also known as the tenant, use of the asset .	It guarantees the lessor, regular payments from the lease	All of the above
29	The type of lease that includes a third party, a lender, is called as which of the following?	Sale and leaseback	Leveraged Lease	Direct leasing arrangement	Operating lease
30	As per _________________ plan, the periodic lease rent will go on decreasing with a specified rate of decrease.	Stepped-up Plan	Stepped-down Plan	Deferred Payment Plan	Equal Periodic Plan
31	As per _________________ plan, the periodic lease rent payable in the initial period would be less, fixed up in such a way to meet the nominal amount comparative to the cost of investment, the rest of the amount is payable in lump sum during the ending periods of the lease.	Balloon Payment Plan	Stepped-down Plan	Deferred Payment Plan	Equal Periodic Plan
32	Which of the following is limitation of Leasing?	Sale and Leaseback	No Dilution of Ownership	Source of Financing	High Pay-out

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33	Which of the following is/are the objective/s of Cross Border Leasing?	reduction of overall cost of financing through utilization of tax depreciation allowances by the lessor in order to reduce its taxable income.	Depending on the structure, in some countries, the lessor can utilize very favourable “Leveraged Lease” Financial Accounting treatment for the overall transaction.	The lessor is often able to utilize non-recourse debt to finance a substantial portion of the equipment cost.	All of the above
34	A financial institution securitizes part of its balance sheet for ____________ main reasons.	3	4	2	1
35	Securitization is beneficial from the view point of investors also. The potential attractions includes which of the following?	Ability to diversify into sectors of exposure that might not be available in the regular bond markets (for example, residential mortgages or project finance loans)	Access to different (and sometimes superior) risk-reward profiles	Access to sectors that are otherwise not open to them	All of the above
36	Which of the following parties is/are not involved in Securitisation?	Originator	Arranger	Investee	Special Purpose Vehicle
37	In securitization who is the issuer of securities?	SPV	Underwriter	Depositer	Insurer
38	The concept of securitisation is associated with _________________.	Capital market	Money market.	Debt market.	Foreign exchange market.
39	Under “securitisation process”, original borrower is known as____________.	SPV	Obligor	Originator	Credit enhancer
40	_____________certificate under securitisation have multiple maturity structure.	Pass through certificate	Pay through certificate	Preferred stock certificate	Interest only certificate

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41	Fundamental Analysis necessiates which of the following?	Economic Analysis	Economic Analysis Industry Analysis	Content Analysis	Both 1 and 2
42	______________ is the study and analysis of Security Price movements on the following assumptions: 1. There is a basic trend in the share price movements. 2. Such trend is repetitive. 3. Share prices have little relationship with Intrinsic Value and are based more on investor psychology and perception.	Fundamental Analysis	Technical Analysis	Economic Analysis Industry Analysis	Company Analysis
43	__________________________ is a measure of a country's economic activity and is defined as the total amount of goods and services produced in a country in a year	Gross Domestic Product	Business Cycles	Growth Stocks	Value Stocks
44	The major components of GDP are _______________________.	Consumption Spending	Government Budget and expenditure	Consumption in the Process of Imports Distribution	All of these
45	Balance of payment can be grouped into three broad accounts, which are _______________________.	Trade account balance,Compulsoryaccount balances and Capital account balance	Total account balance,Current account balances and Capital account balance	Trade account balance,Current account balances and Assets account balance	Trade account balance,Current account balances and Capital account balance
46	Which of the following techniques are not used in Economic Analysis?	Anticipatory Surveys	Indicator Approach	Economic Model Building Approach	International Product Analysis
47	Which of the following factors are most sensitive to a firm's earnings to the business cycle?	Sensitivity of sales	Combined Leverage	Financial Leverage	Both 1 and 3
48	P/E =	Stock Price / EPS	Share Price/ Book Value per Share	Dividend /Net Income	None of these
49	Which of the following techniques are used in Company Analysis?	Correlation & Regression Analysis	Time Series and Trend Analysis	Decision Tree Analysis	All of these
50	SWOT analysis involves an examination of a firm's strengths, weaknesses, opportunities and ______________	turnovers	threats	scopes	objectives
51	Inventory Turnover Ratio	Returns from Operations /Average inventory	Revenue from Operations /Average Net Fixed Assets	Current Assets /Current Liabilities	None of these

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52	The stock price in the stock market	Hovers around the support level or resistance level	Moves between the same support and resistance levels	Moves between the changing support and resistance level	Both (a) and (b)
53	A company has an ROE of 0.24 and book value of Rs.25.38. the EPS for this company is ________________.	6.09	7.25	6.94	6.13
54	In the bull market _____________	The stock prices are increasing	Each peak is higher than the previous peak	Each bottom is higher than the previous bottom	Both 2 and 3
55	If ROA is 0.195 and the leverage factor of 1.38, the ROE of the company is _______________.	0.279	0.283	0.254	0.269
56	MN Limited is expected to grow at the rate of 8% per annum, which currently pays Rs.10 as dividend. For investments at this risk level, investor requires a return of 15% a year, what is the estimated value of the stock?	Rs.10.80	Rs.154.29	Rs.166.63	None of these
57	A company's share is currently traded for Rs.80 per share. It is expected that a dividend of Rs.4 per share after one year will grow at 8% indefinitely. What is the expected return?	8%	13%	5%	80%
58	__________________ bond is issued at a discount and repaid at face value. No periodic interest is paid.	Bearer Bonds	Puttable Bonds	Zero Coupon Bond	Registered Bonds
59	___________________ bonds refer to the ability of the issuer to pay off a debt obligation prior to its maturity at the option of the issuer of debt.	Puttable Bonds	Term Bonds	Perpetual Bonds	Callable Bonds
60	Consider a 10 year, 12% coupon bond with a par value of Rs.10,000. Assume that the required yield on this bond is 13%. Find out the value of the bond.	Rs.3,601.10	Rs.651.10	Rs. 2,950	None of these

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61	A bond with a face value of Rs.1,000 provides 12% annual return and pays Rs.1,050 at the time of maturity, which is 10 years from now. If the investor required rate of return 13%, at which price should the company issue the bond?	Rs.651.12	Rs.309.75	Rs.960.87	Rs.970
62	Face value of a bond Rs.1,000, coupon rate 6%, Current market price Rs.900. Current Yield?	6%	6.67%	10%	90%
63	Default risk is nil in _______________	Treasury bills	IDBI bonds	ICICI bonds	Reliance bonds
64	Value of the bond depends on ________________	Coupon rate	Expected yield to maturity	Years to maturity	All of the above
65	By investing in bonds, a trader is subjecting himself to the following risks ____________________	Interest rate risk	Default risk	Reinvestment risk	All of the above
66	The current dividend, market price and the annual dividend growth rate of a company are Rs.2.50 per share, Rs.50 per share and 5%, respectively. The capitalization rate of the equity will be ______________________	0.0526	0.10	0.1050	0.1025
67	A company with PAT of Rs.40 Lakh, tax rate of 50%, RONW of 100%, reserves of Rs.30 lakh and a par value Rs.5 will have pre-tax EPS of _____________	Rs. 4.00	Rs. 40.00	Rs. 36.00	Rs. 42.00
68	A stock with a dividend pay-out ratio of 45%, required rate of return is 15% and a constant growth rate of 10% will have a P/E ratio of __________________	3 times	9 times	8 times	7.5 times
69	The current price is Rs.100, the required rate of return is 20% and the dividend paid Rs.3.00 on a share of Rs.10 face value. What is the expected growth rate?	15%	16%	18%	17%
70	According to the constant growth model, the next year's dividend is Rs.2.00, required rate of return is 15% and the growth rate is 10%, the market price would be	Rs. 50	Rs. 45	Rs. 40	Rs. 48
71	A Ltd. has 1 million AAA rated 12% bonds outstanding, maturity in 7 years from now. If the market interest rate is 14%, the price of the bond is (assume FV Rs.100) and coupons are payable annually ___________________	90.00	91.46	93.00	94

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72	You just purchased a 10-year maturity, semi-annual coupon bond for Rs.1,148.77 (face value Rs.1,000), a coupon rate of 8% and a yield to maturity 6%. The bond is callable in four years at Rs.1,080. what is the yield to call?	5.60%	6.0%	7.2%	8.00%
73	A 20-year maturity bond with a par value Rs.1,000 makes semi-annual payments at a coupon rate of 8%. The YTM is 9%. How much should you pay for the bond?	Rs.1,080	Rs.1,000	Rs.908	Rs.966
74	A closed-end fund has a portfolio currently worth Rs.350 million. The fund has liabilities of Rs.5 million and 17 million units outstanding. What is the net asset value of the fund?	Rs.20.28	Rs.20.29	Rs.20.59	Rs.29.17
75	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	3,25,000 units	2,75,000 units	3,75,000 units	2,50,000 units
76	The important role while establishing the mutual fund scheme is played by the _________________	AMC	Trustees	Sponsors	Custodians
77	Settlement are done at the instance of the ____________________	Custodian	AMC	Trustees	Sponsors
78	Balanced funds have the following characteristics __________________	They consist of equity and bonds in equal proportion	They have moderate risk component	They have above average growth potential	None of the above
79	Which among the following increases the NAV of a mutual fund scheme?	Value of investments	Receivables	Accrued income	All of 1,2 and 3
80	Which of the following benefits is not usually conferred by mutual funds?	Diversified investment portfolio	Professional stock selection and asset management	Tax benefits	Assured returns

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81	The mutual funds are likely to perform better in the market than a small investor because they ___________	Depend on the technical analysis tools and have the expertise to use them	Depend on the fundamental analysis which ensures the long-term performance of the fund	Have access to better information, ability and infrastructure to utilize it	None of the above
82	Identify the statement that applies to open-end mutual funds _______________	They do not redeem or issue shares	Shares of such funds are traded on organized exchanges	Their price can't fall below the NAV	Exit from such funds involves selling shares to other investors.
83	How much money would you need to purchase 400 shares of a mutual fund with a NAV of Rs. 55 per share and a 3% load?	Rs.22,000	Rs.21,450	Rs.23,200	Rs.22,660
84	A mutual fund had average daily assets of Rs.500 million in the past year. During the year, the fund sold Rs.60 million of stock X and purchased Rs.90 million of stock Y. What was the fund's turnover ratio?	12%	15%	18%	30%
85	If opening units 10,000 Units subscribe 3000, Units redeem 1000 then Closing units?	10,000 units	13,000 units	12,000 units	14,000 units
86	For a scheme to be defined as an equal fund, it must have a minimum _______________	65% in Indian equities	65% in equities	51% Indian equities	35% in Indian equities
87	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	3,25,000 units	2,75,000 units	3,75,000 units	2,50,000 units
88	For a scheme to be defined as an equal fund, it must have a minimum _______________	65% in Indian equities	65% in equities	51% Indian equities	35% in Indian equities
89	A portfolio having two risky securities can be turned risk less if ___________	The securities are completely positively correlated	If the correlation ranges between zero and one	The securities are completely negatively correlated	d. None of the above

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90	Total risk includes __________________	Systematic risk only	Unsystematic risk only	Both a and b above	Only diversifiable risks
91	Risk of two securities with different expected return can be compared with _________________	Coefficient of variation	Standard deviation of securities	Variance of securities	None of the above
92	A portfolio comprises two securities and the expected return on them is 12% and 16% respectively. Determine return of portfolio if first security constitutes 40% of total portfolio.	12.40%	13.40%	14.40%	15.40%
93	Mr. A invested Rs.10,000 in a shares of XYZ Company 10 years ago, and that is shares (including reinvested dividends) are currently worth Rs.23,8000. Using this information, calculate total investment return of Mr. A	100%	38%	138%	238%
94	What is the annualized return of Mr. A based on the data of the above question?	8%	9.06%	10%	11%
95	Mr. X invested Rs.10,000 in shares of XYZ Company 20 years ago, and that his shares (including reinvested dividends) are currently worth Rs.18,800. Using this information, calculate total investment return of Mr. A.	100%	38%	58%	88%
96	Covariance between a stock and a market index and the variance of the market index were found to be 33.56 and 19.15 respectively. The beta of the stock is:	1.55	1.75	1.85	2.05
97	Consider the information given below: Rate of inflation = 5.1% Beta = 0.85 Real rate of return = 4.2% and Market return = 12.6% The risk premium for the above security will be-	2.50%	2.65%	2.805%	2.95%
98	The security market line’s first point is riskless asset with a beta of zero and the second point on the line is beta of ___________	1	1.5	2.0	0.5

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99	Arbitrage portfolio ____________	Offers profit potential with an amount of additional investment and risk.	Offers profit potential without an amount of additional investment and risk.	Is the most diversified portfolio.	Is the most undiversified portfolio.
100	In contrast to the CAPM, arbitrage pricing theory:	Requires that markets be in equilibrium	Uses risk premiums based on micro variables	Specifies the number and identifies specific factors that determine expected returns.	Does not require the restrictive assumptions concerning the market portfolio.
101	The feature of the general version of the arbitrage pricing theory (APT) that offers the greatest potential advantage over the simple CAPM is the:	Identification of anticipated changes in production, inflation, and term structure of interest rates as key factors explaining the risk return relationship.	Superior measurement of the risk free rate of return over historical time periods.	Variability of coefficients of sensitivity to the APT factors for a given asset over time.	Use of several factors instead of a single market-index to explain the risk-return relationship.
102	Which of the following is a valid comparison between the APT and CAPM?	The CAPM applies to only well-diversified portfolios.	The CAPM dominates the APT and econometric concerns appear to favor it	The APT gets us to the expected return-beta relationship without requiring many of the unrealistic assumptions of the CAPM.	Both theories differ on the expected return-beta relationship.
103	The sum of an asset's systematic variance and its non-systematic variance of returns is equal to the asset's:	Beta.	Total risk.	Total variance.	None
104	The portfolio's risk premium is 12% and the standard deviation of market and the portfolio are 4 and 3, respectively. The fund's beta value is 1.5. The Treynor index is _______________	3.0	8.0	4.0	12

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105	A portfolio manager realized an average annual return of 12%. The beta of the portfolio is 1.1 and the standard deviation of returns is 30%. The average annual return for the market index is 10% and the standard deviation of the market returns is 25%. The rf is 5%. Calculate Jensen's alpha for the portfolio.	0.50%	– 0.5%	1.50%	– 1.5%
106	A portfolio manager realized an average annual return of 15%. The beta of the portfolio is 1.2 and the standard deviation of return is 25%. The average annual return for the market index was 11% and the standard deviation of the market returns is 20%. The risk-free rate is 4%. Calculate the Sharpe ratio for the portfolio.	0.16	0.44	0.55	0.64
107	Sharpe's measure of the portfolio performance is based on ____________	Systematic risk of the portfolio	Unsystematic risk of the portfolio	Total risk of the portfolio	Market risk of the portfolio
108	Which of the following is the more appropriate measure of portfolio performance if you have only one mutual fund in your investment portfolio?	Jensen measure	Sharpe measure	Treynor measure	Information ratio
109	Sharpe measure is best applicable when _____________	Evaluating a portfolio to be mixed with a position in the passive benchmark portfolio	Choosing among portfolios competing as the optional risky position	Comparing with the desired performance based on a benchmark portfolio with actual performance	Ranking many portfolios that will be mixed to form the optional risky portfolio
110	Which of the following statement defines an efficient market?	Information is fully reflected in the stock prices	The stock exchange is fully automated	The stock exchange is fully automated	Free entry and exit of investors
111	In a weakly efficient market, the stock price reflects __________________	The company's financial performance	The past price of the scrip	The demand for the scrip	The past price and traded volume
112	In the strong form of efficient market _____________-	All available information is reflected in prices	All published information is reflected in prices	Stock price reflects past price	All information including insider information is reflected in prices
113	If markets are efficient, the security price provides ________________	Inadequate return for taking up risk	Normal return for the level of risk taken	High return for the level of risk taken	Both 2 and 3
114	A run in the stock price is ___________________	A sequence of either a fall or rise in stock prices	An uninterrupted sequence of either a rise or fall in stock prices	An alternate sequence of stock price and volume movements	A sequence of fall in price

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115	The efficient market hypothesis suggests that investors should ________________________	Adopt an active portfolio management strategy	Adopt a passive portfolio management strategy	Use technical analysis as the basis for investment decisions	Use fundamental analysis as the basis for investment decisions
116	Risk management is the process which includes –	Risk identification	Risk assessment	Risk measurement	All of the above
117	Which of the following is not a part of Financial Risk?	Operational Risk	Market Risk	Credit Risk	Liquidity Risk
118	Which of the following is not a part of Market Risk?	Equity risk	Inflation Risk	Downgrade Risk	Interest Rate Risk
119	Which of the following is not a part of Credit Risk?	Default risk	Downgrade risk	Concentration risk	Liquidity risk
120	Responses to risk includes –	Risk avoidance	Risk reduction	Risk transfer	All of the above
121	There are ______________-primary types of credit risk:	2	3	4	5
122	__________________________ is the risk of uncertain movements and adverse fluctuations in the financial market variables like security prices, commodity prices, interest rates and exchange rates.	Market risk or price risk	Credit Risk	Liquidity Risk	None of these
123	Responses to risk generally fall into which of the following categories?	Risk avoidance, Risk reduction, Risk escaping and Risk acceptance	Risk avoidance, Risk reduction, Risk sharing or transfer and Risk acceptance	Risk avoidance, Risk reduction, Risk intolerance and Risk acceptance	Risk avoidance, Risk reduction, Risk creation and Risk acceptance
124	____________________ is the risk of change in the inflation rates changes the purchasing power.	Inflation Rate Risk	Currency Risk	Commodities Risk	None of these
125	Downgrade Risk __________________________	Is the chance that the spread between the risky bond and risk-free securities will vary after purchase.	Is a chance that a rating agency will lower its rating on the issuer or the probability of loss from a fall in issuers rating because of deterioration in its financial condition.	The risk of loss arising from sovereign state freezing foreign currency payments (transfer/ conversion risk) or when it defaults on its obligations .	Is the chance of failing of an issuer to meet its obligations.
126	An investor writes a three-month put on the stock of an oil company at an exercise price of Rs.275 per share at a premium of Rs.34. If the expiration date price is Rs.280, calculate the gain/loss of put writer.	Rs. 5	-Rs.5	Rs. 34	None of these
127	An investor buys 100 shares of a sugar mill at Rs.210 per share and at the same time writes a September Rs.250 call at a premium of Rs.20 per share. If the expiration date price is Rs.280, calculate the net gain/loss.	Rs.20	Rs.40	Rs.60	None of these

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128	If the share of BA Ltd. (F. V. Rs.10) quotes Rs.920 on NSE, and the 3 months futures price quotes at Rs.950, and the borrowing rate is given as 8% and the expected annual dividend yield is 15% p.a. payable before expiry, then the price of 3-month BA Ltd. futures would be _______________.	Rs.948.40	Rs.939.90	Rs. 938.50	Rs.936.90
129	The stock of ABC Ltd. sells for Rs.210. The present value of exercise price and the value of call option are Rs.217.40 and Rs.9.60 respectively. What is the value of put option?	Rs.16.50	Rs.22.00	Rs.17.00	Rs.18.00
130	In June 2022, a six month Call on Ritz Ltd.'s stock with an exercise price of Rs.25 sold for Rs.5. The stock price was Rs.20. The risk- free interest rate was 5% per annum. How much would you be willing to pay for a Put Option on Ritz Ltd.'s stock with same maturity and exercise price? [Given: PVIF (5%, 1/2 year) = 0.9756]	Rs. 6.39	Rs.9.39	Rs. 2.39	None of these
131	A buyer of forward contract will make profit if _____________-	Future price is lower than the forward price	Future price is higher than the forward price	Future price is equal to the forward price	Both 1 and 3
132	Which of the following is/are underlying instrument(s) in a Forward Rate Agreement?	Interest rate	Exchange rate	Inflation rate	Both 1 and 3
133	The market in which the futures price is greater than the spot price is referred to as ____________.	Basis	Contango	Backwardation	Reverse Cash and carry arbitrage market
134	Buying and selling call or put option with the same strike price but different expiration dates is called __________________-	Long hedge	Short hedge	Horizontal option spread	None of the above.
135	Maintenance margins deposited by an investor in a futures contract is ________________.	Greater than or equal to the initial margin	Less than or equal to the initial margin	Greater than the initial margin	Less than the initial margin
136	Backwardation occurs when _________________.	Current spot price = futures price	Current spot price < futures	Futures price < current spot price	Futures price > current spot price
137	American options are those _________________.	Options which are traded on New York Stock Exchange	That can be exercised at any time during a specified period	That can be exercised only at the specified period	That can be exercised even after the specified period
138	The writer of the option is also known as a __________________.	Buyer of the option	Holder of the option	Seller of the option	Mediator of the option

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
139	Covered Call Writing means ______________________.	Buying a stock and a put option and writing a call option on the asset already owned	Buying a call option and stock and writing a put option	Buying a call option and writing a put option	Selling a call option and purchasing a stock
140	Plain vanilla interest rate swaps involved ________________.	Fixed to fixed rate swap	Fixed to floating rate swap	Floating to floating rate swap	Currency swap
141	Which of the following bonds are denominated in Yen?	Yankee	Samurai	Shibosai	Both 2 and 3
142	_____________ are underwritten and have a maturity of up to one year.	Note issuance facilities	Medium-term notes	Commercial paper	ADRs
143	______________ is a private arrangement between lending banks and a borrower.	Club loan	Multiple component facility	Syndicated Euro credit	All of the above
144	A Yankee bond is ______________	A dollar dominated bond issued for global market by a non-US entity	A dollar denominated bond issued in the US by a non-US entity	A dollar denominated bond issued by a US resident to a non-US investor	A dollar denominated bond issued in US by a US resident
145	Shibosai bond is a bond _________________	Denominated in ¥ and issued outside Japan	Denominated in a currency other than ¥ and issued in Japan	Denominated in Japanese ¥ and issued under private placement in Japan	Denominated in ¥ and issued by a overseas corporate to the public in Japan
146	Which of the following is/are advantage/s of ADRs ?	Access to Large Capital	Access to Foreign Exchange	No Change in the Shareholding / voting pattern	All of the above
147	Which of the following is/are feature/s of GDRs ?	Underlying Shares	Globally Marketed	Not negotiable	Both 1 and 2
148	An Indian company is planning to invest in US. The US inflation rate is expected to be 3% and that of India is expected to be 8% annually. If the spot rate currently is Rs.45/US $, what spot rate can you expect after 5 years?	Rs.56.09/US $	Rs.57.00/US $	Rs.57.04/US $	Rs.57.13/US$
149	The spot and 6 months forward rates of £ in relation to the rupee (Rs./£): are Rs.77.9542/ 78.1255 and Rs.78.8550/9650 respectively. What will be the annualised forward margin (Premium with respect to Ask Price)?	2.31%	2.15%	1.80%	1.59%
150	The United States Dollar is selling in India at Rs.45.20. If the interest rate for a 6-months borrowing in India is 10% and the corresponding rate in USA is 4%, what would be the rate of forward premium/(discount)?	5.93 %	5.88 %	(5.17%)	(5.52%)

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
151	The sterling is trading at $1.6400 today. Inflation U.K. is 3.8% and that in U.S.A. is 2.9%. What would be the spot rate ($/£) after 2 years?	$1.6117	$1.615	$1.625	None of the above
152	Components of digital infrastructure includes which of the following?	Data centers and networks	Enterprise portals, platforms, systems, and software	Cloud services	All of these
153	Which of the following is not a potential benefit of Central Bank Digital Currencies ?	Technological efficiency in storing and transacting with reduced cost	Scope committing illegal activities like money laundering, tax evasion, terror financing	Keeping track of transactions, exact location of money	Providing a digital record of every transaction
154	_________________ is unique. Non- fungible tokens can digitally represent any asset, including online-only assets like digital artwork and real assets such as real estate.	Non-Fungible Tokens	Cryptocurrency	Central Bank Digital Currencies	None of these
155	Which of the following is not a component of Digital Finance Ecosystem?	Digital Infrastructure	Digital Money	Digital Liabilities	Digital Financial Services
156	NFT stands for _______________.	Non-Fungible Token	Non-Fuel Token	C. Non-Fractional Token	D. Non-Fundamental Token
157	Digital Finance Cube has ________________ dimensions.	6	4	3	2
158	In India, all payments are regulated by ______________________.	RBI Act, 1934	Banking Regulation Act, 1949	Payment and Settlement Systems Act, 2007	SBI Act, 1955
159	UPI stands for ___________________.	United Payment Interface	Unified Payment Interface	Unique Payment Interface	Utility Payment Interface

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
1	Relevant cost analysis or relevant costing is used for various managerial decisions, like ______________________________.	Both 1 and 2
2	Average Rate of Return (ARR) =	(Average Annual Profit after Tax/Closing Investment) x 100
3	A project with an initial investment of Rs.50 Lakh and life of 10 years, generates CFAT of Rs.10 Lakh per annum. Calculate the Payback Reciprocal.	20%
4	A project requires an initial investment of Rs.3,00,000. It yields annual cash inflow of Rs.60,000 for 8 years. You are required to find out the pay-back period of the project.	5 years
5	A project requires an initial investment of Rs.5,00,000. It yields annual cash inflow of Rs.1,00,000 for 8 years. You are required to find out the pay-back profitability of the project.	Rs.3,00,000
6	NPV at discounting rate of 10% = Rs.1250 and NPV at discounting rate of 11% = Rs. (-) 200. The IRR of the proposal is _______________________.	10.86%
7	The Profitability Index of a project is 1.28 and its cost of investment is Rs. 2,50,000. The NPV of the project is____________________.	Rs. 70,000
8	The IRR of a project is 10%. If the annual cash flow after tax is Rs.1,30,000 and project duration is 4 years, what is the initial investment in the project?	Rs. 4,12,100
9	Which of the following statements is/are true?	Benefit-cost ratio helps in evaluating the projects which differ in initial outlays.
10	Terminal value of the projects' cash inflows means_______________	The sum of the reinvested values of the cash inflows up to the end of the project life
11	IRR can be viewed as __________________	Rate of return earned on the initial investment
12	At IRR, NPV is ________________.	0
13	When NPV is zero, PI is ______________.	1
14	Requirement of Social Cost Benefit Analysis is/are______________.	All of these
15	Which of the following techniques is the most suitable, when NPV and IRR lead to inconsistent ranking due to life disparity between two or more projects?	Uniform Annual Equivalent Cost/Benefit.
16	The _________________________ analyses investment opportunities involving a sequence of decisions over time.	Decision-tree Method
17	Given, Investment Rs.1,00,000, Life 3 years, Annual Cash Inflows Rs.2,00,000, Annual Cash Outflows Rs.1,50,000, Appropriate Discount Rate 10%. Calculate NPV .	Rs.24,300
18	Coefficient of variation _____________	Is given by the product of mean expected return and standard deviation
19	If nominal discounting rate is 15%, inflation rate is 5%, then real discounting rate will be ___________________.	9.52%
20	If expected NPV = Rs.1,20,000 and S.D = Rs.30,000, then coefficient of variation will be ________________________.	25%

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
21	Given, expected value of profit without perfect information = Rs.1,600 and expected value of perfect information = Rs.300, then expected value of profit with perfect information will be _________________	Rs.1,900
22	If project cost = Rs.12,000, Annual cash flow = Rs.4,500 Cost of capital = 14%, life = 4 years, PVIFA (14%, 4) = 2.9137, then the sensitivity with respect to the project cost is ______________.	9.27%
23	______________is an imitation of a real-world system using a mathematical model that captures the characteristic features of the system as it encounters random events in time.	Simulation
24	Limitations of Leasing are __________________	All of these
25	The major advantage of leasing is that it ________________________.	All of the above
26	A finance lease is an agreement between an owner of an asset and a user of that asset wherein the:	usual risks and benefits of ownership are transferred to the user;
27	A way to analyse whether debt or lease financing would be preferable is to:	compare the net present values under each alternative, using the after-tax cost of borrowing as the discount rate.
28	Which of following clearly define the Leasing services?	All of the above
29	The type of lease that includes a third party, a lender, is called as which of the following?	Leveraged Lease
30	As per _________________ plan, the periodic lease rent will go on decreasing with a specified rate of decrease.	Stepped-down Plan
31	As per _________________ plan, the periodic lease rent payable in the initial period would be less, fixed up in such a way to meet the nominal amount comparative to the cost of investment, the rest of the amount is payable in lump sum during the ending periods of the lease.	Balloon Payment Plan
32	Which of the following is limitation of Leasing?	High Pay-out
33	Which of the following is/are the objective/s of Cross Border Leasing?	All of the above
34	A financial institution securitizes part of its balance sheet for ____________ main reasons.	3
35	Securitization is beneficial from the view point of investors also. The potential attractions includes which of the following?	All of the above
36	Which of the following parties is/are not involved in Securitisation?	Investee
37	In securitization who is the issuer of securities?	SPV
38	The concept of securitisation is associated with _________________.	Debt market.
39	Under "securitisation process", original borrower is known as____________.	Obligor
40	_____________certificate under securitisation have multiple maturity structure.	Pay through certificate
41	Fundamental Analysis necessiates which of the following?	Both 1 and 2

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
42	______________ is the study and analysis of Security Price movements on the following assumptions: 1. There is a basic trend in the share price movements. 2. Such trend is repetitive. 3. Share prices have little relationship with Intrinsic Value and are based more on investor psychology and perception.	Technical Analysis
43	__________________________ is a measure of a country's	Gross Domestic Product
44	The major components of GDP are ________________________.	All of these
45	Balance of payment can be grouped into three broad accounts, which are ________________________.	Trade account balance,Current account balances and Capital account balance
46	Which of the following techniques are not used in Economic Analysis?	International Product Analysis
47	Which of the following factors are most sensitive to a firm's earnings to the business cycle?	Both 1 and 3
48	P/E =	Stock Price / EPS
49	Which of the following techniques are used in Company Analysis?	All of these
50	SWOT analysis involves an examination of a firm's strengths, weaknesses, opportunities and ______________	threats
51	Inventory Turnover Ratio	Returns from Operations /Average inventory
52	The stock price in the stock market	Moves between the changing support and resistance level
53	A company has an ROE of 0.24 and book value of Rs.25.38. the EPS for this company is ________________.	6.09
54	In the bull market _____________	Both 2 and 3
55	If ROA is 0.195 and the leverage factor of 1.38, the ROE of the company is _______________.	0.269
56	MN Limited is expected to grow at the rate of 8% per annum, which currently pays Rs.10 as dividend. For investments at this risk level, investor requires a return of 15% a year, what is the estimated value of the stock?	Rs.154.29
57	A company's share is currently traded for Rs.80 per share. It is expected that a dividend of Rs.4 per share after one year will grow at 8% indefinitely. What is the expected return?	13%
58	__________________ bond is issued at a discount and repaid at face value. No periodic interest is paid.	Zero Coupon Bond
59	___________________ bonds refer to the ability of the issuer to pay off a debt obligation prior to its maturity at the option of the issuer of debt.	Callable Bonds
60	Consider a 10 year, 12% coupon bond with a par value of Rs.10,000. Assume that the required yield on this bond is 13%. Find out the value of the bond.	Rs.3,601.10
61	A bond with a face value of Rs.1,000 provides 12% annual return and pays Rs.1,050 at the time of maturity, which is 10 years from now. If the investor required rate of return 13%, at which price should the company issue the bond?	Rs.960.87
62	Face value of a bond Rs.1,000, coupon rate 6%, Current market price Rs.900. Current Yield?	6.67%

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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
63	Default risk is nil in _______________	Treasury bills
64	Value of the bond depends on ________________	All of the above
65	By investing in bonds, a trader is subjecting himself to the following risks ____________________	All of the above
66	The current dividend, market price and the annual dividend growth rate of a company are Rs.2.50 per share, Rs.50 per share and 5%, respectively. The capitalization rate of the equity will be ______________________	0.1025
67	A company with PAT of Rs.40 Lakh, tax rate of 50%, RONW of 100%, reserves of Rs.30 lakh and a par value Rs.5 will have pre-tax EPS of _____________	Rs. 40.00
68	A stock with a dividend pay-out ratio of 45%, required rate of return is 15% and a constant growth rate of 10% will have a P/E ratio of __________________	9 times
69	The current price is Rs.100, the required rate of return is 20% and the dividend paid Rs.3.00 on a share of Rs.10 face value. What is the expected growth rate?	17%
70	According to the constant growth model, the next year's dividend is Rs.2.00, required rate of return is 15% and the growth rate is 10%, the market price would be	Rs. 40
71	A Ltd. has 1 million AAA rated 12% bonds outstanding, maturity in 7 years from now. If the market interest rate is 14%, the price of the bond is (assume FV Rs.100) and coupons are payable annually ___________________	91.46
72	You just purchased a 10-year maturity, semi-annual coupon bond for Rs.1,148.77 (face value Rs.1,000), a coupon rate of 8% and a yield to maturity 6%. The bond is callable in four years at Rs.1,080. what is the yield to call?	8.00%
73	A 20-year maturity bond with a par value Rs.1,000 makes semi-annual payments at a coupon rate of 8%. The YTM is 9%. How much should you pay for the bond?	Rs.908
74	A closed-end fund has a portfolio currently worth Rs.350 million. The fund has liabilities of Rs.5 million and 17 million units outstanding. What is the net asset value of the fund?	Rs.20.29
75	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	2,75,000 units
76	The important role while establishing the mutual fund scheme is played by the _________________	Sponsors
77	Settlement are done at the instance of the ____________________	AMC
78	Balanced funds have the following characteristics __________________	They have moderate risk component
79	Which among the following increases the NAV of a mutual fund scheme?	All of 1,2 and 3
80	Which of the following benefits is not usually conferred by mutual funds?	Assured returns
81	The mutual funds are likely to perform better in the market than a small investor because they ___________	None of the above

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
82	Identify the statement that applies to open-end mutual funds ________________	Shares of such funds are traded on organized exchanges
83	How much money would you need to purchase 400 shares of a mutual fund with a NAV of Rs. 55 per share and a 3% load?	Rs.22,660
84	A mutual fund had average daily assets of Rs.500 million in the past year. During the year, the fund sold Rs.60 million of stock X and purchased Rs.90 million of stock Y. What was the fund's turnover ratio?	12%
85	If opening units 10,000 Units subscribe 3000, Units redeem 1000 then Closing units?	12,000 units
86	For a scheme to be defined as an equal fund, it must have a minimum ________________	65% in equities
87	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	2,75,000 units
88	For a scheme to be defined as an equal fund, it must have a minimum ________________	65% in equities
89	A portfolio having two risky securities can be turned risk less if ____________	The securities are completely negatively correlated
90	Total risk includes ___________________	Both a and b above
91	Risk of two securities with different expected return can be compared with ___________________	Coefficient of variation
92	A portfolio comprises two securities and the expected return on them is 12% and 16% respectively. Determine return of portfolio if first security constitutes 40% of total portfolio.	14.40%
93	Mr. A invested Rs.10,000 in a shares of XYZ Company 10 years ago, and that is shares (including reinvested dividends) are currently worth Rs.23,8000. Using this information, calculate total investment return of Mr. A	138%
94	What is the annualized return of Mr. A based on the data of the above question?	9.06%
95	Mr. X invested Rs.10,000 in shares of XYZ Company 20 years ago, and that his shares (including reinvested dividends) are currently worth Rs.18,800. Using this information, calculate total investment return of Mr. A.	88%
96	Covariance between a stock and a market index and the variance of the market index were found to be 33.56 and 19.15 respectively. The beta of the stock is:	1.75
97	Consider the information given below: Rate of inflation = 5.1% Beta = 0.85 Real rate of return = 4.2% and Market return = 12.6% The risk premium for the above security will be-	2.805%

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
98	The security market line's first point is riskless asset with a beta of zero and the second point on the line is beta of ___________	1
99	Arbitrage portfolio ____________	Offers profit potential without an amount of additional investment and risk.
100	In contrast to the CAPM, arbitrage pricing theory:	Does not require the restrictive assumptions concerning the market portfolio.
101	The feature of the general version of the arbitrage pricing theory (APT) that offers the greatest potential advantage over the simple CAPM is the:	Use of several factors instead of a single market-index to explain the risk-return relationship.
102	Which of the following is a valid comparison between the APT and CAPM?	The APT gets us to the expected return-beta relationship without requiring many of the unrealistic assumptions of the CAPM.
103	The sum of an asset's systematic variance and its non-systematic variance of returns is equal to the asset's:	Total variance.
104	The portfolio's risk premium is 12% and the standard deviation of market and the portfolio are 4 and 3, respectively. The fund's beta value is 1.5. The Treynor index is _______________	8.0
105	A portfolio manager realized an average annual return of 12%. The beta of the portfolio is 1.1 and the standard deviation of returns is 30%. The average annual return for the market index is 10% and the standard deviation of the market returns is 25%. The rf is 5%. Calculate Jensen's alpha for the portfolio.	– 0.5%
106	A portfolio manager realized an average annual return of 15%. The beta of the portfolio is 1.2 and the standard deviation of return is 25%. The average annual return for the market index was 11% and the standard deviation of the market returns is 20%. The risk-free rate is 4%. Calculate the Sharpe ratio for the portfolio.	0.44
107	Sharpe's measure of the portfolio performance is based on ____________	Total risk of the portfolio
108	Which of the following is the more appropriate measure of portfolio performance if you have only one mutual fund in your investment portfolio?	Sharpe measure
109	Sharpe measure is best applicable when _____________	Choosing among portfolios competing as the optional risky position
110	Which of the following statement defines an efficient market?	Information is fully reflected in the stock prices
111	In a weakly efficient market, the stock price reflects ___________________	The past price and traded volume
112	In the strong form of efficient market _____________-	All information including insider information is reflected in prices
113	If markets are efficient, the security price provides ________________	Normal return for the level of risk taken
114	A run in the stock price is ___________________	An uninterrupted sequence of either a rise or fall in stock prices
115	The efficient market hypothesis suggests that investors should _________________________	Adopt a passive portfolio management strategy
116	Risk management is the process which includes –	All of the above

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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
117	Which of the following is not a part of Financial Risk?	Operational Risk
118	Which of the following is not a part of Market Risk?	Downgrade Risk
119	Which of the following is not a part of Credit Risk?	Liquidity risk
120	Responses to risk includes –	All of the above
121	There are ______________-primary types of credit risk:	3
122	__________________________ is the risk of uncertain movements and adverse fluctuations in the financial market variables like security prices, commodity prices, interest rates and exchange rates.	Market risk or price risk
123	Responses to risk generally fall into which of the following categories?	Risk avoidance, Risk reduction, Risk sharing or transfer and Risk acceptance
124	____________________ is the risk of change in the inflation rates changes the purchasing power.	Inflation Rate Risk
125	Downgrade Risk _________________________	Is a chance that a rating agency will lower its rating on the issuer or the probability of loss from a fall in issuers rating because of deterioration in its financial condition.
126	An investor writes a three-month put on the stock of an oil company at an exercise price of Rs.275 per share at a premium of Rs.34. If the expiration date price is Rs.280, calculate the gain/loss of put writer.	Rs. 34
127	An investor buys 100 shares of a sugar mill at Rs.210 per share and at the same time writes a September Rs.250 call at a premium of Rs.20 per share. If the expiration date price is Rs.280, calculate the net gain/loss.	Rs.60
128	If the share of BA Ltd. (F. V. Rs.10) quotes Rs.920 on NSE, and the 3 months futures price quotes at Rs.950, and the borrowing rate is given as 8% and the expected annual dividend yield is 15% p.a. payable before expiry, then the price of 3-month BA Ltd. futures would be _______________.	Rs.936.90
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131	A buyer of forward contract will make profit if _____________-	Future price is higher than the forward price
132	Which of the following is/are underlying instrument(s) in a Forward Rate Agreement?	Interest rate
133	The market in which the futures price is greater than the spot price is referred to as ____________.	Contango
134	Buying and selling call or put option with the same strike price but different expiration dates is called ___________________-	Horizontal option spread
135	Maintenance margins deposited by an investor in a futures contract is ________________.	Less than the initial margin
136	Backwardation occurs when _________________.	Futures price < current spot price
137	American options are those _________________.	That can be exercised at any time during a specified period

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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

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139	Covered Call Writing means _______________________.	Selling a call option and purchasing a stock
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141	Which of the following bonds are denominated in Yen?	Both 2 and 3
142	_____________ are underwritten and have a maturity of up to one year.	Note issuance facilities
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144	A Yankee bond is ______________	A dollar denominated bond issued in the US by a non-US entity
145	Shibosai bond is a bond _________________	Denominated in Japanese ¥ and issued under private placement in Japan
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154	__________________ is unique. Non- fungible tokens can digitally represent any asset, including online-only assets like digital artwork and real assets such as real estate.	Non-Fungible Tokens
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156	NFT stands for _______________.	A. Non-Fungible Token
157	Digital Finance Cube has ________________ dimensions.	3
158	In India, all payments are regulated by ______________________.	Payment and Settlement Systems Act, 2007
159	UPI stands for __________________.	Unified Payment Interface