

FINAL ANSWER KEY

Question 11/2025/OL

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Department Kerala State Co Operative Agricultural and Rural
Development Bank Limited

Question1:-Which among the following is an example of cooperative common wealth in Spain?

A:-Emilia-Romagna Region

B:-Mondragon Cooperative Corporation

C:-Quebec Cooperative Movement

D:-None of the above

Correct Answer:- Option-B

Question2:-Statement I : Cooperatives are member-owned and controlled, whereas socialist economies often feature state ownership and centralized planning

Statement II : Cooperatives allow for private property and individual initiative, whereas communist economies abolish private property

Choose the right answer about the statements :

A:-Both Statements are right

B:-Only Statement I is right

C:-Only Statement II is right

D:-Both Statements are wrong

Correct Answer:- Option-A

Question3:-Which among the following were categorised as non-essential principles?

A:-Democratic control

B:-Limited interest on capital

C:-Patronage dividend

D:-Cash trading

Correct Answer:- Option-D

Question4:-ICA appointed a commission in 1964 to study the relevance of Rochdale Principles, which new principle was added by the commission in 1966?

A:-Cooperation among cooperatives

B:-Cash trading

C:-Cooperative Education

D:-Limited interest on capital

Correct Answer:- Option-A

Question5:-Cooperatives are self help organisations controlled by their members. Which among the principles indicate this?

A:-Voluntary and open membership

B:-Democratic member control

C:-Autonomy and Independence

D:-Member Economic Participation

Correct Answer:- Option-C

Question6:-Which among the following is not a function of NAFED?

A:-Procurement

B:-Marketing

C:-Credit facility

D:-Price support

Correct Answer:- Option-C

Question7:-The type of housing society which constructs houses and allots to members on rental basis

A:-Cooperative building society

B:-Tenancy Housing Cooperative Society

C:-Cooperative house construction societies

D:-None of these

Correct Answer:- Option-B

Question8:-Statement I : Lead societies are provided with additional capital of Rs.5,000

Statement II : Link societies are provided with a Managerial subsidy of Rs.2,000.

Analyse these statements and choose the right answer :

A:-Both statements are right

B:-Only Statement I is right

C:-Only Statement II is right

D:-Both Statements are wrong

Correct Answer:- Option-C

Question9:-The NDDDB was merged with Indian Dairy Corporation with effect from

A:-12th October 1978

B:-21st October 1978

C:-21st October 1987

D:-12th October 1987

Correct Answer:- Option-D

Question10:-The year 2015 marks an important milestone in the journey of IFFCO. Which among the following happened in that year?

A:-Joint venture with Mitsubishi Corporation formed to setup agrochemical business in India

B:-Launch of IFFCO Sagarika with acquisition of AquaAgri Processing Pvt. Ltd

C:-Launches its Nano Technology based Products

D:-None of the above

Correct Answer:- Option-A

Question11:-Who is the current Chairman of NABARD?

A:-Shri Goverdhan S. Rawat

B:-Dr. Ajay Kumar Sood

C:-Mr. Shaji K.V.

D:-Dr. K. Inkarsal

Correct Answer:- Option-C

Question12:-Following is the point of view of a committee that highlight the scope and duties of a cooperative auditor. Which of the committee in cooperative sector enlisted below opined that "The terms of Act expressly require that the audit shall include an examination of overdue debts and a valuation of assets and liabilities"

| No. | Committee |
|-----|------------------------|
| I | Mirdha Committee |
| II | Maclegan Committee |
| III | Mehta Committee Report |
| IV | Mishra Committee |

A:-I

B:-II

C:-III

D:-IV

Correct Answer:- Option-B

Question13:-The following are characteristic features of Unitary and Federal types of societies. Which of the combination of features match with the types of societies?

- I. Centralised Character
- II. Cooperative Democracy
- III. Decentralisation of authority and responsibility
- IV. Sacrifice Cooperative values

A:-Unitary Federal
I, II & IV III

B:-Unitary Federal

I II, III & IV

C:-Unitary Federal
I & III II & IV

D:-Unitary Federal
I & IV II & III

Correct Answer:- Option-D

Question14:-You are given with a set of statements related to state aid to cooperatives. Identify the incorrect statement (s) in respect of indemnity of apex and central societies.

- I. Government have claim over the money received by apex society through liquidation process wherein the apex society have subscribed shares of a cooperative society using Principal state Partnership Fund which is subsequently wound up.
- II. If a society in which shares are purchased from the money's in the subsidiary State Partnership Fund is wound up or dissolved not only the Government but also the Apex society shall have claim against the central society that purchased shares in respect of any loss arising from such purchase.
- III. The money received by central society by way of share capital repayment, redemption of shares and dividend on shares shall be directly credited to account of apex society.
- IV. When an apex society is liquidated, the amount in the Principal State Partnership Fund shall be paid to the Government in to

A:-I II III IV
Incorrect Incorrect Correct Correct

B:-I II III IV
Correct Correct Incorrect Incorrect

C:-I II III IV
Correct Incorrect Incorrect Correct

D:-I II III IV
Incorrect Correct Correct Incorrect

Correct Answer:- Option-C

Question15:-The fundamental characteristics of types of societies with respect to its formation and functioning are given below. Match the characteristics to types of formation/functioning of cooperatives.

- I. Use of existing tested Model
- II. Hospitable Climate for growth even in adverse circumstances
- III. Facilitate Government to Channelise Resources supporting local needs
- IV. Ideological and Political attractiveness
- V. Designed to meet changing circumstances

A:-Blue Print Discourse
I & IV II, III & V

B:-Blue Print Discourse
IV & V I, II & III

C:-Blue Print Discourse
I, III & IV II & V

D:-Blue Print Discourse

II, IV & V

I & III

Correct Answer:- Option-A

Question16:-Which one of the following statement(s) is (are) correct with respect to cooperative audit?

- i) Accounts of every society shall be audited within 60 days of the close of the financial year to which such accounts relate
- ii) The DCA shall publish a panel of auditors on designation basis as per the class and type of societies within 30 days from the close of financial year
- iii) In a cooperative society, the auditor carries out the audit on behalf of the Registrar and submits his reports to the Director of Cooperative Audit
- iv) It shall be the duty of Director of Cooperative Audit in consultation with Registrar to revise, amend or update audit manual in every five years as prescribed
- v) Section 63 of Kerala Cooperative Societies Act outlines the Powers of the Director of Cooperative Audit

A:-option iv and v only

B:-option ii and iii only

C:-option iii and iv only

D:-option i and ii only

Correct Answer:- Option-C

Question17:-Which of the following is/are appropriate statement with respect to constitution, functions, powers of cooperative Tribunal?

- I. District Judges are qualified to be posted at Kerala Cooperative Tribunal
- II. The Tribunal shall pass an order u/s 82 (1A) (1) within Sixty days with direction to communicate the copies thereof within 15 days to the parties thereof
- III. An application for review under section 85 (2) (1) by any party shall be made within 60 days from the date of communication of order of the Tribunal
- IV. The time limit for the filing of appeal petition before the tribunal shall be 60 days from the date of order, award or decision when decision is declared in the presence of party.

A:-II & IV only

B:-I, III only

C:-II and III only

D:-I & IV only

Correct Answer:- Option-D

Question18:-Which one of the following is/are the functions suggested by the Cooperative planning committee (1946) in respect of multipurpose cooperative societies?

- I. Act as an agent of Government to implement programmes for development of rural poor
- II. Finance to all types of agricultural crops
- III. Sale of agricultural products as agents through marketing cooperatives
- IV. Encourage subsidiary occupations for its members
- V. Arranging warehouse facilities, processing agricultural products and other services for betterment of standard of living of its members

A:-II, IV and V only

B:-II, III and IV only

C:-II and III only

D:-I, IV and V only

Correct Answer:- Option-B

Question19:-The relevant sections related to forms and legal aspects of state aid to cooperative societies are given below. Match Column A specifying the nature/form, legal aspects related to assistance and Column B specifying relevant section as per Kerala Cooperative Societies Act 1969.

| Legal aspects/Nature of State aid/to cooperatives | Section KCS Act 1969 |
|---------------------------------------------------------------------------------|----------------------|
| I. State aid in the form of Loans and advances | A. Section 47 |
| II. Limited Liability of Govt. to subscription of shares in society | B. Section 49 |
| III. Prior approval of Govt for purchase of shares of societies using PSPF/SSPF | C. Section 53 |
| IV. Indemnity of apex and central societies | D. Section 46 |

A:-I-C, II-A, III-D, IV-B

B:-I-A, II-C, III-B, IV-D

C:-I-B, II-D, III-C, IV-A

D:-I-D, II-B, III-A, IV-C

Correct Answer:- Option-A

Question20:-As per rule 74 of Kerala Cooperative Societies Rules 1969, which one of the following is correct as to the procedure for filing execution petition?

- I. A copy of Original of order, decision or award shall be submitted with the execution application.
- II. The Registrar prepares demand notice in writing in duplicate stating name of defaulter and amount due from him
- III. Sales Officer verifies the correctness of application and enter into execution register
- IV. The decree holder may indicate the type of proceedings either attachment and sale of movables or immovable properties

A:-I only

B:-I & II only

C:-IV only

D:-III only

Correct Answer:- Option-C

Question21:-The following facts are related to state aid to cooperatives. Which of the following fact (s) do (es) n't conform to Kerala Cooperative Societies Act 1969?

- I. Any amount to the credit of the PSPF of SSPF and the investments there of shall not form part of assets or liabilities of apex or central society as case may be
- II. Guarantee the repayment of principal and payment of interest on debentures issued by a society is a form of State aid to societies.
- III. The is the Apex and Central Societies that establish fund titled Principal State Partnership Fund and Subsidiary State Partnership Fund respectively out of money provided by Government
- IV. Prior approval from Government is needed to purchase shares in a society

from the moneys in either Principal State Partnership Fund and Subsidiary State Partnership Fund.

A:-all statements are correct

B:-all statements except I are correct

C:-all statements except III are correct

D:-all statements except I and III are correct

Correct Answer:- Option-A

Question22:-The salient features of cooperative credit societies act 1904 are tabled below in four sets (block). One or more of the set (s) contain an incorrect characteristic feature (s). You are required to identify the set (s) that contain incorrect characteristic feature of CCS act 1904.

| Set I | Set II | Set III | Set IV |
|------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------|--------------------------------|
| Sir Devzil Ibbtson man One compiled 1904 act | An act implemented with no rules | No Central or apex Society | One Vote |
| Edward Law committee audit by 1901 recommended free of formation of 1904 act | Audit by registrar once in a year | Legal Personality to societies | Annual RCS charge |
| Act passed on March 25 Advance loans 1904 members | Only individual as members | Formation of only credit societies | to only on real security |
| Model of English friendly by one societies Act 1869 other sanction of | Act No X of 1904 | No provision for distribution of profit in rural societies | Loans credit to with Registrar |

A:-Set I and IV only

B:-Set II and IV only

C:-Set II and III only

D:-Set I and III only

Correct Answer:- Option-A

Question23:-With respect to history of cooperative legislation in Kerala, which of the following facts are correct?

I. Travancore and Kochi states passed cooperative laws in 1913 and 1914 respectively

II. Travancore and Kochin Cooperative societies act came into force in 1952

III. Advanced Cooperative Society was registered under Travancore Cooperative

Societies Act which is the present Kerala State Cooperative Bank

IV. The Malabar Cooperative Central Bank was registered in 1917 at Calicut.

A:-Option I - correct, Option II - correct, Option III - not correct, Option IV - not correct

B:-Option I - correct, Option II - not correct, Option III - correct, Option IV - not correct

C:-Option I - not correct, Option II - not correct, Option III - correct, Option IV - correct

D:-Option I - not correct, Option II - correct, Option III - not correct, Option IV - correct

Correct Answer:- Option-D

Question24:-Which one of the following combination of features of Multi State cooperative Societies Act match with respective legislations?

| Legislative Characteristic | MSCS Act 1984 | MSCS Act 2002 |
|--------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------|
| I. Cooperative Year | Year Ending on June 30 | Year ending on March 31 |
| II. Disposal of application from the for Registration | Six months from the date of Receipt | Four months date of Receipt |
| III. Communication order of the refusal of amendment of Bye Law by Central registrar | Fifteen days from the date of refusal | Seven days from date of refusal |
| IV. Time period for registration months of amendment receipt | Within Six months from the date of receipt | Within Three from the date of receipt |
| V. Period of ineligibility on date expulsion of member | One Year from the date of expulsion | 3 years from the date of expulsion |

A:-I, II and IV only

B:-II, III and V only

C:-III, IV and V only

D:-I, III and IV only

Correct Answer:- Option-A

Question25:-The liability of an auditor of cooperative society may be either civil or criminal liability. Based on following table match appropriately cases of judgement and nature of civil liability highlighted by Hon'ble court in respective cases

| Case judgments | Nature of Civil liability |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------|
| I. London Oil storage Co ltd 1904 | A. In respect of purchases and expenses, auditor has to see that they are brought into accounts and under stated |

not

- II. London and General bank case 1895 not only but valuation by
- III. Kinnton cotton Mills case 1896 failure to shown in
- IV. Woolen Co Ltd 1904
 A:-I-C, II-D, III-B, IV-A
 B:-I-B, II-A, III-C, IV-D
 C:-I-D, II-B, III-C, IV-A
 D:-I-A, II-C, III-D, IV-B
 Correct Answer:- Option-A
- B. Auditors duty is to be satisfied on arrangements for stock taking also for correctness of the testing few of stocks
- C. Liability for damages on his verify the existence of assets Balance Sheet
- D. Guilty of misfeasance

Question26:-Which accounting standard governs cash flow statements in India?

- A:-AS 1
 B:-AS 3
 C:-AS 11
 D:-AS 18

Correct Answer:- Option-B

Question27:-What is considered the "bonus" in a bonus issue of shares?

- A:-Dividend paid to shareholders
 B:-Free shares allotted to shareholders
 C:-Refund of share application fees
 D:-Preferential shares allotted

Correct Answer:- Option-B

Question28:-What is the journal entry for issuing bonus shares?

- A:-Debit General Reserve, Credit Equity share capital
 B:-Debit Retained earnings, Credit Preference shares
 C:-Debit Equity Share Capital, Credit Share premium
 D:-Debit Share capital, Credit Bonus payable

Correct Answer:- Option-A

Question29:-Which of the following is a method of departmental accounting?

- A:-Debtors' system
 B:-Stock and debtors' system
 C:-Independent method

D:-Single entry system

Correct Answer:- Option-C

Question30:-Which AS provides guidelines for Investment Accounting?

A:-AS 9

B:-AS 13

C:-AS 16

D:-AS 18

Correct Answer:- Option-B

Question31:-The process of forming a company is called

A:-Registration

B:-Incorporation

C:-Litigation

D:-Licensing

Correct Answer:- Option-B

Question32:-Which document is legally required to issue shares in a public limited company?

A:-Memorandum of Association

B:-Articles of Association

C:-Prospectus

D:-Partnership Deed

Correct Answer:- Option-C

Question33:-The maximum share capital a company can issue is called

A:-Subscribed Capital

B:-Authorized Capital

C:-Paid-Up Capital

D:-Issued Capital

Correct Answer:- Option-B

Question34:-Which section of the Companies Act, 2013 governs the declaration and payment of dividends?

A:-Section 90

B:-Section 123

C:-Section 203

D:-Section 215

Correct Answer:- Option-B

Question35:-The appointment of an auditor in a company is governed by which section of the Companies Act, 2013?

A:-Section 138

B:-Section 139

C:-Section 142

D:-Section 144

Correct Answer:- Option-B

Question36:-Which of the following is a direct cost?

A:-Administrative Expenses

B:-Employee wages

C:-Factory Rent

D:-Marketing Costs

Correct Answer:- Option-B

Question37:-Which costing method is used for large projects such as construction?

A:-Batch Costing

B:-Job Costing

C:-Process Costing

D:-Contract Costing

Correct Answer:- Option-D

Question38:-Service costing is applied in

A:-Trading organizations

B:-Manufacturing units

C:-Utility providers like transport or hotels

D:-Retail businesses

Correct Answer:- Option-C

Question39:-When the contribution margin is negative, it implies

A:-Sales cover only fixed costs

B:-Sales exceed all costs

C:-Variable costs exceed sales revenue

D:-Break-even is achieved

Correct Answer:- Option-C

Question40:-Joint products are

A:-Products derived from a common input

B:-Costs allocated solely on output value

C:-Byproducts with equal sale value

D:-Different products made in the same machine

Correct Answer:- Option-A

Question41:-Income accruing in London and received there is taxable in India in the case of

A:-Resident and Ordinarily resident only

B:-Both Resident and Ordinarily resident and resident but not ordinarily resident

C:-Both Resident and Non resident

D:-All ordinary resident, not ordinarily resident and non resident

Correct Answer:- Option-A

Question42:-Which of the following statements are true? Choose the correct option given below the statements.

Statements :

- (i) A person can be resident in more than one country
- (ii) A company may be not ordinarily resident in a year
- (iii) There is no relation of the residential status of an individual to his citizenship
- (iv) Income from a business in Pakistan is taxable in case of non resident in India
- (v) A non resident Indian is not liable to pay tax on his income received in India

A:-(i), (ii) and (iii) only

B:-(ii), (iii) and (iv) only

C:-(i) and (iii) only

D:-(i) and (iv) only

Correct Answer:- Option-C

Question43:-A private employee received salary of Rs.75,000 and entertainment allowance Rs.4,000 during the previous year. He spent Rs.5,000 on entertainment. He is entitled to deduction u/s 16(ii) is

A:-15,000

B:-4,000

C:-5,000

D:-None of these

Correct Answer:- Option-D

Question44:-Match List I with List II related to carry forward and set off losses with respect to AY 2022-23 and choose the correct option given below

- | List I | List II |
|------------------------------------------------------------------|---------------------------------------------------------------------------|
| (a) Losses of non speculation business can be or profession only | 1. Carried forward for 4 years and set off against speculation profit |
| (b) Losses of speculation business specified | 2. Set off against profit of business only |
| (c) Short term capital losses can be gain | 3. Carried forward for 8 years and set off against long term capital only |
| (d) Long term capital losses can be | 4. Carried forward for 8 years and set off against any business |

income

(e) Loss from specified business
can be

5. Carried forward for 8 years and
set off against capital gain only

A:-(a)-1, (b)-4, (c)-3, (d)-2, (e)-5

B:-(a)-4, (b)-1, (c)-2, (d)-5, (e)-3

C:-(a)-4, (b)-1, (c)-5, (d)-3, (e)-2

D:-(a)-1, (b)-2, (c)-5, (d)-3, (e)-4

Correct Answer:- Option-C

Question45:-Which ITR form to file for AY 2023-24 by LLPs?

A:-ITR 4

B:-ITR 5

C:-ITR 6

D:-ITR 7

Correct Answer:- Option-B

Question46:-The independent appraisal activity within an organization for the review of the accounting, financial and other operations as a basis for protective and constructive services to the management is called

A:-Management Audit

B:-Internal Audit

C:-Propriety Audit

D:-Operational Audit

Correct Answer:- Option-B

Question47:-The balance in the forfeited shares account after the reissue of all forfeited shares should be

A:-Debited to CRR account

B:-Debited to Capital Reserve account

C:-Credited to CRR account

D:-Credited to Capital Reserve account

Correct Answer:- Option-D

Question48:-Which of the following statements is not true?

A:-The Bonus shares shall be issued in lieu of dividend

B:-Forfeited shares become the property of the company

C:-Matters to be stated and reports to be set out in prospectus are given in sec 26 of the companies act

D:-For making the system of internal check efficient and successful use of self balancing system should be invariably made

Correct Answer:- Option-A

Question49:-Which of the following helps the auditor to have a complete grip over his staff including his juniors and seniors, the procedures to be followed and the portions of work actually to be performed by each of them and by himself?

A:-Audit Files

B:-Audit Note Book

C:-Audit working papers

D:-Audit programme

Correct Answer:- Option-D

Question50:-The selection of transactions is made by the auditor in applying test check is

A:-at random and no specific principles are followed

B:-at random and specific principles are followed

C:-at specific plan and no specific principles are followed

D:-at specific plan and specific principles are followed

Correct Answer:- Option-A

Question51:-The Committee appointed by the Reserve Bank of India to review the working of credit authorization Scheme and suggest measures for giving meaningful directions to the credit management function of the Reserve Bank is

A:-Tandon Committee

B:-Dehejia Committee

C:-Marathe Committee

D:-Chore Committee

Correct Answer:- Option-C

Question52:-Which of the following statements are true? Choose the correct option given below the statements?

Statements :

(i) Payback period method measures the true profitability of a project

(ii) Capital rationing and capital budgeting mean the same thing

(iii) Rate of return method takes in to account the time value of money

(iv) Increased use of debt increases the financial risk of equity shareholders

(v) Net present value method takes in to account the earnings over the entire life of the project

A:-(i), (ii) and (v) only

B:-(ii), (iii) and (v) only

C:-(iii) and (iv) only

D:-(iv) and (v) only

Correct Answer:- Option-D

Question53:-ABC Ltd has sales of Rs.10,00,000, variable cost Rs.7,00,000 and fixed cost Rs.2,00,000 and debt of Rs.5,00,000 at 10% rate of interest. What are the operating and financial leverages?

A:-6 and 2

B:-3 and 2

C:-2 and 6

D:-2 and 3

Correct Answer:- Option-B

Question54:-If earning per share is Rs.10, cost of capital 10%, what will be the market price of the share under different rate of return of 8%, 10% and 15% for the payout ratio of 40%?

A:-77,100,400

B:-60,80,100

C:-100,100,400

D:-100,100,100

Correct Answer:- Option-A

Question55:-Which of the following is not a principle of working capital management policy?

A:-principle of equity position

B:-principle of risk variation

C:-principle of optimal capital

D:-principle of maturity of payment

Correct Answer:- Option-C

Question56:-ETOP stands for

A:-Environmental Threat and Opportunities Profile

B:-External Threat and Opportunities Profile

C:-Environmental Task and Opportunities Profile

D:-Economic Techniques and Operational Profile

Correct Answer:- Option-A

Question57:-Which one of the following is not a theory of ethics?

A:-Consequentialism

B:-Distributive Justice

C:-Deontologism

D:-Virtual Ethics

Correct Answer:- Option-B

Question58:-Which of the following is the correct sequence of strategic management process? Choose the correct option given below :

- (a) Embarking on Environmental Analysis
- (b) Statement of corporate mission and objectives
- (c) Identification of strategic alternatives
- (d) Debarking to corporate analysis
- (e) Choose of right strategy

- (f) Evaluating and controlling the implementation of strategy
- (g) Going ahead with implementation of a strategy

A:-(a), (b), (c), (d), (e), (f), (g)

B:-(b), (a), (d), (c), (e), (g), (f)

C:-(b), (a), (c), (d), (e), (f), (g)

D:-(a), (b), (d), (e), (c), (g), (f)

Correct Answer:- Option-B

Question59:-Which of the following is not a type of strategic control introduced by Mr. G. Schreyogg and Mr. H. Steinmann?

A:-Premise Control

B:-Implementation control

C:-Strategic surveillance

D:-None of these

Correct Answer:- Option-D

Question60:-A strategy which is planned in such a detailed and integrated way that it is difficult to change it, once it has began to be implemented is

A:-Combination strategy

B:-Concentration strategy

C:-Programmed strategy

D:-Contingency strategy

Correct Answer:- Option-C

Question61:-A process to elicit demand for, and price of securities

A:-Underwriting

B:-Book building

C:-Listing

D:-Share pricing

Correct Answer:- Option-B

Question62:-The percentage change in EPS due to a given percentage change in EBIT is called

A:-Degree of financial leverage

B:-Degree Combined leverage

C:-Degree of operating leverage

D:-None of the above

Correct Answer:- Option-A

Question63:-"FRICT Analysis" of capital structure stands for

A:-Flexibility Rate Income Control Timing

B:-Flexibility Rate Investment Control Timing

C:-Flexibility Risk Income Control Timing

D:-Flexibility Risk Investment Control Timing

Correct Answer:- Option-C

Question64:-A process of estimating the future value of present cash outflows at a given interest rate

A:-Discounting

B:-Annuity

C:-Compounding

D:-Ordinary discounting

Correct Answer:- Option-C

Question65:-Why do companies use "Green shoe option" in IPO's?

A:-Underwriting of shares

B:-At the time of oversubscription shares

C:-Controlling of pre listing price of shares

D:-Stabilisation of post listing price of shares

Correct Answer:- Option-D

Question66:-The level of EBIT at which the EPS under two different financial options are equal is called

A:-Point of stabilization

B:-Point of lining

C:-Point of indifference

D:-Point of financial difference

Correct Answer:- Option-C

Question67:-The weighted average cost of new capital is called

A:-Opportunity cost

B:-Marginal cost

C:-Composite cost

D:-Average cost

Correct Answer:- Option-B

Question68:-A stream of equal payments at fixed intervals expected to continue forever is termed as

A:-Perpetuity

B:-Deferred amount

C:-Instalments

D:-Annual payments

Correct Answer:- Option-A

Question69:-_____ theory proves that it is possible to increase the value of the

firm by increasing the volume of debt in the capital structure of the firm.

A:-MM theory

B:-Net operating income theory

C:-Fixed K_e theory

D:-Fixed K_o theory

Correct Answer:- Option-C

Question70:-Capital mix of a company including long term, medium term and short term finances is called

A:-Financial structure

B:-Capital structure

C:-Capitalisation

D:-Capital gearing

Correct Answer:- Option-A

Question71:-The assumptions of Net operating Income Theory does not include the following :

- (i) value of equity found by adding value of debt to value of firm
- (ii) value of firm is obtained by capitalising the NOI with the overall cost of capital
- (iii) there is no corporate tax
- (iv) cost of debt is higher than overall cost
- (v) overall cost of capital remain constant irrespective of debt in capital structure

A:-only (ii) and (iii)

B:-only (iv) and (ii)

C:-only (i) and (iv)

D:-only (iv) and (iii)

Correct Answer:- Option-C

Question72:-Given :

Operating Fixed cost Rs.50,000

Sales Rs.200,000

P/V ratio 60%

The operating leverage is

A:-1.8

B:-1.2

C:-1.7

D:-1.4

Correct Answer:- Option-C

Question73:-"Robert Hamada equation" used in the concept of cost of capital is applied for measuring the risk of

A:-Equity shareholders

B:-Bond holders

C:-Preference shareholders

D:-Convertible preference shares

Correct Answer:- Option-B

Question74:-The percentages of debt, preferred stock and common equity that will maximise the firm's stock price

A:-Wealth maximisation

B:-Optimal capital structure

C:-Goodwill creation

D:-Value maximisation

Correct Answer:- Option-B

Question75:-A fixed sum of money paid at the end of a period is called as

A:-Annuities due

B:-Ordinary annuities

C:-Fixed annuities

D:-Annuities premium

Correct Answer:- Option-B

Question76:-Role of financial manager in a company

- (i) Framing asset management policies
- (ii) Productivity enhancement activities
- (iii) Forecasting and financial planning
- (iv) Understanding capital market
- (v) Employee retention and engagement
- (vi) Risk management
- (vii) Negotiations for new outsider financing

A:-(i), (ii), (iii), (v), (vii)

B:-(i), (iii), (iv), (v), (vii)

C:-(i), (iii), (iv), (vi), (vii)

D:-(i), (iii), (iv), (v), (vii)

Correct Answer:- Option-C

Question77:-Which of the following statements is/are capital budgeting decisions?

- (i) Accept/reject decision
- (ii) Mutually exclusive project decision
- (iii) Capital rationing decision
- (iv) Capital structure decision

A:-All the above

B:-Only (iii & iv)

C:-Only (i, ii and iii)

D:-Only (i, ii and iv)

Correct Answer:- Option-C

Question78:-Which of the following statements is/are not correct about ARR method of capital budgeting techniques?

- (i) Profit means profit after tax but before depreciation
- (ii) Profit means profit after depreciation and tax
- (iii) This method can be used to make accept/reject decision of proposal
- (iv) Project with higher rate of return is selected for investment

A:-Only (i)

B:-Only (iii)

C:-Only (ii)

D:-Only (i, ii, iii and iv)

Correct Answer:- Option-A

Question79:-A project has a cash outlay of Rs.1,00,000 and generates cash inflows of Rs.20,000, Rs.50,000, Rs.20,000 and Rs.20,000 for the first four years. Then the pay back period of the project is

A:-3 years, 5 months

B:-3 years, 6 months

C:-4 years

D:-3 years

Correct Answer:- Option-B

Question80:-The details of a project are given below. Which of the following statements is/are correct to the situation?

Present value of cash outflow - Rs.1,00,000

Cash inflow for the two years - Rs.80,000 each

Present value of cash inflow - Rs.1,38,800

Present value factor is 10%

- (i) Its NPV is Rs.60,000
- (ii) Its NPV is Rs.38,800
- (iii) Its profitability index is 1.39
- (iv) Its profitability index is 1.6

A:-Only (ii) and (iv)

B:-Only (i) and (iii)

C:-Only (i) and (iv)

D:-Only (ii) and (iii)

Correct Answer:- Option-D

Question81:-Which of the following statements is/are correct while comparing NPV and IRR?

- (i) Both NPV and IRR do not consider time value of money
- (ii) NPV and IRR methods give contradictory results in case of mutually exclusive projects having different cash outlays
- (iii) When NPV is positive then IRR is less than the required rate of return
- (iv) When NPV is positive then IRR is greater than the required rate of return

A:-Only (i) and (ii)

B:-Only (ii) and (iv)

C:-Only (iii) and (iv)

D:-Only (ii), (iii) and (iv)

Correct Answer:- Option-B

Question82:-Information regarding two mutually exclusive projects are given below.

| | Project 1 | Project 2 |
|------|-----------|-----------|
| PVCO | Rs.50,000 | Rs.80,000 |
| NPV | Rs.6,812 | Rs.7,418 |
| IRR | 25% | 20% |

Which project do you recommend for making investment?

A:-Project 1

B:-Both project (1) and (2)

C:-Project 2

D:-Both projects are rejected

Correct Answer:- Option-C

Question83:-Which of the following capital budgeting methods is/are not a discounted cash flow method?

- (i) Net present value method
- (ii) Internal rate of Return method
- (iii) Profitability index method
- (iv) Accounting rate of return method

A:-Only (iv)

B:-Only (iii) and (iv)

C:-Only (ii) and (iv)

D:-None of these

Correct Answer:- Option-A

Question84:-Which of the following statements is correct to benefit-cost ratio?

A:-Investment proposals having benefit-cost ratio less than one is accepted

B:-Investment proposals having benefit-cost ratio greater than one is accepted

C:-When NPV is negative then benefit-cost ratio is greater than one

D:-When the projects are mutually exclusive and initial investment is not the same, benefit-cost ratio is more reliable than NPV

Correct Answer:- Option-B

Question85:-Which of the following statements is/are correct about dividend policy?

- (i) Magnitude of earnings does not affect the dividend policy
- (ii) Inflation is one of the factors that affect dividend decision
- (iii) Future financial requirement is one of the determinants of dividend policy
- (iv) Desire of shareholders for dividend does not affect the dividend policy

A:-Only (i) and (iii)

B:-Only (i) and (ii)

C:-Only (ii) and (iv)

D:-Only (ii) and (iii)

Correct Answer:- Option-D

Question86:-Which of the following is not an example for stable dividend policy?

A:-Constant dividend per share

B:-Constant pay-out ratio

C:-Regular dividend

D:-None of the above

Correct Answer:- Option-C

Question87:-_____ is a form of dividend in which the firm promises to pay the dividend to shareholders at a future specific date

A:-Scrip dividend

B:-Stock dividend

C:-Property dividend

D:-Bonus share

Correct Answer:- Option-A

Question88:-Which of the following statements is/are correct about Walter's dividend theory?

(i) One of the assumptions is that the firm's internal rate of return is constant

(ii) Optimum dividend pay-out to a growth firm is 100%

(iii) Growth firm can maximise its value by retaining 100% of its earnings

(iv) A normal firm should distribute the entire earnings as dividend, which will maximise its value

A:-Only (ii) and (iii)

B:-Only (i) and (iii)

C:-Only (ii) and (iv)

D:-Only (iii) and (iv)

Correct Answer:- Option-B

Question89:-Which of the following statement is correct to MM approach of dividend decision?

A:-They argue that dividend decision affects the value of the firm

B:-They assume that investors behave irrationally

C:-The wealth of the shareholders does not change with the payment of dividend, when the firm has an investment opportunity

D:-All the statements are correct

Correct Answer:- Option-C

Question90:-According to Gordon's approach of dividend decision, firm having rate of return on investment is less than the required rate of return

A:-It can maximise the value by retaining entire earnings

B:-The value of the firm will be minimum at zero retention

C:-The value will be maximum at 100% dividend pay-out

D:-All the statements are wrong

Correct Answer:- Option-C

Question91:-Which of the following statements is/are correct to irrelevance concept of dividend decision?

- (i) Dividend decision affects the wealth of shareholders
- (ii) Dividend decision influence the value of the firm
- (iii) Dividend decision does not affect the value of the firm
- (iv) A firm should retain the earnings if there is a feasible investment opportunity for maximising the value

A:-Only (iii) and (iv)

B:-Only (i) and (ii)

C:-Only (ii) and (iii)

D:-Only (ii) and (iv)

Correct Answer:- Option-A

Question92:-Which of the following formula is Walter's share valuation model?

A:- $P = D1/(ke-g)$

B:- $P = E/(ke-g)$

C:- $P0 = D0 (1+g)/(ke-g)$

D:- $P = D/(ke-g)$

Correct Answer:- Option-D

Question93:-Which of the following statements is/are correct to working capital?

- (i) Fund invested in current assets is called gross working capital
- (ii) The difference between current assets and current liabilities is called net working capital
- (iii) Working capital is the excess of current liabilities over current assets
- (iv) Excess of current asset over current liabilities is called positive working capital

A:-All are correct

B:-All except (iii) are correct

C:-All except (ii) are correct

D:-All are wrong

Correct Answer:- Option-B

Question94:-Which of the following is not an impact of inadequate working capital?

A:-It will lose the firm's reputation due to the inability to meet short term liabilities

B:-It can not avail of discounts while purchasing in bulk

C:-It can exploit favourable market conditions

D:-The rate of return on investment decreases

Correct Answer:- Option-C

Question95:-Which among the following is/are the methods of estimating working capital requirement?

- (i) Regression analysis method
- (ii) Cash forecasting method
- (iii) Operating cycle method
- (iv) Percentage of sales method

A:-Only (ii) and (iii)

B:-Only (iii) and (iv)

C:-Only (ii), (iii) and (iv)

D:-All the above

Correct Answer:- Option-D

Question96:-Details of a firm related to its working capital is given below.

Cost of goods sold = Rs.90,000

Operating cycle = 60 days (360 days in a year)

Minimum desired level of cash balance = Rs.50,000

What will be the expected working capital of the firm?

A:-Rs.65,000

B:-Rs.75,000

C:-Rs.1,40,000

D:-Rs.1,00,000

Correct Answer:- Option-A

Question97:-Which of the following statements is/are not correct to estimation of working capital?

(i) Under cash cost approach depreciation and profit margin are considered for estimating working capital

(ii) Requirement of working capital increases with the increase in the length of operating cycle

(iii) Minimum desired cash and bank balance is to be added while estimating working capital

(iv) Under total approach all costs including depreciation are considered for working capital estimation

A:-Only (ii)

B:-Only (iii)

C:-Only (i)

D:-Only (ii), (iii) and (iv)

Correct Answer:- Option-C

Question98:-Holding cash for meeting various contingencies is known as

A:-Speculative motive

B:-Precautionary motive

C:-Transaction motive

D:-None of the above

Correct Answer:- Option-B

Question99:-Match the following

1. EOQ (i) Materials are classified based on the value of consumption
2. ABC analysis (ii) Classification of inventories on the basis of period of holding
3. VED analysis (iii) The size of the lot to be purchased each time
4. Aging schedule (iv) Classification of spare parts on the basis of its requirement and urgency

A:-1-(ii), 2-(iv), 3-(iii), 4-(i)

B:-1-(iii), 2-(i), 3-(iv), 4-(ii)

C:-1-(iii), 2-(i), 3-(ii), 4-(iv)

D:-1-(ii), 2-(iv), 3=(i), 4-(iii)

Correct Answer:- Option-B

Question100:-_____ is a type of factoring under which the risk of bad debt is to be borne by the client

A:-Non-recourse factoring

B:-Full factoring

C:-Export factoring

D:-Recourse factoring

Correct Answer:- Option-D