

070522

VCD _____ FYFMG SEM II PRINCIPLES OF FINANCE 2.5 HOURS 75 MARKS

Q.1) Multiple choice questions:

(40)

1. _____ branch of finance studies how individuals save and invest their funds.
 - a) Personal finance
 - b) Corporate finance
 - c) Public finance
 - d) International finance
2. _____ is the process of making policies and procedures regarding the financial activities of a company.
 - a) Capital restructuring
 - b) Financial planning
 - c) Dividend planning
 - d) Expense planning
3. _____ are also called as ordinary shares.
 - a) Preference shares
 - b) Equity shares
 - c) Debentures
 - d) Bonds
4. _____ is also called as registered capital.
 - a) Authorized
 - b) Issued
 - c) Subscribe
 - d) Paid up
5. _____ are issued to the existing shareholders free of cost.
 - a) Rights shares
 - b) Bonus shares
 - c) Sweat equity
 - d) Bonds
6. _____ preference shares are those which can be converted into equity shares.
 - a) Cumulative preference shares
 - b) Participating preference shares
 - c) Convertible preference shares
 - d) Non Cumulative preference shares
7. _____ debentures are those whose names appear in the company's register of members.
 - a) Secured debentures
 - b) Unsecured debentures
 - c) Registered debentures
 - d) Bearer debentures
8. _____ debentures are those which can be redeemed after a certain period of time.

- a) Registered debentures
 - b) Bearer debentures
 - c) Redeemable debentures
 - d) Irredeemable debentures
9. _____ get voting rights.
- a) Debenture holders
 - b) Creditors
 - c) Bankers
 - d) Equity shareholders
10. _____ get a fixed interest.
- a) Equity shareholders
 - b) Preference shareholders
 - c) Debenture holders
 - d) Creditors
11. In India there are _____ forms of capital structure are popular and in practice.
- a) One
 - b) Three
 - c) Four
 - d) Two
12. _____ means taking the advantage of equity share capital to borrowed funds on reasonable basis.
- a) Trading on equity
 - b) Capital budgeting
 - c) Utilization of resources
 - d) Cost
13. Over capitalisation is caused due to _____
- a) Reduction in payment of preference dividend
 - b) Low return on capital employed
 - c) Liberal dividend policy
 - d) Reduction in paid up value of the share
14. Who are the real owners of a company?
- a) Government
 - b) Board of Directors
 - c) Equity shareholders
 - d) Debenture holders
15. _____ are a common source of finance for big companies.
- a) Bonds
 - b) Equity shares
 - c) Public deposits
 - d) Secret reserve
16. _____ means decline in the value of fixed assets due to use and wear and tear.

- a) Appreciation in assets
- b) Reserves
- c) Depreciation
- d) Accumulation of funds

17. is it created for the purpose of redemption of debentures at the end of some specific period.

- a) Dividend equalization reserve.
- b) Dividend redemption reserve
- c) Capital reserve
- d) Secret reserve

18. conditions influence the capital structure decisions.

- a) Capital market
- b) Existing shareholders
- c) Primary market
- d) All of the above

19. Dividend policy of the firm affects

- a) Only short term financing
- b) Only long term financing
- c) Wealth of shareholders
- d) Both long term financing and wealth of shareholders

20. The company is called if capital structure has 80% debt and 20% equity.

- a) Low geared company
- b) High geared company
- c) Debt Equity balance
- d) Priority equity

Q.2 ATTEMPT ANY ONE:

(07)

- A) Explain the nature and scope of finance function.
- B) Explain the role of finance manager.
- C) Explain the types of financial planning.

Q.3 ATTEMPT ANY ONE:

(07)

- A) What are the forms of Capital Structure and explain the factors influencing Capital Structure.
- B) Explain overcapitalisation in brief.
- C) Elaborate the criteria of determining the capital structure of a firm.

Q.4 ATTEMPT ANY ONE:

(07)

- A) Explain the types of Share capital.
- B) List the advantages of equity shares.
- C) Explain the various types of debentures.

Q.5 ATTEMPT ANY ONE:

(07)

- A) Define reserves and its types.
- B) Explain capital reserves with its advantages and disadvantages.
- C) Explain retained earnings and its features.

Q.6 Write short notes: (ANY 2)

(07)

- A) Rights issue and bonus issue
- B) Features of preference shares.
- C) Stability of dividend
- D) Undercapitalisation
- E) Objectives of Capital structure.

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