**ACC501 Business Finance, Quiz # 2, Fall 2014**

**AST Company has a current ratio of 4:3. Current Liabilities reported by the company are Rs. 30,000. What would be the Net Working Capital for the company?**  
Rs. 40,000  
(–Rs. 40,000)  
**\*Rs. 10,000**  
(–Rs. 10,000)

**In which type of market, used securities are traded?**  
Primary market  
**\*Secondary market**  
Tertiary market  
None of the given options

**Standard Corporation sold fully depreciated equipment for Rs. 5,000. This transaction will be reported on the cash flow statement as a(n):**  
\***Operating activity**  
Investing activity  
Financing activity  
None of the given options

**Which of the following is a special case of annuity, where the stream of cash flows continues forever?**  
**\*Ordinary Annuity**  
Special Annuity  
Annuity Due  
Perpetuity

**Which of the following costs are reported on the income statement as the cost of goods sold?**  
Product cost  
Period cost  
**\*Both product cost and period cost**  
Neither product cost nor period cost

**Which of the following terms refers to the use of debt financing?**  
Operating Leverage  
**\*Financial Leverage**  
Manufacturing Leverage  
None of the given options

**Which of the following statements is(are) CORRECT regarding a bond?**  
A bond is an evidence of debt issued by a corporation or a governmental body.  
A bond represents a loan made by investors to the issuer.  
When a corporation wishes to borrow from public on a long term basis, it does so by issuing or selling bonds.  
**\*All of the given options**

**Which of the given is (are) major difference(s) between net income and cash flow of the company?**  
Accounts receivable only  
Depreciation only  
Accounts payable only  
**\*All of the given options**

**How much must be deposited at 10% each of the next 15 years to have Rs. 14297.62?**  
Rs. 225  
Rs. 341  
Rs. 410  
Rs. 450

**If a firm uses cash to purchase inventory, its current ratio will:**  
Increase  
Decrease  
**\*Remain unaffected**  
Become zero

**Head of Treasury department reports to whom?**  
Financial and cost Accountant  
**\*Chief of financial officer**  
Cash and credit manager  
Board of directors

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**A company issues bonds with a Rs. 1,000 face value. What is the coupon rate if the coupon payments of Rs. 60 are paid every 6 months?**  
3 percent  
6 %  
9 %  
**\*12 %**

**Which of the following refers to a conflict of interest between principal and agent?**  
Management Conflict  
Interest Conflict  
**\*Agency Problem**  
None of the given options

**Which of the following is an example of capital spending?**  
**\*Purchase of Fixed Assets**  
Decrease in Net Working Capital  
Increase in Net Working Capital  
None of the given options

**Which of the following is measured by retention ratio?**  
Operating efficiency  
Asset use efficiency  
Financial policy  
**\*Dividend policy**

**Which of the following is the expected rate of return on a bond if bought at its current market price and held to maturity**  
Current Yield  
**\*Yield To Maturity**  
Coupon Yield  
Capital Gains Yield

**Which one of the following is NOT a liquidity ratio?**

Current Ratio

Quick Ratio  
**\*Cash Coverage Ratio**  
Cash Ratio

**Which of the following statement is considered as the accountant’s snapshot of firm’s accounting value as of a particular date?**  
Income Statement  
**\*Balance Sheet**  
Cash Flow Statement  
Retained Earning Statement

**Which of the following is the amount of cash we would get if we actually sell an asset?**  
**\*Market Value**  
Book Value  
Intrinsic Value  
None of the given options

**SNT Inc. has net income of Rs. 300,000. How much is kept as retained earnings if the firm has a dividend payout ratio of 40%?**  
Rs. 30,000  
Rs. 120,000  
**\*Rs. 180,000**  
Rs. 200,000

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