**ACC501 Midterm Solved Quiz No-2 Fall 2020**

**1. Which of the following is a series of constant cash flows that occur at the end of each period for some fixed number of periods?**
**A. Ordinary annuity**
B. Annuity due
C. Perpetuity
D. None of the given options

**2. During the accounting period, sales revenue is Rs. 25,000 and accounts receivable increases by Rs. 8,000. What will be the amount of cash received from customers for the period?**
A. Rs. 33,000
B. Rs. 25,000
**C. Rs. 17,000**
D. Rs. 8,000
Right Answer: 17,000

Ref: Amount of cash received = total revenue increased - account receivable increased
= 25,000 - 8000 = 17,000.

**3. The conflict of interest between stockholders and management is known as:**
**A. Agency problem**
B. Interest conflict
C. Management conflict
D. Agency cost

**4. Which of the following form of business organization is least regulated?**
**A. Sole-proprietorship**B. General Partnership
C. Limited Partnership
D. Corporation

**5. Which of the following ratios are intended to address the firm’s financial leverage?**
A. Liquidity Ratios
**B. Long-term Solvency Ratios**
C. Asset Management Ratios
D. Profitability Ratios

· These ratios are intended to address the firm’s long-run ability to meet its obligations, or its financial leverage..

**6. Balance Sheet is based upon which of the following formula?**
A. Assets = Liabilities – Stockholder’s equity
B. Assets + Liabilities = Stockholder’s equity
C. Assets + Stockholder’s equity = Liabilities
**D. Assets = Liabilities + Stockholder’s equity**

**7. Quick Ratio is also known as:**
A. Current Ratio
**B. Acid-test Ratio**
C. Cash Ratio
D. None of the given options

**8. Which of the following is a special case of annuity, where the stream of cash flows continues forever?**
A. Ordinary Annuity
B. Special Annuity
C. Annuity Due
**D. Perpetuity**

**9. You just won a prize, you can either receive Rs. 1000 today or Rs. 1,050 in one year. Which option do you prefer and why if you can earn 5 percent on your money?**
A. Rs. 1,000 because it has the higher future value
B. Rs. 1,000 because you receive it sooner
C. Rs. 1,050 because it is more money
D. Either because both options are of equal value
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**10. Which of the following ratios are particularly interesting to shortterm creditors?**
**A. Liquidity Ratios**
B. Long-term Solvency Ratios
C. Profitability Ratios
D. Market Value Ratios

**ACC501 Bsiness Finance Online Solved Quiz No.2 with ref 2**

**1. Which of the following ratios are particularly interesting to short term creditors?**
**A. Liquidity Ratios**
B. Long-term Solvency Ratios
C. Profitability Ratios
D. Market Value Ratios

**2. Financial policy is evaluated by which of the following?**
A. Profit Margin
B. Total Assets Turnover
**C. Debt-equity ratio**
D. None of the given options
As this ratio determines how leveraged an organization is. Or how much an organization is relying on debt..

**3. Mr. Y and Mr. Z are planning to share their capital to run a business. They are going to employ which of the following type of business?**
A. Sole-proprietorship
**B. Partnership**
C. Corporation
D. None of the given options
Having more than 2 owners of a business entity is called “Partnership”. Having more than seven owners of a business entity is called corporation..

**4. When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:**
**A. Premium**
B. Discount
C. Par
D. Cannot be determined without more information

If the bond's price is higher than its par value, it will sell at a premium because its interest rate is higher than current prevailing rates..

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

**6. Finance is vital for which of the following business activity (activities)?**
A. Marketing Research
B. Product Pricing
C. Design of marketing and distribution channels
**D. All of the given options**

Finance is important for all departments of an organization.

**7. The most important item that can be extracted from financial statements is the actual \_\_\_\_\_\_\_\_ of the firm.**
A. Net Working Capital
**B. Cash Flow**
C. Net Present Value
D. None of the given options

**8. A firm has paid out Rs. 150,000 as dividends from its net income of Rs. 250,000. What is the retention ratio for the firm?**
A. 12%
B. 25%
**C. 40%**
D. 60%

Retention ratio = Net income – Dividend / Net income
= 250 – 150 / 250 = 0.4 or 40%

**9. If a firm’s debt ratio is 45%, this means \_\_\_\_\_ of the firm’s assets are financed by equity financing.**
A. 50%
**B. 55%**
C. 45%
D. Cannot be determined without more information

The equity portion plus the debt portion must add up to 100%
Debt ratio = Debt / Total Assets
45% = 45 / 45 + 55
45% = 45%

**10. Which of the following ratios is NOT from the set of Asset Management Ratios?**
A. Inventory Turnover Ratio
B. Receivable Turnover
**C. Capital Intensity Ratio**
D. Return on Assets

The capital intensity ratio is a financial calculation measuring how much a company is invested in total assets compared to how much it is earning in revenue. Where as Asset turn over ratio determines how efficiently or effectively an organization is using its assets.

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**1. Which of the following statement about bond ratings is TRUE?**
A. Bond ratings are typically paid for by a company’s bondholders.
B. Bond ratings are based solely on information acquired from sources other than the bond issuer.
**C. Bond ratings represent an independent assessment of the credit-worthiness of bonds.**
D. None of the given options

**2. If you plan to save Rs. 5,000 with a bank at an interest rate of 8%, what will be the worth of your amount after 4 years if interest is compounded annually?**
A. Rs. 5,400
B. Rs. 5,900
C. Rs. 6,600
**D. Rs. 6,802**

FV = PV \* (1+ i) ^n
= 5,000 (1+0.08) ^4
= 6802

**3. Which of the following statement is TRUE regarding debt?**
A. Debt is an ownership interest in the firm.
**B. Unpaid debt can result in bankruptcy or financial failure.**
C. Debt provides the voting rights to the bondholders.
D. Corporation’s payment of interest on debt is fully taxable.
B.

**4. A firm reports total liabilities of Rs. 300,000 and owner’s equity of Rs. 500,000. What would be the total worth of the firm’s assets?**
A. Rs. 300,000
B. Rs. 500,000
**C. Rs. 800,000**
D. Rs. 1100,000

Assets = Liabilities + Owner’s Equity
= 300,000 + 500,000
= 800,000

**5. Which of the following measure reveals how much profit a company generates with the money shareholders have invested?**
A. Profit Margin
B. Return on Assets
**C. Return on Equity**
D. Debt-Equity Ratio

**6. If you have Rs. 850 and you plan to save it for 4 years with an interest rate of 10%, what will be the future value of your savings?**
A. Rs. 1,000
**B. Rs. 1,244**
C. Rs. 1,331
D. Rs. 1,464

FV = PV \* (1+ i) ^n
= 850 \* (1+0.1)^4
= 1244

**7. In case of international business which of the given factor(s) must be considered?**
A. Role of foreign exchange
B. Balance of payments
C. Attitude of Governments

**D. All of the given options**

**8. Which of the following refers to the difference between the sale price and cost of inventory?**
A. Net loss
B. Net worth
**C. Markup**
D. Markdown

Mark up/margin is the extra amount charged by business to it customer to earn profit. It’s the difference between sales price and cost.

**9. Who of the following make a broader use of accounting information?**
A. Accountants
**B. Financial Analysts**
C. Auditors
D. Marketers

**10. Rule of 72 for finding the number of periods is fairly applicable**
to which of the following range of discount rates?
A. 2% to 8%
B. 4% to 25%
**C. 5% to 20%**
D. 10% to 50%
This rule is fairly applicable to discount rates in 5% to 20% range. Finding the Number of Periods:.