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Examination Code: 2C00456	**Semester: VI / CBCS**
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Multiple Choice Question (MCQ) – Question Bank

Sr. No.	Question	Option A	Option B	Option C	Option D	Correct Answer	Correct Option
1	________value is used when an investor wants 'true' or 'real' value based on an analysis of fundamentals without considering the prevailing price in the market.	Intrinsic	Market	Fair	Book	**Intrinsic**	**Unit 1**
2	The accounting record value of assets that is shown in the balance sheet is known as ___________.	Fair Value	Book Value	Intrinsic Value	Market Value	**Book Value**	
3	________ is excess of net operating profit after tax over Overall Cost of Capital	Economic Value Addition	Market Value Addition	Book Value Addition	Profitability Addition	**Economic Value Addition**	
4	__________ value is also called as Asset backing value	Intrinsic Value	Liquidation value	Gross Asset Value	Net Asset Value	**Net Asset Value**	
5	______ is Excess of future maintenance profit over normal expected profit	Normal Profit	Net Profit	Super Profit	Natural Profit	**Super Profit**	
6	______ = Market capitalization – invested equity capital	Economic Value Addition	Market Value Addition	Book Value Addition	Profitability Addition	**Market Value Addition**	
7	Growing positive EVA indicates that financial performance is ________ over time	Improving	Deteriorating	unchanged	Changing fast	**Improving**	

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8	_____ value is the scrap value of an old asset after its usage.	Market value	Liquidation	Replacement value	Salvage value	**Salvage value**	
9	Fair value of a share is equal to ______.	Yield Value	Intrinsic Value	Total of Yield and Intrinsic Value	Average of Yield and Intrinsic Value	**Average of Yield and Intrinsic Value**	
10	The Present value of all the incremental future cash flows can be termed as the ______ value.	Book value	intrinsic Value	Market value	Book Value	**Intrinsic Value**	
11	_____ is the cost of purchasing or replacing new assets which is of equal utility to the business.	Replacement value	Salvage value	Economic value	Present Value	**Replacement value**	
12	Under ______ method, shares are valued based on expected earnings and normal rate of return.	Net Asset method	Fair value method	Dividend yield method	Earning yield method	**Earning yield method**	
13	What are the circumstances under which Valuation of shares or enterprise becomes essential?	Making investment in a joint venture	When issuing shares to public	Scheme of merger	All of these	**All of these**	
14	Asset-based company valuations do not include the _______ method.	Book value	Replacement cost	Marginal cost	Realisable value	**Marginal cost**	
15	Earnings-based company valuations do not include the	ABC Method	ARR method	DCF	P/E	**ABC**	

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	______________			Method	Method	**method**	
16	Which of these is not a method of Goodwill valuation?	Amortisation of goodwill	Average Profit	Super Profit	Capitalisation	**Amortisation of goodwill**	
17	IF Average Profit is Rs. 60000, Normal rate of return is 10% and capital Employed is Rs. 500000 then what will be Super Profit	Rs. 6000	Rs. 10000	50000	None of these	**Rs. 10000**	
18	If Average Profit is Rs. 50000, Normal Profit is Rs. 30000 then what will be value of Goodwill at 2 years purchase of Super Profit?	Rs. 40000	Rs.60000	Rs.80000	Rs.100000	**Rs. 40000**	
19	If yield Value of share is Rs. 40 and Fair Value of share is RS. 50 then what is intrinsic value of Share?	10	45	60	90	**60**	
20	What will be NRR, if Rate of interest on investment is 10% and Rate of Risk is 1.5%?	8.50%	10%	11.50%	20%	**11.50%**	
21	Calculate EVA. when NOPAT =RS.250000, Capital employed = RS. 500000 and WACC = 10%	Rs. 300000	Rs. 200000	Rs. 475000	Rs. 525000	**Rs.200000**	
22	If Earning per share is Rs. 2 and P/E ratio is 25 then Market per share will be Rs. ________	2	12.5	27	50	**50**	

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23	If Market capitalization is Rs. 540000, Equity Capital is Rs. 300000 and Reserves are Rs. 200000 as per balance sheet then how much will be MVA	Rs. 500000	Rs. 5400000	Rs. 1040000	RS.40000	**Rs. 40000**	
24	Calculate MVA, If P/E ratio is 10, EPS is Rs. 4, Net worth at book value is Rs. 500000 and no. of. Ordinary shares is 20000.	Zero	Rs. 80000	RS. 300000	Rs. 500000	**Rs. 300000**	
25	What will be P/E Ratio if Market price of share is RS. 40 per share and Earning per share is Rs. 10	0.25	4	50	400	**4**	
26	A ______ is an attractive strategic option for managers of private companies to gain public company status	Reverse merger	Merger	Takeover	Join Venture	**Reverse merger**	**Unit 2**
27	Justifications for M&As do not include: _________.	to enter new markets	to increase risk	to achieve synergy	to gain economies of scale	**to increase risk**	
28	A horizontal merger is a merger between __________.	Two or more firms from different and unrelated markets	Two or more firms at different stages of the production process.	A producer and its supplier.	Two or more firms in the same market	**Two or more firms in the same market**	
29	_______is the benefit that results when two or more agents work together to achieve something either one could not have achieved on its own.	Energy	Strength	Synergy	Growth	**Synergy**	

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30	The acquisition of a retail mobile store by a Mobile manufacturer is an example of _________.	Horizontal.	Vertical.	Diversification	Conglomerate	**Vertical.**	
31	The merger of General Motors and Ford would be categorized as a _____	Horizontal.	Vertical.	Joint venture.	Conglomerate	**Horizontal.**	
32	Which Accounting Standard deal with Amalgamation?	AS 10	AS 11	AS 14	AS 17	**AS 14.**	
33	In _______ valuation it is assumed that the company will be dissolved.	Liquidation	Assets	Goodwill	Share	**Liquidation**	
34	An acquisition and _________ are same.	a merger	an amalgamation	a takeover	a spin-off	**a takeover**	
35	Which of these is not the ways in which mergers and acquisitions (M&As) occur?	Diversification	Horizontal integration	Vertical integration	Conglomerate takeover	**Diversification**	
36	When firm B merges with firm C to create firm BC, what has occurred?	An acquisition of assets.	A consolidation.	A tender offer.	An acquisition of stock.	**A consolidation.**	
37	Which of the following is a combination involving the absorption of one firm by another?	Merger.	Consolidation.	Proxy fight.	Joint Venture	**Merger.**	
38	Which of these is not the Financial motives for Merger & Acquisition?	corporation tax	earnings per share	Goods and service Tax	unemployed tax shields	**Goods and service Tax**	

39	A public offer by A ltd. to directly buy shares of B Ltd. is an example of ________.	Spin Off	Tender Offer	Merger	Consolidation	**Tender Offer**	
40	An agreement between firms to create a separate, co-owned entity established to pursue a joint goal is called a:	Merger.	Consolidation.	Proxy fight.	Joint Venture	**Joint Venture**	
41	All the following are true of mergers except _______.	Mergers are legally straightforward.	Approval by shareholder vote of each firm involved in the merger is required.	The acquiring firm maintains its name and identity in a merger.	A merger may never result from a public offer to the shareholders of the target firm to buy its shares directly.	**A merger may never result from a public offer to the shareholders of the target firm to buy its shares directly.**	
42	The three broad approaches to company valuation do not include: ______	asset valuation	future earnings valuation	stock market valuation	inventory valuation	**inventory valuation**	

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43	Which of these is incorrect statement?	A leveraged buyout involves the purchase of a company financed primarily by debt	A merger is a combination of two firms in which only one firm's identity survives.	In a consolidation, two or more firms combine to form a new company.	M&A's rarely pay off for target firm shareholders	**M&A's rarely pay off for target firm shareholders**	
44	Which of the following are commonly cited reasons for M&As? A. Synergy B. Market power C. Strategic realignment	A and B	A and C	B and C	A,B and C	**A,B and C**	
45	A merger is a combination of businesses in which __________ A. two businesses combine to form a new business. B. one of the two firms becomes a wholly owned subsidiary of the other firm.	Only A	Only B	Neither A nor B	Both A and B	**Neither A nor B**	
46	Suppose that the market price of Company X is Rs.90 per share and that of Company Y is Rs.60. If X offers three shares of common stock for 4 shares of Y, the ratio of exchange of market prices would be:	0.667	1	1.125	1.25	**1.125**	

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47	No of Equity shares of a company are 100000 and NPAT is Rs. 500000 preference Dividend is Rs. 100000.What is the EPS a company?	RS. 1	RS. 4	Rs. 5	Rs.10	**Rs. 4**	
48	No of Equity shares of PQ Ltd. are 10000 and NPAT is Rs. 1000000 preference Dividend is Rs. 100000.What is the MPS of PQ Ltd. If P/E ratio is 10?	Rs. 100	Rs. 90	Rs. 900	Rs. 1000	**Rs. 900**	
49	The following reasons are good motives for mergers except: _____________ (I) Economies of scale (II) Complementary resources (III) Diversification (IV) Eliminating Inefficiencies	I and III only	II and IV only	I and III only	III only	**III only**	
50	Firm X has a value of Rs.100 Crores, and Y has a value of Rs.70 Crores. Merging the two would allow a cost savings with a present value of Rs.20 Crores. Firm A purchases B for Rs.75 Crores. How much do firm A's shareholders gain from this merger?	Rs.30 Crores	Rs.20 Crores Rs.	15 Crores	Rs.5 Crores	**Rs. 15 Crores**	
51	The organizations which allows longer period of credit to debtors requires	More Working Capital	Less Working Capital	No Working Capital	Moderate Working Capital	**More Working Capital**	**Unit 5**
52	Net working Capital=	Current assets less Current Liabilities	Current assets - Fixed assets	Current liabilities less current assets	Permanent working capital	**Current liabilities less current assets**	

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53	Recourse Factoring advances upto	70% to 80 %	90% to 100%	20% to 40 %	10% to 30 %	**70% to 80 %**	
54	credit investigation is done by Factor in	Factoring	Working Capital Financing	Hire purchase Financing	Lease financing	**factoring**	
55	Working Capital=	Capital required to finance day to day opeartions	Capital to finance fixed assets	Capital working in the organisations	Cash credit	**Capital required to finance day to day opeartions**	
56	Public Deposits are accepted for a maximum Period of	2 yrs.	3 yrs.	5 yrs.	6 yrs.	**3 yrs.**	
57	The length of time between the firm's actual cash expenditure and its own cash receipt.	Net operating cycle	Cash conversion cycle	Working capital cycle	Gross operating cycle	**Net operating cycle**	
58	When total current assets exceed total current liabilities it refers to	Gross Working Capital	Temporary Working Capital	Seasonal Working Capital	Net Working Capital	**Net Working Capital**	
59	For estimation of working capital debtors are valued at	Cost	Market value	Depend upon the policy of the organizatio	Fair Value	**Depend upon the policy of the organizatio**	

				n		**n**	
60	Financial debt is in	factoring	Invoice discounting	Bill discounting	Bills receivable	**Factoring**	
61	Advance Factoring refers to	Factor advances cash to the seller against the debt	The factor makes payment on maturity	The factor finances the book debts and the client continues to maintain sales ledger	Inaccurate Evaluation	**Factor advances cash to the seller against the debt**	
62	Advantage of factoring are	Improved Liquidity	Bad Image	No useful	Inaccurate Evaluation	**Improved Liquidity**	
63	Banks provide finance to bridge the gap between current assets and current liabilities	Working Capital Financing	Hire purchase Financing	Lease financing	Finance Factoring	**Working Capital Financing**	
64	The notice of assignment of debt is not given to the debtors	Non-Notification factoring	Advance Factoring	Maturity Factoring	Finance Factoring	**Non-Notification factoring**	

65	Maximum period in factoring is	6 months	3 months	2 months	1 months	**3 months**	
66	Costs of inventory excluding depreciation	Cash working Capital	Larger working Capital	Smaller working Capital	Minimum working Capital	**Cash working Capital**	
67	Advance payment on debtors is available in	Factoring	Bills discounting	Hire purchase price	Down payment	**Factoring**	
68	Concept of maximum permissible bank finance was introduced by	Kannan Committee	Chore Committee	Nayak Committee	Tandon Committee	**Tandon Committee**	
69	Service organisation requires	Larger working Capital	Smaller working Capital	Minimum working Capital	maximum working Capital	**Minimum working Capital**	
70	Gross working capital means	Total assets	Total current assets	Total current liabilities	Fixed assets minus current assets	**Total current assets**	
71	Manufacturing organisation requires	Larger working Capital	Smaller working Capital	Minimum working Capital	The	**Larger working Capital**	
72	Shortage of working capital may result in	Poor credit standing	More cash discount	More trade discount	Less trade discount	**Poor credit standing**	

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73	Increase in WIP period requires	Net Operating cycle	Larger working Capital	Smaller working Capital	Minimum working Capital	**Larger working Capital**	
74	Core Working Capital is also known as	Gross working Capital	Net working capital	Permanent working capita	Fixed Capital	**Permanent working capita**	
75	Maturity Factoring refers to	Factor advances cash to the seller against the debt	The factor makes payment on maturity	The factor finances the book debts and the client continues to maintain sales ledger	Inaccurate Evaluation	**The factor makes payment on maturity**	
76	Finance Factoring refers to	Factor advances cash to the seller against the debt	The factor makes payment on maturity	The factor finances the book debts and the client continues to maintain sales ledger	Inaccurate Evaluation	**The factor finances the book debts and the client continues to maintain sales ledger**	

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77	The bills should have maximum days of	90	180	120	30	**90**	
78	Current Assets - Current Liabilities =	Gross working Capital	Net working capital	Permanent working capital	Temporary working capital	**Net working capital**	
79	Seasonal working Capital refers to	Gross working Capital	Net working capital	Required to meet seasonal needs of the organization	Fluctuating in nature	**Required to meet seasonal needs of the organization**	
80	Commercial paper is type of	Fixed coupon bond	Unsecured short term debt	Equity share capital	Government bond	**Unsecured short term debt**	
81	Corporate Restructuring is done to increase	Long term profitability	Long term solvency	Long term business relations	Long term view	**Long term profitability**	**Unit 3**
82	Restructuring is a process of	Changing capital structure	Changing staffing	Changing organisation of a business	Changing in plan	**Changing organisation of a business**	

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83	Corporate Restructuring is to	Consider solvency	Re-arrange the organisation	Have profitable growth	Change the structure	**Change the structure**	
84	Corporate Restructuring is a process of	Planning	Insolvency	solvency	Re-arrangement	**Re-arrangement**	
85	The Essence of Corporate Restructuring is	Inefficient business operation	In competitive business operation	Not Profitable business operation	Efficient business operation	**Efficient business operation**	
86	Restructuring is done to	decrease market share	decrease Brand power	decrease Synergies	Increase Synergies	**Increase Synergies**	
87	Restructuring activities occur at a much larger scale due to	Increasing competition	Globalisation	Nationalisation	Increasing competition and Globalisation	**Increasing competition and Globalisation**	
88	Corporate Restructuring helps to achieve	Diseconomies	No Global competitiveness	No Cost reduction	Economies of Scale	**Economies of Scale**	
89	Corporate Restructuring as a strategy involves	No lay off	Share capital	No Alteration	Merger	**Merger**	

90	Different forms of restructuring Does not include	Merger	Acquisition	Takeover	Adverse opinion	**Adverse opinion**	
91	Capital reduction is implemented as per companies act under the section	77	100	80	75	**100**	
92	The scheme of capital reduction is to be approved by	High Court	SEBI	Central Government	Shareholders	**High Court**	
93	Balance in Capital Reduction A/c should be transferred to	Security premium A/c	Capital Reserve A/c	Share Capital A/c	Profit and Loss A/c	**Capital Reserve A/c**	
94	Ravi Ltd. Had on 31st March 2020; 80000 Equity shares at Rs. 10 each. It was decided to reduce shares to Rs. 8 each. The Reduction is	Rs. 80000	Rs.160000	Rs.200000	Rs.150000	**Rs.160000**	
95	Provision for taxation is Rs.100000. The tax liability of the company is settled at Rs. 80000 and it is paid immediately. Amount credited to capital reduction is	Rs. 20000	Rs. 60000	Rs. 80000	Rs. 100000	**Rs. 20000**	
96	In Internal Reconstruction for writing off Goodwill accounts, which Account is to be debited?	Goodwill A/c	Profit and Loss A/c	Capital Reduction A/c	Loss on Write off A/c	**Capital Reduction A/c**	
97	In Internal Reconstruction Sacrifice made by Creditors for their dues, which Account is to be Credited?	Creditors A/c	Capital Reduction A/c	Profit and Loss A/c	Capital Reserve A/c	**Capital Reduction A/c**	

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98	3000 Preference Shares of ₹ 100 each to be reduced to ₹ 75 each fully paid. Amount Transferred to Capital Reduction A/c will be?	75000	70000	225000	300000	**75000**	
99	4000 Equity Shares of ₹ 100 each reduced to ₹ 40 each fully paid up. Amount Transferred to Capital Reduction A/c will be?	400000	160000	240000	200000	**240000**	
100	Capital Reserve A/c Shown in Balance Sheet under the Head?	Share Capital	Reserves and Surplus	Non-Current Liabilities	Current Liabilities	**Reserves and Surplus**	
101	Due to Lease	Capital requirement of business is reduced	More capital is required	Borrowing capacity is increased	Affect business operations	**Capital requirement of business is reduced**	**Unit 4**
102	Lease Rentals	Increases tax liability	Decreases tax liability	Does not affect tax liability	Increases assets	**Decreases tax liability**	
103	Lease is only a mode of	Financing	Hiring	Takeover	Financing and Hiring	**Financing and Hiring**	
104	The Lessor in operating lease is a	Manufacturer	Trader	Professional	Creditor	**Manufacturer**	
105	In case of Lease the legal title is with	Lessor	Lessee	Agent	Broker	**Lessor**	

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106	Lease rentals are operating expenses which are	Deductible for tax purpose	Added for tax purpose	Ignored for tax purpose	Credited in Profit and Loss A/c	**Deductible for tax purpose**	
107	The period over which the asset is economically usable is	Economic Life	Useful Life	Accounting Life	Calculative Life	**Economic Life**	
108	Finance Lease is for a	Long term period	Short term period	Medium term period	Market period	**Long term period**	
109	Annual Lease Rental is considered as cash outflow for	Lessor	Lessee	Finance company	Agent	**Lessee**	
110	Cost of asset is cash outflow to	Lessor	Lessee	Finance company	Broker	**Lessor**	
111	Buyer of goods under Hire purchase is called as a	Hirer	Buyer	Customer	Vendor	**Hirer**	
112	Amount paid at the time of taking delivery of goods is	Cash payment	Down payment	Advance payment	Prepayment	**Down payment**	
113	Hire purchase price is equal to	Cash price	Cash price – Interest	Cash price + Interest	Cash price + Down Payment	**Cash price + Interest**	
114	Instalment is equal to	Principal + Interest	Principal – Interest	Cash price + Interest	Cash price – Interest	**Principal + Interest**	
11	Depreciation is charged on asset at a certain rate on	Down	Cash price	Principal	Hire Purchase	**Cash price**	

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5		payment			price		
116	Accounting Standard on Lease	AS 20	AS 19	AS 18	AS 26	**AS 19**	
117	If Down payment is ₹ 300000, Instruments are 1st year = ₹ 420000, 2nd year = ₹ 390000 , 3rd year = ₹ 360000 , 4th year = ₹ 330000. What will be the Hire Purchase Price?	₹ 16,00,000	₹ 18,00,000	₹ 20,00,000	₹ 24,00,000	**₹ 18,00,000**	
118	If Hire Purchase price is ₹ 1800000, Cash Price is ₹ 1500000. What will be the Interest?	₹ 4,00,000	₹ 33,00,000	₹ 3,00,000	₹ 2,00,000	**₹ 3,00,000**	
119	Tax Saving on Depreciation can be Claimed by	Hire Purchaser	Hire Vendor	Agent	Broker	**Hire Purchaser**	
120	Under Hire Purchase System Purchaser becomes the Owner of Goods on payment of	Down payment	Last Instalment	Interest	first instalment	**Last Instalment**	