

TAMILNADU PUBLIC SERVICE COMMISSION
HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS –
APRIL - 2023

FINANCIAL MANAGEMENT
(FOR ASSISTANT / DEPUTY COLLECTORS)
(WITHOUT BOOKS)

Time : 1½ Hours

Maximum Marks : 50

Answer ALL questions.

Each question carries equal marks.

(50 × 1 = 50)

1. Financial Management is mainly concerned with
 - (A) All aspects of acquiring and utilising financial resources for firms activities
 - (B) Arrangement of funds
 - (C) Efficient Management of every business
 - (D) Profit maximisation

2. Which of the following is not an objective of financial management?
 - (A) Maximisation of wealth of shareholders
 - (B) Maximisation of profits
 - (C) Mobilisation of funds at acceptable cost
 - (D) Ensuring discipline in the firm

3. Which of the following is not the responsibility of financial management?
 - (A) Allocation of funds to Current and Capital Assets
 - (B) Obtaining the best mix of financing alternatives
 - (C) Preparation of firm's accounting statement
 - (D) Development of an appropriate dividend policy

[Turn over

4. Which of the following is not defined as one of the financial objective of a firm?
- (A) Timeliness (B) Profitability
(C) Liquidity (D) Efficiency
5. Decision made by the financial manager should primarily focus on increasing which one of the following?
- (A) Total sales
(B) Size of the firm
(C) Market value per share of outstanding stock
(D) Gross profit of the firm
6. Which of the following is not a function of a finance manager?
- (A) Deployment of funds (B) Mobilisation of funds
(C) Control over use of funds (D) Manipulate share price of a company
7. Process of calculating future value of money from present value is classified as
- (A) Compounding (B) Discounting
(C) Money value (D) Stock value
8. _____ is the deciding in advance how much to spend, on what to spend according to the available funds.
- (A) Financial management (B) Financial activities
(C) Financial planning (D) Dividend policy
9. Reserve and surplus are which form of financing?
- (A) Security financing (B) Internal financing
(C) Loans financing (D) International financing
10. A debenture _____
- (A) is a long term loan (B) does not require security
(C) is a short term loan (D) receives dividend payments

11. Financial statement one meaningful and useful only when they are
- (A) Verified
 - (B) Presented to owners
 - (C) Analysed and interpreted
 - (D) Published
12. Cash flow includes
- (A) Cash receipts only
 - (B) Cash payments only
 - (C) Cash receipts and payments
 - (D) Cash and non-cash income and expenses
13. Cash from operation activities include
- (A) Cash from business activity
 - (B) Cash from business activities and changes in current assets and liabilities
 - (C) Sale of fixed assets
 - (D) Borrowing from outside sources
14. The ideal Current Ratio is
- (A) 5
 - (B) 4
 - (C) 3
 - (D) 2
15. Solvency ratio indicates
- (A) Profitability
 - (B) Activity
 - (C) Credit worthyness
 - (D) Efficiency of management
16. Purchase budget refers to
- (A) Purchase of fixed assets
 - (B) Purchase of raw materials
 - (C) Purchase of advertising and distributing materials
 - (D) Purchase of office supplies
17. A flexible budget is
- (A) Budget for different capacity level
 - (B) Budget for different departments
 - (C) Budget for receipts and payments
 - (D) Budget for operations of the entire management

18. Capital budgeting is related to
- (A) Long term assets
 - (B) Short term assets
 - (C) Long term and short term assets
 - (D) Fixed assets
19. Number of years forecasted to recover an original investment is classified as
- (A) Pay back period
 - (B) Forecasted period
 - (C) Original period
 - (D) Investment period
20. Which of the following capital budgeting methods states the return of a project as a percentage?
- (A) Pay back period
 - (B) Internal rate of return
 - (C) Accounting rate of return
 - (D) Net present value
21. A firm's cost of capital is the
- (A) Cost of issuing stock
 - (B) Cost of bonds
 - (C) Cost of borrowing money
 - (D) Overall cost of financing to the firm
22. Cost of issuing new shares to the public is called
- (A) Cost of capital
 - (B) Cost of equity
 - (C) Floating cost
 - (D) Marginal cost of capital
23. Which of the following costs of capital require tax adjustment?
- (A) Cost of equity capital
 - (B) Cost of preference capital
 - (C) Cost of debentures
 - (D) Cost of Retained earnings
24. A formula of after tax component of cost of debt is
- (A) Interest rate – tax savings
 - (B) Marginal tax – require return
 - (C) Interest rate + tax savings
 - (D) Borrowed cost + embedded cost

25. Which of the following source of funds has an implicit cost of capital?
(A) Equity capital (B) Retained earnings
(C) Preference capital (D) Debentures
26. Dividends are paid out of
(A) Accumulated profits (B) Gross profits
(C) Profits after tax (D) General reserve
27. _____ is a non-recurring dividend paid to shareholders in addition to the regular dividend.
(A) Regular dividend
(B) Extra dividend
(C) Stock dividend
(D) Stock split
28. Dividend policy of a company affects both the long term financing and _____ wealth.
(A) Owners (B) Creditors
(C) Debtors (D) Shareholders
29. Financial leverage is called favourable if
(A) Return on investment is lower than cost of debt
(B) Return on investment is higher than cost of debt
(C) Debt is nearly available
(D) The degree of existing financial leverage is low
30. When a company uses increased fixed cost of production, this is an example of what type of leverage?
(A) Operating leverage
(B) Financial leverage
(C) Variable cost leverage
(D) Combined leverage

31. The amount of current assets required to meet a firm's long term minimum needs is termed as _____ working capital
- (A) Gross (B) Permanent
(C) Net (D) Temporary
32. Which one of the following statements concerning net working capital is correct?
- (A) A decrease in cash balance also decreases net working capital
(B) Net working capital increases when inventory is bought for cash
(C) Net working capital must be positive
(D) Total assets increase when net working capital increases
33. Working capital management is managing
- (A) Short term assets and liabilities
(B) Long term assets
(C) Long term liabilities
(D) Only short term assets
34. The fixed portion of working capital should be generally financed from the _____ capital sources.
- (A) Fixed (B) Variable
(C) Semi variable (D) Borrowed
35. Higher working capital usually results in
- (A) Higher current ratio, higher risk and higher profits
(B) Lower current ratio, higher risk and profit
(C) Higher equity, lower risk and lower profit
(D) Lower equity, lower risk and higher profits
36. Which of the following is not an object of cash management?
- (A) Maximisation of cash balance
(B) Minimisation of cash balance
(C) Optimisation of cash balance
(D) Zero cash balance

37. Float management is related to
(A) Cash management (B) Inventory management
(C) Receivables management (D) Raw materials management
38. A higher accounts receivable turnover ratio means
(A) Lower debt collection period (B) Higher debt collection period
(C) Lower sales (D) Higher sales
39. Offering cash discount to customers results in
(A) Reducing the average collection period
(B) Increasing the average collection period
(C) Increasing sales
(D) Decreasing sales
40. A method of inventory recording which produces high inventories in balance sheet is classified as
(A) First out receivable (B) First in first out
(C) Last in first out (D) Last out receivables
41. Government Bond is a
(A) Short term security
(B) Long term security
(C) Medium term security
(D) Either short term or long term security
42. The money market instrument is
(A) Bond (B) Debenture
(C) Stock certificate (D) Certificate of deposits
43. The market for short term loans is known as
(A) Call money market (B) Treasury bill market
(C) Money market (D) Acceptance market

44. The market which helps commercial banks to maintain their SLR requirements is
(A) Call loan market (B) Discount market
(C) Acceptance market (D) Commercial bill market
45. The major player in the Indian money market is
(A) Co-operative Banks (B) Indigeneous Banks
(C) Commercial Bank (D) Reserve Bank of India
46. Primary and Secondary markets
(A) Control each other (B) Function independently
(C) Compete with each other (D) Complement each other
47. An order for purchase of securities at a fixed price is known as
(A) Limit order (B) Open order
(C) Discretionary order (D) Stop loss order
48. Speculators who neither buy nor sell securities in the market, but still trade on them are called
(A) Wolves (B) Stags
(C) Lame ducks (D) Bears
49. Stock Exchange
(A) Helps the fixation of stock price
(B) Ensures safe and fair dealing
(C) Induces good performance of the company
(D) Performs all the above functions
50. Which of the following is not used in the floatation of securities in the New issue market is
(A) Public issues (B) Placement
(C) Over the counter sales (D) Right issues
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