

TAMILNADU PUBLIC SERVICE COMMISSION
HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS –
OCTOBER - 2022

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. The concept of financial management is
 - (A) Profit maximization
 - (B) All features of obtaining and using financial resources for company operations
 - (C) Organization of funds
 - (D) Effective Management of every company

2. The primary goal of financial management is
 - (A) To minimise the risk
 - (B) To maximise the owner's wealth
 - (C) To maximise the return
 - (D) To raise profit

3. The Finance Manager is accountable for
 - (A) Earning capital assets of the company
 - (B) Effective management of a fund
 - (C) Arrangement of financial resources
 - (D) Proper utilisation of funds

[Turn over

4. Future Value of annuity is
(A) Equal to Annuity Amount (B) Less than Annuity Amount
(C) Compound value Annuity Factor (D) None of the above
5. Financial Planning deals with
(A) Preparation of Financial Statements
(B) Planning for a Capital Issue
(C) Preparing Budgets
(D) All of the above
6. Financial planning starts with the preparation of
(A) Master Budget (B) Cash Budget
(C) Balance Sheet (D) Sales budget
7. Process of Financial Planning ends with
(A) Preparation of Projected Statements
(B) Preparation of Actual Statements
(C) Comparison of Actual with Projected
(D) Ordering the employees that projected figures come true
8. _____ maximization objective ignores the timing of benefit i.e time value of money.
(A) Sales (B) Commission
(C) Value (D) Profit and wealth
9. The financial management function has become _____ and complex.
(A) Less demanding (B) More demanding
(C) Less important (D) Outdated

10. Time value of money indicates that
- (A) A unit of money obtained today is worth more than a unit of money obtained in future
 - (B) A unit of money obtained today is worth less than a unit of money obtained in future
 - (C) There is no difference in the value of money obtained today and tomorrow
 - (D) None of the above
11. The following is one of the measure of Debt Service capacity of a firm
- (A) Current Ratio
 - (B) Acid Test Ratio
 - (C) Interest Coverage Ratio
 - (D) Debtors Turnover
12. Gross Profit Ratio for a firm remains same but the Net Profit Ratio is decreasing. The reason for such behavior could be
- (A) Increase in Costs of Goods Sold
 - (B) Increase in Expense
 - (C) Increase in Dividend
 - (D) Decrease in Sales
13. Which of the following statements is correct?
- (A) A higher receivable turnover is not desirable
 - (B) Interest coverage ratio depends upon tax rate
 - (C) Increase in net profit ratio means increase in sales
 - (D) Lower debt-equity ratio means lower financial risk
14. In cash flows, when a company invests in fixed assets and short-term financial investments results in
- (A) Increased Equity
 - (B) Increased Liabilities
 - (C) Decreased Cash
 - (D) Increased Cash
15. As per Accounting Standard-3, Cash Flow is classified into
- (A) Operating activities and investing activities
 - (B) Investing activities and financing activities
 - (C) Operating activities and financing activities
 - (D) Operating activities, financing activities and investing activities

16. _____ of the cash flow generated by the firm's operations, investments and financial activities.
- (A) The balance sheet is a report
 - (B) The income statement is a report
 - (C) The statement of cash flows is a report
 - (D) The auditor's statement of financial condition
17. Funds flow statement is based on the concept of
- (A) Going concern
 - (B) Business entity
 - (C) Accounting period
 - (D) None of the above
18. Capital budgeting is the process
- (A) Which help to make master budget of the organization
 - (B) By which the firm decides how much capital to invest in business
 - (C) By which the firm decides which long-term investments to make
 - (D) Undertaken to analyze how make available various finance to the business
19. Which of the following represents the amount of time that it takes for a capital budgeting project to recover its initial cost?
- (A) Maturity period
 - (B) Payback period
 - (C) Redemption period
 - (D) Investment period
20. Capital budgeting decisions are analyzed with help of weighted average and for this purpose _____ is used.
- (A) Component cost
 - (B) Common stock value
 - (C) Cost of capital
 - (D) Asset valuation
21. The minimum rate of return that suppliers of capital expect as the compensation for their contribution of fund is known as
- (A) Cost of capital
 - (B) Payoffs
 - (C) Both of the above
 - (D) None of the above
22. The annual rate of return that an investor expects to earn from the investment in shares of a company is known as
- (A) Cost of equity
 - (B) Cost of debt
 - (C) Cost of retaining earning
 - (D) None of the above

23. The cost of capital is the cost from _____ perspective.
- (A) Fund provider (B) Fund raiser
(C) Both of the above (D) None of the above
24. In which of the following method cost of equity capital is computed by dividing the dividend by market price per share or net proceeds per share?
- (A) Price Earning Method (B) Adjusted Price Method
(C) Adjusted Dividend Method (D) Dividend Yield Method
25. Cost of capital is equal to required return rate on equity in case if investors are only
- (A) Valuation Manager (B) Common Stockholders .
(C) Asset Seller (D) Equity Dealer
26. Which of the following method of cost of equity is similar to the dividend price approach?
- (A) Discounted Cash Flow (DCF) method
(B) Capital asset pricing model .
(C) Price earning method
(D) After tax equity method
27. For which of the following costs is it generally necessary to apply a tax adjustment to a yield measure?
- (A) Cost of debt (B) Cost of preferred stock
(C) Cost of common equity (D) Cost of retained earnings
28. Which of the following risk can be eliminated by an investor?
- (A) Diversifiable risk (B) Non-diversifiable risk
(C) Both (A) and (B) (D) Neither (A) nor (B)
29. The term 'EVA' is used for
- (A) Extra Value Analysis (B) Economic Value Added
(C) Expected Value Analysis (D) Engineering Value Analysis

30. A firm's overall cost of equity is
- (A) generally less than the firm's WACC
 - (B) unaffected by changes in the market risk premium
 - (C) highly dependent upon the growth rate and risk level of the firm
 - (D) generally less than the firm's after tax cost of debt
31. What are the aspects of working capital management?
- (A) Inventory management
 - (B) Receivable management
 - (C) Cash management
 - (D) All of the above
32. _____ cycle analyzes the accounts receivable, inventory, and accounts payable cycles in terms of a number of days.
- (A) Business
 - (B) Current asset
 - (C) Operation
 - (D) Operating
33. Operating cycle is also called as
- (A) Business cycle
 - (B) Working capital cycle
 - (C) Working cycle
 - (D) Current asset cycle
34. _____ working Capital refers to the firm's investment in current assets.
- (A) Zero
 - (B) Net
 - (C) Gross
 - (D) Distinctive
35. Working capital is calculated as
- (A) Core current assets less core current liabilities
 - (B) Current assets less current liabilities
 - (C) Core current assets less current liabilities
 - (D) Liquid assets less current liabilities
36. Working Capital Turnover measures the relationship of Working Capital with
- (A) fixed assets
 - (B) sales
 - (C) purchases
 - (D) stock

37. The capital which is needed to meet the seasonal requirements of the business
- (A) Gross Working Capital
 - (B) Reserve Margin Working Capital
 - (C) Net Working Capital
 - (D) Fluctuating Working Capital
38. Which of the following method is not used for calculating working capital cycle?
- (A) Percentage of sales method
 - (B) Regression analysis method
 - (C) Operating cycle approach
 - (D) Trial and error method
39. Negative working capital means that
- (A) The company has no current assets at all
 - (B) The company currently is unable to meet its short-term liabilities
 - (C) The company has negative earnings before interest and tax
 - (D) The company currently is able to meet its short-term liabilities
40. Current assets are those assets
- (A) Which can be sold by the companies
 - (B) Which are less important from production angle
 - (C) Which are held by the companies to pay-off current liabilities
 - (D) Which are converted into cash within a period of one year
41. _____ is a set of complex or closely connected or intermixed institutions, agents, practices, markets claims etc.
- (A) Financial intermediary
 - (B) Financial company
 - (C) Financial system
 - (D) None of these
42. Bonds, bearer debenture, government securities are the example for
- (A) Non marketable asset
 - (B) Marketable asset
 - (C) Primary asset
 - (D) Secondary asset

43. Market for short term funds usually for one year is called
(A) Capital market (B) Money market
(C) Primary market (D) Secondary market
44. FEMA was passed by the Govt of India in the year
(A) 1999 (B) 1946
(C) 1945 (D) 1948
45. Money market instruments consist of
(A) CD's (B) CP's
(C) MMMFS (D) All of these
46. SEBI was established in the year
(A) 4th April 1982 (B) 4th April 1992
(C) 4th June 1992 (D) 4th June 1993
47. Government securities market also called
(A) industrial securities (B) gilt edged securities
(C) MM securities (D) capital securities
48. ETF stands for
(A) Exchange Traded Funds (B) Exchange Traded Facility
(C) Exchange Traded Forms (D) Exchange Traded Finance
49. The apex authority of insurance industry is
(A) IBRD (B) IRDA
(C) RBI (D) LIC
50. BSE index is also called
(A) SENSEX (B) NIFTY
(C) NASDAQ (D) None of these