

**TAMILNADU PUBLIC SERVICE COMMISSION**  
**HALF YEARLY EXAMINATIONS AND LANGUAGE TESTS –**  
**OCTOBER - 2024**

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

Time : 1½ Hours

Maximum Marks : 50

**Answer ALL questions.**

**Each question carries one mark.**

**(50 × 1 = 50)**

1. Financial Management is mainly concerned with
  - (A) All aspects of acquiring and utilizing financial resources for firms activities
  - (B) Arrangement of funds
  - (C) Efficient management of every business
  - (D) Profit maximisation
  
2. The long run objective of financial management is to
  - (A) Maximize earnings per share
  - (B) Maximize the value of firm's common stock
  - (C) Maximize return on investment
  - (D) Maximize market share
  
3. Which of the following is not a function of a finance manager?
  - (A) Deployment of funds
  - (B) Mobilization of funds
  - (C) Control over use of funds
  - (D) Manipulate share price of a company

**[Turn over**

4. Finance function comprises
- (A) Safe custody of funds only                      (B) Expending funds only  
(C) Procurement of funds only                      (D) Procurement and effective use of funds
5. The market value of the firm is the result of
- (A) Capital budgeting decision                      (B) Dividend decision  
(C) Working capital decision                      (D) Trade off between risk and return
6. In time value of money, nominal rate is
- (A) Not shown on timeline                      (B) Shown on timeline  
(C) Multiplied on timeline                      (D) Dividend on timeline
7. Which of the following is not a source of long term finance?
- (A) Equity shares                      (B) Preference shares  
(C) Commercial papers                      (D) Reserves and surplus
8. The cheapest source of finance is
- (A) Debentures                      (B) Equity capital  
(C) Retained earnings                      (D) Preference capital
9. Which of the following represents the rate at which a company can grow from Internal sources?
- (A) Return on assets                      (B) Sustainable growth rate  
(C) Adjusted EPS                      (D) Return on equity
10. Debt financing is the cheaper source of finance because of
- (A) Time value of money                      (B) Rate of interest  
(C) Tax deductability of interest                      (D) Dividends not payable to lenders

11. Solvency ratios indicate
- (A) Profitability (B) Activity  
(C) Credit worthiness (D) Turnover
12. The term fund refers to
- (A) Reserves (B) Working capital  
(C) Profits (D) Fixed capital
13. Short term investment is
- (A) Current Asset (B) Fixed Asset  
(C) An application of Funds (D) Fixed Asset
14. Cash flows from financing activities arise from
- (A) Cash from purchase and sale of goods  
(B) Cash flows from issue and redemption of shares and debentures and long term borrowings  
(C) Cash flows from purchase and sale of asset  
(D) Cash flows on account of asset short term investment
15. The average capital funds are to be carefully allocated among competing projects by careful prioritization. This is called
- (A) Capital positioning (B) Capital structuring  
(C) Capital rationing (D) Capital budgeting
16. If the PV of cash inflows are greater than the PV of cash outflows, the project would be
- (A) Accepted (B) Rejected with condition  
(C) Accepted with condition (D) Rejected

17. To increase a given present value the discount rate should be adjusted
- (A) Upward (B) Downward  
(C) No change (D) Constant
18. Number of years forecasted to recover an original investment is classified as
- (A) Payback period (B) ARR method  
(C) NPV method (D) IRR method
19. Which of the following capital budgeting methods states the return of a project as a percentage?
- (A) Pay back period (B) ARR  
(C) IRR (D) NPV
20. Pay back period in which an expected cash flows are discounted with help of project cost of capital is classified as
- (A) Discounted pay back period (B) Discounted rate of return  
(C) Discounted cash flows (D) Discounted project cost
21. Cost of capital is the \_\_\_\_\_ rate of return expected by the investors.
- (A) Minimum (B) Maximum  
(C) Expected (D) Marginal
22. Which of the following cost of capital require tax adjustment?
- (A) Cost of equity capital (B) Cost of preference capital  
(C) Cost of debentures (D) Cost of retained earnings

23. 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
24. During planning period, a marginal cost for raising a new debt is classified as
- (A) Debt cost    (B) Relevant cost  
 (C) Borrowing cost                                      (D) Embedded cost
25. The expansion of CAPM is
- (A) Capital amount pricing model                      (B) Capital asset pricing model  
 (C) Capital asset printing model                      (D) Capital amount printing model
26. \_\_\_\_\_ is a non-recurring dividend paid to shareholders in addition to the regular dividend.
- (A) Interim dividend                                      (B) Extra dividend  
 (C) Stock dividend                                      (D) Stock split
27. Which one of the following term is defined as dividends paid expressed as a percentage of net income?
- (A) Dividend payout ratio                              (B) Dividend yield  
 (C) Dividend retention ratio                              (D) Dividend portion
28. Which of the following method does a firm resort to avoid dividend payments?
- (A) Share splitting                                      (B) Declaring Bonus Shares  
 (C) Right issue    (D) New issue

29. Financial leverage is also known as
- (A) Trading on equity (B) Trading on debt  
(C) Interest on equity (D) Interest on debt
30. Operating leverage  $\times$  Financial leverage
- (A) Combined leverage (B) Financial combined leverage  
(C) Operating combined leverage (D) Fixed leverage
31. The gross working capital is a \_\_\_\_\_ concept.
- (A) Going concern (B) Money measurement  
(C) Revenue (D) Cost
32. A portion of current asset that is financed by fixed liabilities is known as
- (A) Gross working capital (B) Net working capital  
(C) Routing working capital (D) Seasonal working capital
33. An asset sold at the end of a specified period is called
- (A) Current asset (B) Permanent current asset  
(C) Temporary current asset (D) Self liquidating asset
34. Excess of working capital result in
- (A) Block of cash (B) Losing interest  
(C) Lack of production (D) Lack of smooth flow of production
35. The cash management refers to management of
- (A) Cash only (B) Cash and bank balances  
(C) Cash and near cash assets (D) Fixed assets

36. Which of the following is not a motive of holding cash?
- (A) Transaction motive (B) Precaution motive  
(C) Capital investment (D) Profit motive
37. Receivable management deals with
- (A) Receipts of raw materials (B) Debtors collection  
(C) Creditors management (D) Inventory management
38. Cost incurred in writing off accounts receivables due to non-payment is called
- (A) Collection cost (B) Opportunity cost  
(C) Bankruptcy cost (D) Bad debt
39. A method of inventory recording which produces high inventories in balance sheet is classified as
- (A) First out receivable (B) FIFO  
(C) LIFO (D) Last out receivables
40. What is EOQ?
- (A) Cost of an order (B) Cost of stock  
(C) Re order level (D) Optimum order size
41. Which one of the following is a cash asset?
- (A) Deposit created out of loans (B) Shares  
(C) Bonds (D) Post office certificate
42. Government bond is a
- (A) Short term security (B) Long term security  
(C) Medium term security (D) Either short term or long term security

43. Bill drawn and accepted, payable after three months are called  
(A) Indigenous bills (B) Usance bills  
(C) Clean bills (D) Supply bills
44. The certificate which evidence an unsecured corporate debt of a short term maturity is  
(A) Short term loan certificate (B) Certificate of deposit  
(C) Inter bank participation certificate (D) Commercial paper
45. An order for the purchase of securities at a fixed price is known as  
(A) Limit order (B) Open order  
(C) Discretionary order (D) Stop loss order
46. The process of holding entire supply of a particular security with a view to dictating terms is called  
(A) Wash sales (B) Arbitrage  
(C) Rigging the market (D) Cornering
47. Right issue are offered to  
(A) The existing share holder (B) The promoters of the company  
(C) The public at large (D) The existing debenture holder
48. The following one is a kind of fee based activity of a financial intermediary.  
(A) Hire purchase financing (B) Leasing  
(C) Capital issue management (D) Underwriting of shares
49. Primary and secondary market  
(A) Control each other (B) Function independently  
(C) Compete with each other (D) Complement each other
50. The major player in the Indian money market is  
(A) Co-operative banks (B) Indigenous banks  
(C) Commercial banks (D) Reserve bank of India