



FINANCIAL MANAGEMENT

SAMPLE MCQs

1. Investment can be defined

- A. Person's dedication to purchasing a house or flat
- B. Use of capital on assets to receive returns
- C. Usage of money on a production process of products and services
- D. Net additions made to the nation's capital stocks

Answer: B

2. 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

Answer: B

3. What is the primary goal of financial management?

- A) To minimise the risk
- B) To maximise the owner's wealth
- C) To maximise the return
- D) To raise profit

Answer: B

4. GST is a consumption of goods and service tax based on

- A) Development
- B) Dividend



- C) Destiny
- D) Duration
- E) Destination

Answer: E

5. 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

Answer: C

6. The market value of a share is responsible for

- A) The investment market
- B) The government
- C) Shareholders
- D) The respective companies

Answer: A

7. The capital budget is associated with

- A) Long terms and short terms assets
- B) Fixed assets
- C) Long terms assets
- D) Short term assets

Answer: C

8. CAPM stands for

- A) Capital asset pricing model.
- B) Capital amount printing model.
- C) Capital amount pricing model.



D) Capital asset printing model.

Answer: A

9. What does financial leverage measure?

- A) No change with EBIT and EPS
- B) The sensibility of EBIT with % change with respect to output
- C) The sensibility of EPS with % change in the EBIT level
- D) % variation in the level of production

Answer: C

10. From the below-mentioned items which are financial assets?

- A) Machines
- B) Bonds
- C) Stocks
- D) B and C

Answer: B

11. Which report gives a review on the profitability of a business

- A) Statement of changes in equity
- B) Cash flow statement
- C) Balance sheet
- D) Income statement

Answer: D

12. When assets are subtracted from liabilities it will be equal to

- A) Capital
- B) Net income
- C) Working capital
- D) Goodwill

Answer: A



13. Goodwill is categorised under which assets?

- A) Intangible
- B) Current
- C) Long term
- D) Fixed

Answer: A

14. Which of the following options is not recorded in the Balance sheet?

- A) Cash
- B) Rent expenses
- C) Building
- D) Goodwill

Answer: B

15. Current assets are also known as

- A) Cash
- B) Assets
- C) Invested capital
- D) Working capital

Answer: D

16. The main operation expenses of a business are termed as

- A) Operating expenses
- B) Non-administration expense
- C) Selling expenses
- D) Administration expense

Answer: A



17. Cash receipt received from the sales fixed assets are registered under the head of

- A) Other activities
- B) Investing activities
- C) Financing activities
- D) Operating activities

Answer: B

18. A current asset that can be transferred into cash within three months is known as

- A) Cash equivalent
- B) Intangible asset
- C) Operating asset
- D) Cash asset

Answer: A

19. A method used in a comparative analysis of financial statement is

- A) Returning analysis
- B) Common size analysis
- C) Preference analysis
- D) Graphical analysis

Answer: B

20. Which statement shows the flow of cash and cash equivalents during the financial period?

- A) Statement of changes in equity
- B) Cash flow statement
- C) Balance sheet
- D) Income statement

Answer: B



21. Statement of cash flows includes

- A) Financing Activities
- B) Operating Activities
- C) Investing Activities
- D) All of the Above

Answer: D

22. 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

Answer: C

23. A company that issues stocks and bonds to raise funds results in

- A) Decrease in Cash
- B) Increase in Cash
- C) Increase in Equity
- D) Increase in Liabilities

Answer: B

24. The purchase value of assets over its serviceable life is categorised as

- A) Appreciated Liabilities
- B) Appreciated Assets
- C) Depreciation
- D) Appreciation

Answer: C



25. The basic financial statements include

- A) Statement of Cash Flows
- B) Statement of Retained Earnings
- C) Balance Sheet and Income Statement
- D) All of the Above

Answer: D

26. The statement of cash flow clarifies cash flows according to

- A) Operating and Non-operating Flows
- B) Inflow and Outflow
- C) Investing and Non-operating Flows
- D) Operating, Investing, and Financing Activities

Answer: D

27. Cash flow example from a financing activity is

- A) Payment of Dividends
- B) Receipt of Dividend on Investment
- C) Cash Received from Customers
- D) Purchase of Fixed Asset

Answer: A

28. Cash flow example from an investing activity is

- A) Issue of Debenture
- B) Repayment of Long-term Loan
- C) Purchase of Raw Materials for Cash
- D) Sale of Investment by Non-Financial Enterprise

Answer: D



29. Cash flow example from an operating activity is

- A) Purchase of Own Debenture
- B) Sale of Fixed Assets
- C) Interest Paid on Term-deposits by a Bank
- D) Issue of Equity Share Capital

Answer: C

30. Which item comes under financial activities in cash flow?

- A) Redemption of Preference Share
- B) Issue of Preference Share
- C) Interest Paid
- D) All the above

Answer: D

31. The only feasible purpose of financial management is

- a) Wealth Maximization
- b) Sales Maximization
- c) Profit Maximization
- d) Assets maximization

ANSWER: a) Wealth Maximization

32. Financial management process deals with

- a) Investments
- b) Financing decisions
- c) Both a and b
- d) None of the above

ANSWER: b) Financing decisions



33. Agency cost consists of

- a) Binding
- b) Monitoring
- c) Opportunity and structure cost
- d) All of the above

ANSWER: d) All of the above

34. Finance Function comprises

- a) Safe custody of funds only
- b) Expenditure of funds only
- c) Procurement of finance only
- d) Procurement & effective use of funds

ANSWER: d) Procurement & effective use of funds

35. The objective of wealth maximization takes into account

- a) Amount of returns expected
- b) Timing of anticipated returns
- c) Risk associated with uncertainty of returns
- d) All of the above

ANSWER: d) All of the above

36. Financial management mainly focuses on

- a) Efficient management of every business
- b) Brand dimension
- c) Arrangement of funds
- d) All elements of acquiring and using means of financial resources for financial activities

ANSWER: d) All elements of acquiring and using means of financial resources for financial activities



37. Which statement is prepared in the process of funds flow analysis?

- a) Schedule of changes in working capital
- b) Funds Flow Statement
- c) Both a and b
- d) None of the above

ANSWER: a) Schedule of changes in working capital

38. Funds Flow Statement is prepared on the basis of data of P&L statement and two consecutive balance sheets.

- a) True
- b) False
- c) Value delivery
- d) None of the above

ANSWER: a) True

39. Which of the following rules stands true while preparation of Schedule of changes in working capital?

- A) An increase in current assets increases working capital.
 - B) An increase in current assets decreases working capital.
 - C) An increase in current liabilities decreases working capital.
 - D) An increase in current liabilities increases working capital
- a) A and C
 - b) A and D
 - c) B and D
 - d) A, B, C and D

ANSWER: a) A and C

40. If reserve for bad and doubtful debts is mentioned in the question of Funds Flow Statement Preparation, it can be shown as

- a) In the schedule by deducting from total debtors under current assets
- b) In the schedule separately under the heading of capital liabilities
- c) Both a & b
- d) None of the above

ANSWER: c) Both a & b

41. Funds Flow Statement is also known as

- a) Statement of Funds Flow
- b) Statement of Sources and Application of Funds
- c) Statement of Sources and Uses of Funds
- d) All of the above

ANSWER: d) All of the above

42. Given Net profit for the year Rs 2, 50,000 Transferred to general reserves Rs 40,000 and old machinery bought for Rs 50,000 was sold for Rs 20,000. Calculate funds from operations.

- a) Rs 2, 80,000
- b) Rs 2, 20,000
- c) Rs 2, 90,000
- d) Rs 3, 00,000

ANSWER: a) Rs 2, 80,000

43. Which of the following are sources of funds?

- A) Issue of bonus shares
- B) Issue of shares against the purchase of fixed assets
- C) Conversion of debentures into shares
- D) Conversion of loans into shares



- a) A and C
- b) A and D
- c) A, B, C and D
- d) None of the above

ANSWER: d) None of the above

44. The term 'Financial Statement' covers

- a) Profit & Loss Statement
- b) Balance sheet and Profit & Loss Statement appropriation account
- c) Profit & Loss Statement and Balance sheet
- d) All of above are false

ANSWER: c) Profit & Loss Statement and Balance sheet

45. The form of balance sheet is

- a) Vertical
- b) Horizontal
- c) Horizontal and vertical
- d) Horizontal or vertical

ANSWER: d) Horizontal or vertical

46. The term current asset doesn't cover

- a) Car
- b) Debtors
- c) Stock
- d) Prepaid expenses

ANSWER: a) Car

47. P&L statement is also known as

- a) Statement of operations
- b) Statement of income



- c) Statement of earnings
- d) All of the above

ANSWER: b) Statement of income

48. Which of the following is true about financial statements?

- A) Financial statement gives a summary of accounts.
- B) Financial statements can be stated as recorded facts.
 - a) Only A
 - b) Only B
 - c) Both A and B
 - d) None of the above

ANSWER: c) Both A and B

49. The statement of financial position and the balance sheet are synonyms.

- a) True
- b) False

ANSWER: a) True

50. Schedules attached with the balance sheet forms a part of the financial statements.

- a) True
- b) False

ANSWER: a) True

51. Which of the following statements are true?

- A) Financial statements are only interim report.
- B) Financial statements are also known as annual records.
- C) Financial statements are historic.



- a) Both A and B
- b) Both A and C
- c) Both B and C
- d) A, B, C

ANSWER: c) Both B and C

52. Certain assumptions are essential to prepare financial statements.

- a) True
- b) False

ANSWER: a) True

