

**QUESTION BOOKLET AND ANSWER KEY
FOR RECRUITMENT TEST OF
Additional Manager (Finance & Accounts)
Code 2.6
HELD ON 13.11.2011**

English Version

1. ਅੰਨ੍ਹਿਆਂ ਵਿਚ-----ਅਖਾਣ ਪੂਰਾ ਕਰੋ :
(A) ਬੋਲੇ ਰਾਜੇ (B) ਲੰਗੜੇ ਰਾਜੇ (C) ਕਾਣਾ ਰਾਜਾ (D) ਬੋਈਮਾਨ ਰਾਜਾ
2. ਸੰਬੰਧਕ ਚੁਣੋ :
(A) ਮੈਂ, ਸਾਡਾ (B) ਤੂੰ, ਤੁਸੀਂ (C) ਦਾ, ਦੇ (D) ਕੌਣ, ਕਦੋਂ
3. ਮਾੜੀ ਕਿਸ ਜਿਲ੍ਹੇ ਵਿੱਚ ਬੋਲੀ ਜਾਂਦੀ ਹੈ :
(A) ਅਮ੍ਰਿਤਸਰ (B) ਪਟਿਆਲਾ (C) ਜਲੰਧਰ (D) ਫ਼ਰੀਦਕੋਟ
4. ਕਰਨਾ, ਖਾਣਾ, ਲਿਖਣਾ ਕੀ ਹਨ :
(A) ਨਾਂਵ (B) ਵਿਸ਼ੇਸ਼ਣ (C) ਪੜਨਾਂਵ (D) ਕਿਰਿਆਵਾਂ
5. ਹੇਠ ਲਿਖੇ ਸ਼ਬਦਾਂ ਵਿੱਚੋਂ ਇੱਕ ਵਚਨ ਚੁਣੋ :
(A) ਫਲ (B) ਫਰਨੀਚਰ (C) ਮੁੰਡੇ (D) ਘੋੜਾ

Directions:- Q. Nos. 6-8 Choose the correct preposition to be filled in the blanks.

6. Mohan's allegiance Marxism has been questioned by his friends.
A) to B) for C) with D) by
7. You may not draw any inference this story
A) to B) from C) by D) for
8. Everybody is prone error.
A) in B) by C) to D) with

Directions:- Q. Nos. 9-10:- Choose the correct meaning of the idioms/phrases.

9. to flog a dead horse.
A) to be enthusiastic B) to deceive someone
C) to repeat one's action D) to waste energy
10. Hobson's choice
A) virtually no choice B) abundance of choices
C) conditional choice D) choice made by Hobson
11. Indian National Congress was founded in
A) 1889 B) 1885 C) 1888 D) 1884
12. India is a federation composed of
A) 28 states and 7 union territories B) 25 states and 10 union territories
C) 26 states and 9 union territories D) 27 states and 8 union territories

24. If a number increases by 400%, it
 A) becomes five times itself
 B) depends on the number
 C) becomes Four times itself
 D) None of these
25. In an examination it is necessary to secure 40% marks to pass the examination. A candidate obtained 40 marks and failed by 40 marks. What are the maximum marks in the examination?
 A) 35
 B) 70
 C) 100
 D) 200
26. A trader sold two books for Rs.24 each. On one he made a net profit of 25% but on the other he lost 20%. Find the net loss or gain in the overall process.
 A) Rs.10 gain
 B) Rs.10 loss
 C) Rs.1.2 gain
 D) Rs.1.2 loss
27. Complete the given series: 6, 11, 21, 36, 56, ...
 A) 42
 B) 51
 C) 81
 D) 91
28. In an entrance test, the number of failures was 0.25 times the number of those who passed. The passed and failed candidates would have been in a ratio of 2:1 if there would have been 35 candidates less and 9 more would have failed. Find the total number of candidates.
 A) 155
 B) 255
 C) 125
 D) 200
29. A fraction becomes $\frac{4}{5}$ if 1 is added to both numerator and denominator. If however, 5 is subtracted from both numerator and denominator, the fraction becomes $\frac{1}{2}$. What is the fraction?
 A) $\frac{27}{34}$
 B) $\frac{28}{29}$
 C) $\frac{19}{24}$
 D) $\frac{7}{9}$
30. The area of a plot is 480 meters. If each side had been 5 m longer, the area would have been increased by 245 square meters. Find the length of the fence to surround it.
 A) 90 meters
 B) 88 meters
 C) 87 meters
 D) 84 meters
31. "Shareholder wealth" in a firm is represented by:
 A) The number of people employed in the firm.
 B) The book value of the firm's assets less the book value of its liabilities.
 C) The amount of salary paid to its employees
 D) The market value of equity shares of the firm.
32. The strategic functions of financial management are:
 A) financing and investment
 B) Investment, financing, and management of earnings.
 C) financing and dividend
 D) capital budgeting, cash management, and credit management

33. A corporation in which you are a shareholder has just gone bankrupt. Its liabilities are far in excess of its assets. You will be called on to pay:
- A) A proportionate share of bondholder claims based on the number of common shares that you own.
 - B) A proportional share of all creditor claims based on the number of common shares that you own.
 - C) An amount equal to unpaid par value of shares held by you.
 - D) Nothing.
34. A debenture issued by Reliance Industries Limited in 2007 would now trade in the
- A) Primary money market.
 - B) Secondary money market.
 - C) Primary capital market.
 - D) Secondary capital market.
35. The purpose of financial markets is to:
- A) Increase the price of equity shares.
 - B) Lower the yield on bonds.
 - C) Allocate savings efficiently.
 - D) Control inflation.
36. Which of the following is not an example of a financial intermediary?
- A) Bharat Sanchar Nigam Limited (BSNL)
 - B) SBI Mutual Fund.
 - C) Western Union Money Transfer.
 - D) Bank of America.
37. You want to buy an ordinary annuity that will pay you Rs.4, 000 a year for the next 20 years. You expect annual interest rates will be 8 percent over that time period. The maximum price you would be willing to pay for the annuity is closest to
- A) Rs.32, 000
 - B) Rs.39, 272
 - C) Rs.40, 000
 - D) Rs.80, 000
38. With continuous compounding at 10 percent for 30 years, the future value of an initial investment of Rs.2, 000 is closest to
- A) Rs.34.898
 - B) Rs.40.171
 - C) Rs.164,500
 - D) Rs.328.282
39. For Rs.1,000 you can purchase a 5-year ordinary annuity that will pay you a yearly payment of Rs.263.80 for 5 years. The compound annual interest rate implied by this arrangement is closest to
- A) 8 percent
 - B) 9 percent
 - C) 10 percent
 - D) 11 percent
40. You are considering borrowing Rs.10, 000 for 3 years at an annual interest rate of 6%. The loan agreement calls for 3 equal payments, to be paid at the end of each of the next 3 years. (Payments include both principal and interest.) The annual payment that will fully pay off (amortize) the loan is closest to
- A) Rs.2,674
 - B) Rs.2,890
 - C) Rs.3,465
 - D) Rs.4,020

41. If an investor is forced to sell a bond prior to maturity because interest rates have risen since the bond was purchased, the investor is exposed to
- A) The coupon effect
B) Interest rate risk
C) A perpetuity
D) An indefinite maturity
42. If the intrinsic value of a share is greater than its market value, which of the following is a reasonable conclusion?
- A) The share has a low level of risk
B) The share offers a high dividend payout ratio.
C) The market is undervaluing the share.
D) The market is overvaluing the share.
43. Spicejet Airlines will pay a Rs.4 dividend next year on its equity share, which is currently selling at Rs.100 per share. What is the market's required return on this investment if the dividend is expected to grow at 5% forever?
- A) 4 percent
B) 5 percent
C) 7 percent
D) 9 percent
44. In the formula $k_e = (D_1/P_0) + g$, what does g represent?
- A) The expected price appreciation yield from an equity share.
B) The expected dividend yield from an equity share.
C) The dividend yield from a preferred share.
D) The interest payment from a bond.
45. The expected rate of return on a bond if bought at its current market price and held to maturity.
- A) yield to maturity
B) current yield
C) coupon yield
D) capital gains yield
46. According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium
- A) Equal to the security's beta.
B) Based on the unsystematic risk of the security.
C) Based on the total risk of the security.
D) Based on the systematic risk of the security.
47. The risk-free security has a beta equal to _____; while the market portfolio's beta is equal to _____.
- A) One; more than one.
B) One; less than one.
C) Zero; one.
D) Less than zero; more than zero.
48. A measure of "risk per unit of expected return."
- A) Standard deviation
B) Coefficient of variation
C) Correlation coefficient
D) Beta
49. The greater the beta, the _____ of the security involved.
- A) Greater the unavoidable risk
B) Greater the avoidable risk
C) Less the unavoidable risk
D) Less the avoidable risk

50. Determine a firm's total asset turnover (TAT) if its net profit margin (NPM) is 5 percent, total assets are Rs.8 million, and ROI is 8 percent.
 A) 1.60 B) 2.05 C) 2.50 D) 4.00
51. Kamla Dials Limited has an 8 percent return on total assets of Rs.300,000 and a net profit margin of 5 percent. What are its sales?
 A) Rs.3,750,000 B) Rs.480,000 C) Rs.300,000 D) Rs.1,500,000
52. Alto Industries Limited has a debt-to-equity ratio of 1.6 compared with the industry average of 1.4. This means that the company
 A) Will not experience any difficulty with its creditors.
 B) Has less liquidity than other firms in the industry.
 C) Will be viewed as having high creditworthiness.
 D) Has greater than average financial risk when compared to other firms in its industry.
53. Kanji Company had sales last year of Rs.265 million, including cash sales of Rs.25 million. If its average collection period was 36 days, its ending accounts receivable balance is closest to _____. (Assume a 365-day year.)
 A) Rs.26.1 million B) Rs.23.7 million
 C) Rs.7.4 million D) Rs.18.7 million
54. Retained earnings for the "base year" equals 100.0 percent. You must be looking at
 A) A common-size balance sheet. B) A common-size income statement.
 C) An indexed balance sheet. D) An indexed income statement.
55. Krishnan Carpet's debt-to-total assets (D/TA) ratio is 0.4. What is its debt-to-equity (D/E) ratio?
 A) 0.2 B) 0.6 C) 0.667 D) 0.333
56. According to the Financial Accounting Standards Board (FASB), which of the following is a cash flow from a "financing" activity?
 A) Cash outflow to the government for taxes.
 B) Cash outflow to shareholders as dividends.
 C) Cash outflow to suppliers for goods.
 D) Cash outflow to purchase bonds issued by another company.
57. In finance, "working capital" means the same thing as
 A) Total assets. B) Fixed assets.
 C) Current assets. D) Current assets minus current liabilities.
58. Which of the following would be consistent with a more aggressive approach to financing working capital?
 A) Financing short-term needs with short-term funds.
 B) Financing permanent inventory buildup with long-term debt.
 C) Financing seasonal needs with short-term funds.
 D) Financing some long-term needs with short-term funds

59. The most basic requirement for a firm's marketable securities.
 A) Safety B) Yield C) Marketability D) Profitability
60. If $EOQ = 360$ units, order costs are Rs.5 per order, and carrying costs are Rs.20 per unit, what is the usage in units?
 A) 129,600 units B) 25,920 units C) 259,200 units D) 18,720 units
61. Costs of not carrying enough inventories include:
 A) Lost sales. B) Customer disappointment.
 C) Possible worker layoffs. D) All of these.
62. The credit policy of Suraj Products is "1.5/10, net 35." At present 30% of the customers take the discount, 62% pay within the net period, and the rest pay within 45 days of invoice. What would receivables be if all customers took the cash discount?
 A) Lower than the present level.
 B) No change from the present level.
 C) Higher than the present level.
 D) Unable to determine without more information.
63. If credit terms of "2/10, net 40" are offered, the approximate cost of not taking the discount and paying at the end of the credit period would be closest to which of the following? (Assume a 365-day year.)
 A) 18.6% B) 24.3% C) 24.8% D) 30.0%
64. In proper capital budgeting analysis we evaluate incremental
 A) Accounting income. B) Cash flow.
 C) Earnings. D) operating profit
65. Which of the following statements is correct?
 A) If the NPV of a project is greater than 0, its Profitability Index (PI) will equal 0.
 B) If the IRR of a project is 0%, its NPV, using a discount rate, k , greater than 0, will be 0.
 C) If the PI of a project is less than 1, its NPV should be less than 0.
 D) If the IRR of a project is greater than the discount rate, k , its PI will be less than 1 and its NPV will be greater than 0.
66. If two projects are completely independent (or unrelated), the measure of correlation between them is:
 A) 0.0 B) 0.5 C) 1.0 D) -1.0

67. **A single, overall cost of capital is often used to evaluate projects because:**
- A) It avoids the problem of computing the required rate of return for each investment proposal.
 - B) It is the only way to measure a firm's required return.
 - C) It acknowledges that most new investment projects have about the same degree of risk.
 - D) It acknowledges that most new investment projects offer about the same expected return.
68. **The cost of equity capital is all of the following except:**
- A) The minimum rate that a firm should earn on the equity-financed part of an investment.
 - B) A return on the equity-financed portion of an investment that, at worst, leaves the market price of the share unchanged.
 - C) By far the most difficult component cost to estimate.
 - D) Generally lower than the after-tax cost of debt.
69. **Market values are often used in computing the weighted average cost of capital because**
- A) This is the simplest way to do the calculation.
 - B) This is consistent with the goal of maximizing shareholder value.
 - C) This is required in India by the Securities and Exchange Board of India.
 - D) This is a very common mistake
70. **A firm's degree of operating leverage (DOL) depends primarily upon its**
- A) Sales variability.
 - B) Level of fixed operating costs.
 - C) Closeness to its operating break-even point.
 - D) Debt-to-equity ratio.
71. **An EBIT-EPS indifference analysis chart is used for _____**
- A) Evaluating the effects of business risk on EPS.
 - B) Examining EPS results for alternative financing plans at varying EBIT levels.
 - C) Determining the impact of a change in sales on EBIT.
 - D) Showing the changes in EPS quality over time.
72. **Two firms are virtually identical except for their capital structure. Their equity shares are selling in the market at different values. According to M&M**
- A) One will be at greater risk of bankruptcy.
 - B) The firm with greater financial leverage will have the higher value.
 - C) This proves that markets cannot be efficient.
 - D) This will not continue because of arbitrage operations.

73. **The cost of monitoring management is considered to be a (an):**
 A) Bankruptcy cost. B) Transaction cost.
 C) Agency cost. D) Institutional cost.
74. **When the Merchant banker bears the risk of not being able to sell a new security at the established price, this is known as:**
 A) A best efforts offering. B) Underwriting.
 C) Shelf registration. D) making a market
75. **The type of lease that includes a third party, a lender, is called a(n):**
 A) Sale and leaseback. B) Direct leasing arrangement.
 C) Leveraged lease. D) Operating lease
76. **A business transaction affects:**
 A) At least one account B) At least two accounts
 C) Maximum two accounts D) Maximum three accounts
77. **The concept of conservatism takes into consideration**
 A) All future profits and all future losses
 B) All future losses but leaves all future profits
 C) All future profits but leaves all future losses
 D) None of the above
78. **Return of goods purchased is recorded in**
 A) Cash book B) Return inward book
 C) Journal D) Return outward book
79. **Discount allowed on reissue of forfeited shares is debited to**
 A) Discount on issue of shares account B) Forfeited shares account
 C) Capital Reserve Account D) Profit and Loss Account
80. **Loss of Profit Policy covers loss of profit due to**
 A) Loss of sales
 B) Non-recovery of standing charges
 C) Both loss of sales as well as standing charges
 D) Non of the above
81. **Net assets acquired minus the purchase consideration paid is equal to**
 A) Goodwill B) General Reserve
 C) Capital Reserve D) None of these
82. **Which of the following is an error of principle?**
 A) Wrong totalling
 B) Writing on the debit side instead of Credit side of an accounting
 C) Wrong posting in the ledger
 D) Wages paid for installation of machinery charged to P & L a/c

83. **Capital Redemption reserve is created out of**
 A) Sinking fund
 B) Share Forfeiture a/c
 C) Share Premium a/c
 D) General Reserve
84. **Profits can be fraudulently inflated by**
 A) suppression of sales returns
 B) treating capital expenditure as revenue expenses
 C) over estimation of liabilities
 D) omission of prepaid expenses
85. **When a goodwill account is raised at the time of admission of a new partner, credit is given to old partners in their**
 A) new profit sharing ratio
 B) old profit sharing ratio
 C) ratio of sacrifice
 D) capital ratio
86. **When all partners of a partnership are insolvent, the loss is then borne by**
 A) Government
 B) Creditors
 C) Partners
 D) Customers
87. **In which method amount of depreciation decreases every year**
 A) Straight line method
 B) Sum of years digit method
 C) Annuity method
 D) Sinking fund method
88. **Current ratio is increased when**
 A) old furniture is sold for cash
 B) cash is received from debtors
 C) debentures are converted into shares
 D) Machinery is acquired through issue of shares
89. **Auditors of a Joint Stock Company are appointed by**
 A) Debenture holders and shareholders
 B) Shareholders at Annual general meeting
 C) Election at the annual general meeting
 D) None of these.
90. **Voyage Account is a**
 A) Personal A/C
 B) Real A/C
 C) Nominal A/C
 D) None of these
91. **When the cost of packages & containers is included in the cost of products, this is a case of:**
 A) Primary Package or container
 B) Secondary Package or container
 C) Special Package or container
 D) None of these
92. **Average clause in a fire-policy is to check the**
 A) Under insurance
 B) Over-insurance
 C) Both of the above
 D) None of these.

93. **In the period of inflation, the profit under LIFO as compared to FIFO Method is**
 A) Increased B) Reduced C) The same D) None of these
94. **In FIFO, issues of materials are priced in order of their**
 A) Issues B) Purchase C) Sales value D) None of these
95. **The provision for discount on debtors is made on**
 A) Amount of debtors before deducting the provision for Bad debt
 B) Amount of debtors after deducting the provision for Bad debt
 C) Amount of Bad Debts.
 D) None of these.
96. **The arrangement of assets liabilities in a particular order is called**
 A) Grouping of Assets & liabilities B) Marshalling of Assets & liabilities
 C) Coding of Assets & liabilities D) None of these
97. **The requirements relating to the Balance Sheet of Company are given in**
 A) Part I of schedule V B) Part II of schedule VI
 C) Part I of schedule VI D) None of these
98. **Payout ratio is calculated by**
 A) Dividend per share/earning per share B) Earning per share/dividend per share
 C) Profit/earning per share D) Retained earning/profit.
99. **If the liquidity of a firm is excessively enhanced, it:**
 A) Decreases the profitability
 B) Increases the profitability
 C) Does not have any impact on the profitability
 D) The impact on profitability cannot be ascertained
100. **An outright sale of the receivables of a manufacturing firm to a financial institution is called:**
 A) Merchant banking B) Refinancing
 C) Forfeiting D) Rediscounting

Key 2.6							
Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.	Q.No.	Ans.
1	C	26	D	51	B	76	B
2	C	27	C	52	D	77	B
3	A	28	A	53	B	78	D
4	D	29	D	54	D	79	B
5	D	30	B	55	C	80	C
6	A	31	D	56	B	81	C
7	B	32	B	57	D	82	D
8	C	33	C	58	D	83	D
9	D	34	D	59	C	84	A
10	A	35	C	60	C	85	B
11	B	36	A	61	D	86	B
12	A	37	B	62	A	87	B
13	B	38	A	63	C	88	A
14	A	39	C	64	B	89	B
15	B	40	X	65	C	90	C
16	A	41	B	66	A	91	A
17	A	42	C	67	C	92	A
18	A	43	D	68	D	93	B
19	B	44	A	69	B	94	B
20	D	45	A	70	B	95	B
21	B	46	D	71	B	96	B
22	A	47	C	72	D	97	C
23	B	48	B	73	C	98	A
24	A	49	A	74	B	99	A
25	D	50	A	75	C	100	C

'X' denotes that the question has been withdrawn