Q1 A) write True or false

1. the finance manager’s is to procure finance at optimum level at the lowest cost.
   Ans: True

2. finance is the backbone of any business.
   Ans: True

3. wealth maximization is also called as cashing per share maximization.
   Ans: False

4. financial management deals with solving with three main finance related problems face by a firm. These three problems related to investment financing and dividend.
   Ans: True
5. Financial means the process of planning organizing coordinating and controlling various resources for the accomplishment of organizational goal.

Ans: False

6. Profit maximization is the modern and broad approach.

Ans: False

7. Finance function helps in managerial decision making through analysis and interpretation of financial data.

Ans: True

8. Excess of cash may lead to Payment crisis and Reputational risk for the company.

Ans: False

9. Finance may be defined as the position of money at the time is wanted.

Ans: False

10. Profit maximization is advanced and can be better compared to the objective of wealth maximization.

Ans: False

11. An external source of finance that business owing money to outside individuals or institutions.

Ans: True

12. Capital reserve can be maintained even the loss is incurred in a specific year.

Ans: False

13. Capital of company is split into smaller units termed as Share.

Ans: True

14. In comparison to equity share, the preference share's face value is lower.

Ans: False
15. Blue chip shares are exhibit wide fluctuations due to high level of speculative trading.
   Ans: False

16. The shareholders return on the funds invested by them in a company is in the form of dividend.
   Ans: True

17. Debentures, which do not have backing of any assets i.e. unsecured are termed as mortgage debentures.
   Ans: False

18. External financing use for financing the short-term capital need of the business.
   Ans: False

19. The interest rate on term loan is more as compared from the working capital loan.
   Ans: False

20. Term loans differ from short-term bank loan, also known as Working capital finance.
   Ans: True

21. Capitalisation is expansion of the word Capital.
   Ans: True

22. Leverage refers to the use of fixed cost instrument to minimize the return potential for the shareholders.
   Ans: False

23. Operating Leverage is also known as trading on equity.
   Ans: False
24. Net income (NI) Approach was developed by David Durand.

Ans: True

25. WACC may be increased by increasing the debt portion of the capital structure, as a debt is a higher source of finance in comparison with equity.

Ans: False

26. Financial leverage may be defined as percentage return on equity to the percentage return on capitalization.

Ans: True

27. Composite leverage is the amalgamation of operating leverage and financial leverage.

Ans: True

28. Operating leverage relates to the liabilities side of the balance sheet.

Ans: False

29. Capitalisation is used to denote the total funds attain by a firm from different long-term sources.

Ans: True

30. Operating leverage results when there is a change in operating profit of the firm due to the change in sales revenue.

Ans: True

31. The lessor is also called as debtor or tenant.

Ans: True

32. The person who uses or rents the property is called a lessee.

Ans: True
33. The sponsor refers to the person which holds the property of mutual fund in trust in benefit of the unit holders.

Ans: False

34. A mutual fund is a pool of money representing the saving made by a number of investors.

Ans: True

35. Close-ends schemes, mutual funds make their units available on an on-going basis (on-tap) at the Net Asset Value (NAV) based rates.

Ans: False

36. Investors of an open-ended scheme have an option to withdraw their money invested in the units at their will under a repurchase agreement.

Ans: True

37. Deferred load represents the charges recovered during the period spread over a wind range of time.

Ans: True

38. Financial lease is termed as service lease.

Ans: False

39. Mutual Funds investing their corpus in such financial instruments, which are exempted from the payment of tax, are termed as Tax-exempt Funds.

Ans: True

40. Microfinance refers to the provision of financial services to rich or high-income clients, including consumers and self-employed.

Ans: False

B) Fill in the blank
1. Finance manager is to prepare __________ so that the twin objective of running a business, viz. profitability and liquidity is achieved.

   Ans: Cashflow Statement

2. Dividend decision relates to the company’s _______in order to maximize shareholders’ wealth.

   Ans: Divided policy

3. Financial management is concerned with the efficient use of an important economic resource, namely ________.

   Ans: Capital Funds.

4. The financial risk is defined as the _______ due to failure in payment of failure in repayment of borrowed capital.

   Ans: Risk of insolvency

5. Wealth maximization is also known as _______ maximization.

   Ans: value

6. The Financial Manager has powers to utilize leverages, both __________ to the maximum advantage of the company.

   Ans: Financial and Operating

7. In profit maximization the concept of time Value for Money is_______.

   Ans: Ignored.

8. It considers that the shareholders wealth is maximized only when the _____ per share is maximize. Market price

   Ans: Market price

9. The _______are expected to be converted into cash in less than a year.

   Ans: Current assets
10. The capital structure is defined as the ratio of ____ and equity capital of a firm.

Ans: Debt

11. Equity shares are also termed as _________ or common shares.

Ans: Ordinary shares

12. The investors subscribing to shares are termed as ________ of the company.

Ans: Shareholders

13. Equity shares have the _________ and part of decision-making.

Ans: voting rights

14. A ________ is an instrument issued by the company under this common seal acknowledging a debt.

Ans: Debenture

15. Reserve is created either out of the current year’s profit or _________ of previous years.

Ans: Accumulated profits

16. ________ are used to mitigate capital losses

Ans: Capital reserves

17. Holders of _________ have the option to convert them into equity.

Ans: Convertible Debentures

18. The ________ is also known as ploughing back of profits.

Ans: Retained earnings
19. The literal meaning of surplus implies a/an _______ of income over expenditure.

Ans: Excess

20. Capital surplus generated from_______.

Ans: Capital gains.

21. Capital Structure of a company should be designed in such a manner that it continues to remain _______.

Ans: Solvent.

22. If a __________ of a firm’s total cost is fixed costs, then the firm is said to have a high degree of operating leverage.

Ans: High percentage

23. According to Net Income approach, __________ very relevant in determining the valuation of a company.

Ans: Capital structure decision

24. Operating leverage of a company is the ratio of its _______ to its variable costs.

Ans: Fixed Costs

25. A __________ for a specific level of EBIT can ensure the highest EPS.

Ans: Capital Structure

26. Debentures have _____ interest rate of payment and are repayable on a fixed maturity date

Ans: Fixed

27. The marked value of a company is __________ of the components of its capital structure.
28. Leverage may be defined as the employment of __________ for which the firm pays cost or fixed return.

Ans: An Asset or Funds

29. Financial leverage may be defined as percentage __________ to the percentage return on capitalization.

Ans: Return on equity

30. When a firm’s earnings are not enough to provide a fair rate of return on the capital employed, then it indicates that the firm may be __________.

Ans: Over-capitalized

31. The NAV is calculated by dividing the total value of the fund by the total number of __________.

Ans: Outstanding units

32. Microfinance refers to __________ financial services for both credits and deposits. The job of the fund manager of a __________, also known as the portfolio manager.

Ans: Small, scale

33. The job of fund manager of a __________ also none as the portfolio manager.

Ans: Mutual fund

34. The corpus of a close-ended scheme is __________, and their maturity period is between to and five years.

Ans: Fixed

35. The biggest advantage of having a __________ portfolio is that the possibility of capital erosion is minimized.

Ans: Balanced
36. Bipartite lease involved two parties, these are __________ and lessee.

Ans: Equipment supplier-cum lessor

37. The amount of Securities transaction tax is recovered from the _______ proceeds payable to an investor.

Ans: redemption

38. Units of open-ended scheme are generally _______ listed in any stock exchange.

Ans: Not

39. Open-ended mutual fund’s prices are determined from time to time on the of __________.

Ans: Net Asset Value

40. The examples of ________ are precious metals fund and gold funds, which are known to invest their corpus in gold, gold futures, and/or shares of gold mines.

Ans: Commodity funds

Q.2) write a short note.

a) Micro Finance  
b) Bonus Share  
c) Venture Capital  
d) Mutual Fund  
e) Undercapitalization  
f) Reserve & Surplus  
g) Leasing  
h) Retain Earning  
i) Role of Finance manager  
j) Public Deposits  
k) Overcapitalisation

Q.3) long question
1. Explain finance function with scope.
2. Explain Bank loan with features and types
3. Explain in detail Reserve & Surplus with its advantages and limitations
4. Define capital structure. Explain criteria for designing capital structure
5. What do you mean by capitalisation? Distinguish between overcapitalisation and undercapitalisation
7. Distinguish between equity share and debenture.
8. What is Debenture? Explain feature of debenture.
9. What is financial Management? Explain scope of finance function and approaches to financial management
10. What is share capital? Explain share capital, advantages and limitations
11. Explain in detail feature and type of borrowings from bank.
12. Define Capitalization Explain Undercapitalization with causes, effect and remedies
13. Define bonus share explain in detail advantages and limitations with causes, effect and remedies.