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Financial Management MCQ

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Q1. The cost of debt capital is calculated on the basis of

- A. Net proceeds
- **B. Annual Interest**
- C. Annual Depreciation
- D. Capital

Q2. What is factoring?

- A. Production Plan
- **B. New Financial Service**
- C. Cost of Sales
- D. All of the above

Q3. Which of the following is the goal of financial management?

- **A. Maximise the wealth of Equity shareholders**
- B. Maximise the wealth of Preference Shareholders
- C. Maximise the wealth of Debenture holders
- D. All of the above

Q4. is the limitation of Traditional approach of Financial Management.

- A. More emphasis on long term problems

- B. Ignores allocation of resources
- C. One-sided approach
- **D. All of the above**

Q5. 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**

Q6. Heterogeneous cash flows can be made comparable by discounting technique or compounding technique.

- **A. True**
- B. False

Q7. Which of the following is capital market line?

- A. Capital allocation line of a market portfolio
- B. Capital allocation line of a risk free asset
- **C. Both first & second options**
- D. None of the above

Q8. A risk free security has _____ variance.

- **A. 0**
- B. 2
- C. 4
- D. 6

Q9. is called as dividend ratio method.

- A. Debt Equity Method
- **B. Dividend Yield Method**
- C. Equity Method
- D. Asset Method

Q10. $K_e = \text{DPS}/\text{MP} \times 100$, is used for calculating

- A. Reserve
- B. Capital structure
- C. Depreciation
- **D. Cost of equity share capital**

Q11. Which of the following is capital employed?

- A. Cash + Bank
- B. Assets + Cash
- **C. Shareholders Funds + Long Funds**
- D. All of the above

Q12. The formula used to calculate current ratio is

- A. Current liabilities / Current assets
- **B. Current assets / Current liabilities**
- C. Inventory / Current liabilities
- D. Current liabilities / Inventory

Q13. is an example of fixed asset.

- A. Value stock
- **B. Live stock**
- C. Income stock
- D. none of these

Q14. Current assets are also referred to as

- A. Inventory
- **B. Working capital**
- C. Livestock
- D. Investments

Q15. Which of the following is short term Sources?

- A. Bank Credit
- B. Public Deposit
- C. Commercial Paper
- **D. All of the above**

Q16. Investment is the employment of funds on assets to earn returns.

- **A. true**
- B. false

Q17. Which of the following is the primary goal of financial management?

- A. To Maximize the return
- B. To Minimize the risk
- **C. To maximize the wealth of owners**
- D. To maximize profit

Q18. Which of the following are financial Assets?

- A. Bonds
- B. Machines
- C. Stocks
- **D. Both Bonds & Machines**

Q19. Savings Account are _____, but are not _____.

- A. Negotiable, Liquid
- **B. Liquid, Marketable**
- C. liquid, Personal
- D. None of these

Q20. is not a characteristic of investments.

- A. Pooled investments.
- **B. Reduced expenses**
- C. manage portfolios
- D. All of the above

Q21. What is Balance of Payment ?

- A. Foreign exchange inflow – Foreign exchange outflow
- B. Balance of trade + Net earnings on invisibles
- **C. balance of current account + Balance of capital account + Statistical discrepancy**
- D. Export of goods – Import of goods

Q22. A capital investment is one that _____ .

- A. applies only to investment in fixed assets
- **B. has the prospect of long-term benefits.**
- C. has the prospect of short-term benefits.
- D. is only undertaken by large corporations

Q23. In finance, "working capital" means the same thing as -

- A. fixed assets.
- B. total assets.
- **C. current assets**
- D. current assets minus current liabilities.

Q24. Liabilities varies inversely with profitability.

- A. true
- **B. false**

Q25. Net working capital means -

- A. total assets minus fixed assets.
- **B. current assets minus current liabilities**
- C. current assets minus inventories
- D. current assets.

Q26. The term "capital structure" indicates to _____ .

- **A. long-term debt, preferred stock, and common stock equity**
- B. shareholders' equity

- C. total assets minus liabilities
- D. All of the above

Q27. Reserves & Surplus are _____ of financing.

- A. Security Financing
- **B. Internal Financing**
- C. Loans Financing
- D. International Financing

Q28. What is an asset ?

- A. Inflow of funds
- B. Source of fund
- **C. Use of fund**
- D. All of the above

Q29. Current ratio is 2:5. Current liability is Rs.30000. The Net working capital is _____ .

- A. Rs.18,000
- B. Rs.(-) 45,000
- **C. Rs.(-)18000**
- D. Rs.45,000

Q30. What is The ideal quick ratio ?

- A. 2:1
- **B. 1:1**
- C. 5:1
- D. 2.2

Q31. What is the focal point of financial management in a firm ?

- A. the creation of value for shareholders.
- B. the number and types of products or services provided by the firm.
- C. the dollars profits earned by the firm.
- **D. investment, financing, and asset management**

Q32. Long period of bond maturity leads to _____ .

- A. stable prices
- **B. more price change**
- C. standing prices
- D. mature prices

Q33. The price per ratio is divided by cash flow per share ratio, is used for calculating _____ .

- A. Divided to Stock ratio
- B. Cash flow to price ratio
- C. sales to growth ratio
- **D. price to cash flow ratio**

Q34. The Companies that help to set benchmarks are classified as-

- A. Competitive Companies
- **B. Benchmark Companies**
- C. Analytical Companies
- D. Return Companies

Q35. If the profit margin is equal to 4.5% and the total assets turnover is 1.8% then the return on assets Dupont Equation would be _____.

- A. 0.025
- B. 0.023
- **C. 0.081**
- D. None of these

Q36. In Capital Budgeting, the positive net present value results in -

- A. Negative Economic Value Added
- **B. Positive Economic Value Added**
- C. Zero Economic Value Added
- D. Percent Economic Value Added

Q37. The Cash outflows are the costs of project and are represented by _____ .

- **A. Negative Numbers**
- B. Positive Numbers
- C. Hurdle Numbers
- D. Relative Numbers

Q38. The Cash inflows are the revenues of project and are represented by -

- A. Relative Number
- B. Negative Number
- C. Hurdle Number
- **D. Positive Number**

Q39. The Long period of bond Maturity lends to -

- A. Stable Prices
- **B. More Price change**
- C. Standing Prices
- D. Mature Prices

Q40. The bond issued by corporations and exposed to default risk are classified as _____ .

- A. Default Bonds
- **B. Corporation Bonds**
- C. Risk Bonds
- D. Zero Risk Bonds

Q41. Which of the following is not a type of bank?

- A. Central Bank
- **B. Savings Bank**
- C. Commercial Bank
- D. Co-operative Bank

Q42. Which of the following is not an asset?

- A. Cash
- B. Inventory
- C. Investments
- **D. Owner's Equity**

Q43. Financial managers should primarily focus on the interests of

- **A. Shareholders.**
- B. Stakeholders.
- C. Board of directors.
- D. The vice president of finance.

Q44. A characteristic of a fixed asset is that

- A. It can be depreciated
- B. It have a useful life of more than one year
- C. It is used in the ordinary operations of a business
- **D. All of the above**

Q45. The complete portfolio refers to the investment in

- A. the risky portfolio
- B. the riskfree asset
- C. the risky portfolio and the index
- **D. The risk free asset and the risky portfolio combined**

Q46. which one of the following is a working capital management decision?

- A. determining whether or not a project should be accepted
- B. determining the amount of equipment needed to complete a job
- C. determining the amount of long-term debt required to complete a project
- **D. determining whether to pay cash for a purchase or use the credit offered by the supplier**

Q47. The primary goal of the financial manager is to maximize

- A. revenue
- B. societal benefit
- **C. shareholder wealth**

- D. earnings per share

Q48. The _____ measure of returns ignores compounding.

- A. IRR
- B. dollar-weighted
- C. geometric average
- **D. arithmetic average**

Q49. Which of the following represents a source of short-term funding?

- A. Common stock
- B. Corporate bonds
- **C. Commercial paper**
- D. Retained earnings

Q50. Which of the following is not included in the computation of the quick ratio?

- A. Cash
- **B. Prepaid expenses**
- C. Accounts receivable
- D. Marketable securities

Q51. Which of the following is not a characteristic of a liability?

- **A. It must be payable in cash.**
- B. It results from past transactions or events.
- C. It arises from present obligations to other entities.
- D. It represents a probable, future sacrifice of economic benefits.

Q52. Cash dividends become a liability of the corporation

- **A. Declaration Date**
- B. Payment date
- C. Outstanding stock
- D. Date of Record

Q53. Working capital management is primarily concerned with the management and

financing of

- **A. current assets**
- B. current liabilities
- C. cash and inventory
- D. None of the above

Q54. Which of the following is not true when managing a portfolio system?

- **A. It does not require a constant effort**
- B. It requires input from senior management
- C. Within a small organization it can be managed by a small group of key employees
- D. It involves monitoring and adjusting criteria to reflect the strategic focus of the organization

Q55. Which of the following questions are addressed by financial managers?

- A. Should the firm borrow more money?
- B. Should the firm acquire new equipment?
- C. Should customers be given 30 or 45 days to pay for their credit purchases?
- **D. All of the above**

Q56. Which of the following is not a source of financing for a company?

- A. Bonds
- **B. Common stock**
- C. Treasury stock
- D. Preferred Stock

Q57. Which of the following are traditional financial ratio categories?

- A. Turnover Ratios
- B. Profitability Ratios
- C. Financial Leverage Ratios
- **D. All of the above**

Q58. The cash basis of accounting ignores

- A. Cash

- B. Revenue
- **C. Payables**
- D. Expenses

Q59. The flow rate of a liquid is

- A. Directly proportional to the resistance
- **B. Directly proportional to the pressure gradient**
- C. Inversely proportional to the pressure gradient
- D. Directly proportional to the pressure gradient and the resistance

Q60. Which of the following is not a current asset?

- A. cash
- B. stock?
- **C. building**
- D. debtors

Q61. Cash flow from assets is also known as the firm's free cash flow.

- **A. True**
- B. False

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