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Financial Management MCQ with Answers

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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 1 and 2
- D. All 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 -

- A. Reserve
- B. Calculating capital structure
- C. Depreciation
- **D. calculating 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. 1 and 2**

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

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