



Financial management.m

- 1 The type or branch of accounting that generates reports for the use of external parties such as creditors, investors and government agencies is known as:
- 2 The branch of accounting that generates reports and information for the use of internal management is known as:
- 3 A financial report is a set of documents that comprises:
- 4 Which one of the following statements is true?
- 5 International Accounting Standards have been developed by:
- 6 According to the IASB Framework, the main purpose of financial reporting is to:
- 7 To be recognized in a statement of profit and loss and other comprehensive income, an item must by nature be:
- 8 The revenue recognition principle dictates that revenue should be recognized in the accounting records:
- 9 Under the straight line method of providing depreciation it:
- 10 Which one is the capital expenditure?
- 11 Anything that is expected to be converted into cash or consumed by the business within one year from the date of the balance sheet is classified as a(n)
- 12 Which of the following items is a long-term liability?
- 13 Goodwill is classified as which one of the following assets?
- 14 The statement of changes in equity includes reconciliation between:
- 15 In the statement of changes in equity the effects of the retrospective application of a change in accounting policy is presented:
- 16 Under which depreciation method the amount of depreciation expenses remains throughout the useful life of a fixed asset?
- 17 A financial statement that shows inflows and outflows of cash during a particular period of time is known as:





- 18 A statement of cash flows has:
- 19 Cash flow is:
- 20 Which one of the following is not a financial activity?
- 21 Financial statement analysis may be undertaken to study liquidity, turnover, profitability, and other measures. Which type of ratio is the return on equity ratio?
- 22 Which of the following represent the main step(s) of accounting cycle?
- 23 An example of a liquidity ratio is:
- 24 Which of the following statements is correct in regard to earnings management?
- 25 A firm's current ratio is above the industry average, however, the firm's quick ratio is below the industry average. These ratios suggest that the firm:
- 26 The cash conversion cycle equals:
- 27 The DuPont ratio separates ROE into three components. Using the DuPont method and assuming turnover and profit margin are held constant, increasing the leverage (amount of debt) of the firm would affect the ROE in which way?
- 28 Which of the following factors does Tobin's q ratio not reflect?
- 29 The dividend payout ratio is calculated by dividing total dividends by:
- 30 The profit margin ratio measures the ...earned from each dollar of sales.
- 31 Which is not the treasurer's responsibility for managing the firm's cash and marketable securities?
- 32 The role of management accounting does not normally include the function of:
- 33 The role of financial management does not usually include responsibility for:
- 34 What are the three interrelated areas of finance?
- 35 The share of profit a shareholder will receive is called:





- 36 The cost of equity capital is all of the following except:
- 37 Retained earnings are occasionally restricted:
- 38 The long-run objective of financial management is to:
- 39 «Shareholder wealth» in a firm is represented by:
- 40 A company's ... is (are) potentially the most effective instrument of good corporate governance
- 41 A market which deals with long-term corporate stocks are classified as:
- 42 Which three of the following are key elements within the financial system?
- 43 According to the efficient market hypothesis, financial markets fluctuate daily because they:
- 44 If a market is inefficient, as new information is received about a security:
- 45 According to the weak form of the EMH
- 46 The weak form of the efficient market hypothesis asserts that
- 47 The weak form of the efficient market hypothesis contradicts
- 48 If the capital market is semi-strong efficient
- 49 According to the semi-strong form of the EMH, investors who invest in a stock after a highly positive announcement concerning the stock can expect to earn a(n)
- 50 A finding that ...would provide evidence against the semi-strong form of the efficient market theory.
- 51 Capital investment appraisal refers to:
- 52 Which of the following will not be a relevant factor when using the payback method of capital investment appraisal?
- 53 What are the two drawbacks associated with the payback period?
- 54 The accounting rate of return is measured as follows:





- 55 Which of the following is not an advantage of the accounting rate of return method of investment appraisal?
- 56 The difference between an investment's market value and its cost is the:
- 57 A project is acceptable when the net present value:
- 58 The internal rate of return for a project will increase if.
- 59 The present value of an investment's future cash flows divided by the initial cost of the investment is called the:
- 60 In cases where capital must be rationed, a firm should rank projects according to their:
- 61 The three important sources of long-term finance are:
- 62 Ordinary shares in limited companies have:
- 63 Preference shares:
- 64 The theoretical ex-rights price is equal to the:
- 65 Which of the following is a characteristic of a debenture?
- 66 Debentures secured by ... are the most secure form of investment.
- 67 Which of the following statements is not true of zero coupon bonds?
- 68 In a fixed-interest bond, the variable which changes to determine market rate of return is:
- 69 Under the terms of a finance lease:
- 70 A way to analyze whether debt or lease financing would be preferable is to:
- 71 Some investors will accept high risk investments and some investors prefer low risk investments. What term best describes that situation?
- 72 A rational investor will invest in a risky stock if:
- 73 The standard deviation of a portfolio:





- 74 Risk of two securities having different expected return can be compared with:
- 75 To achieve maximum diversification in a two-asset portfolio, investors should choose stocks with correlation of:
- 76 This type of risk is avoidable through proper diversification:
- 77 Which one of the following is considered an example of systematic risk?
- 78 Beta is a measure of security responsiveness to...
- 79 The risk-free security has a beta equal to ..., while the market portfolio's beta is equal to...
- 80 According to the Capital Asset Pricing Model, a security's expected (required return) is equal to the risk free rate plus a premium
- 81 A firm's overall cost of capital:
- 82 A single, overall cost of capital is often used to evaluate projects because:
- 83 Which of the following is not a recognized approach for determining the cost of equity?
- 84 Company Q is all equity financed. For each £1 of earnings, it consistently pays 30p in dividends and retains 70p for reinvestment. It expects to earn a rate of return of 14% on capital employed. According to the Gordon Growth Model, what would the rate of earnings growth be in the future? Ignore tax.
- 85 The dividend growth model:
- 86 If the CAPM is used to estimate the cost of equity capital, the expected excess market return is equal to the:
- 87 To compute the required rate of return for equity in a company using the CAPM, it is necessary to know all of the following except:
- 88 Plaid Pants, Inc. common stock has a beta of 0.90, while Acme
- 89 The weighted average cost of capital for a firm is the:
- 90 The capital structure weights used in computing the weighted average cost of capital:





- 91) A payment made out of a firm's earnings to its owners in the form of either cash or stock is called a:
- 92) The market's reaction to a change in a firm's dividend payout is referred to as the:
- 93) A cash payment generally paid quarterly by a firm to its owners in the normal course of business is called a:
- 94) The target payout ratio is:
- 95) The information content of a dividend increase generally signals that:
- 96) A payment made by a firm to its owners in the form of new shares is called a... dividend.
- 97) An investor is more likely to prefer a high dividend payout if a firm:
- 98) Of the following factors, which one is considered to be the primary factor affecting a firm's dividend decision?
- 99) A stock repurchase program:
- 100) Martel stock is currently trading at £63 a share. The firm feels their primary clientele can afford to spend between £3,000 and £ 3,500 to purchase a round lot of 100 shares. The firm consider a:

