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## **ALL THE VERY BEST FOR YOUR EXAMS**

# **SAMPLE QUESTIONS FOR CAIIB ADVANCED BUSINESS & FINANCIAL MANAGEMENT**

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

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### **CAIIB – GENERAL INFORMATION**

**Consists of 4 papers :**

#### **I. Compulsory Paper**

1. Advanced Bank Management
2. Bank Financial Management
3. Advanced Business & Financial Management
4. Banking Regulations and Business Laws

#### **II. Elective Papers (Candidates to choose any one of their Choice)**

1. Rural Banking
2. Human Resources Management
3. Information Technology & Digital Banking
4. Risk Management
5. Central Banking

- Only existing employees of banks who had cleared JAIIB can appear for CAIIB Exam.
- CAIIB exams are conducted in on-line mode only.
- The examination will be conducted normally twice a year in May / June and November / December on Sundays.
- The duration of the examination will be of 2 hours.
- **Examination Pattern :**
  - (i) Question Paper will contain 100 objective type multiple choice questions for 100 marks including questions based on case studies/ case lets. The Institute may however vary the number of questions to be asked for a subject.
  - (ii) There may be some numerical questions in some of the CAIIB subjects where, no options will be provided. These questions will not be in the MCQ pattern and the answer has to be keyed in by the candidate.
  - (iii) The examination will be held in Online Mode only.
  - (iv) There will be no negative marking for wrong answers.
  - (v) Questions for the examination will be asked for:
    - a. Knowledge testing
    - b. Conceptual grasp
    - c. Analytical/ logical exposition
    - d. Problem solving
    - e. Case analysis

➤ **Passing Criteria :**

1. Minimum marks for pass in the subject is 50 out of 100.
2. Candidates securing at least 45 marks in each subject with an aggregate of 50% marks in all subjects of examination in a single attempt will also be declared as having completed the Examination.
3. Candidates will be allowed to retain credits for the subject they have passed in an attempt till the expiry of the time limit for passing the examination.

Note : A candidate will be given 5 attempts for completion of exam (CAIIB) but, within a maximum period of three years, whichever is earlier, from the time he/she registers for the exam. These 5 attempts need not be consecutive.

➤ **"Class of Pass" Criteria :**

- ❖ **First Class** : 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT.
- ❖ **First Class with Distinction** : 70% or more marks in aggregate and 60% or more marks in each subject in the FIRST PHYSICAL ATTEMPT.
- ❖ Candidates who have been granted exemption in the subject/s will be given "**Pass Class**" only.

➤ **Cut-off Date of Guidelines /Important Developments for Examinations :**

- ❖ In respect of the exams to be conducted by the Institute for the Period from February to July of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers.
- ❖ In respect of the exams to be conducted by the Institute for the period from August to January of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June will only be considered for the purpose of inclusion in the question papers.

➤ **Exam Fees**

Description	Fees*
First attempt fee	5,000
Second attempt fee	1,300
Third attempt fee	1,300
Fourth attempt fee	1,300
Fifth attempt fee	1,300

\* Plus Convenience charges and Taxes as applicable.

**Please Note: Candidates are required to Register for every attempt separately**

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## **SYLLABUS**

The details of the prescribed syllabus which is indicative are furnished in the booklet. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject.

Candidates appearing for the examination should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subject/s of the said examination although those topics may not have been specifically included in the syllabus. Further, questions based on current developments in banking and finance may be asked. **Candidates are advised to refer to financial news papers / periodicals more particularly "IIBF VISION" and "BANK QUEST" published by IIBF.**

### **MODULE A: THE MANAGEMENT PROCESS**

#### **Basics of Management**

Definition of Management, The Management Process, Functions of Management, Importance of Management, Management Thoughts & Approaches, Management Challenges & Opportunities, Introduction to Strategic Management, Business Environment Analysis

#### **Planning**

Fundamentals of Planning, Steps in Planning, Importance of Planning, Advantages and disadvantages of planning, Management by Objectives, Plan Components, Contingency planning, Forecasting & Decision Making

#### **Organizing**

Introduction and Fundamentals of Organizing, Importance of Organisation, Stages in Organising Process, The Organising Process, Principles of organizing, Types of Organisations, Organisation structure, Organisation charts and manuals, The Organisation culture, Authority & Responsibility, Key Issues in Organisation Structure, Organisational Change, Conflict Dynamics

#### **Staffing**

Functions of Staffing, Objectives of staffing, Nature of staffing, Facets of staffing, Significance of staffing, System approach to staffing, Recruitment, Selection, Training, Retention and development, Knowledge and learning management, Performance Appraisal, Human Resource Development

#### **Directing**

Characteristics of directing, Importance of directing, Elements of directing, Leadership, Motivation, Communication, Supervision

### **Controlling**

Basics of Controlling, Characteristics of controlling, Advantages of controlling, Limitations of controlling, Types of control management, Control process, Relation between planning and control, Control Techniques, Control technique and Information Technology

## **MODULE B: ADVANCED CONCEPTS OF FINANCIAL MANAGEMENT**

### **Sources of Finance and Financial Strategies**

Equity Capital, Internal Accruals, Preference Capital, Term Loans, Debentures, Alternative Financing Strategies in the Context of Regulatory Requirements

### **Financial and Operating Leverages**

Financial Leverage, Degree of Financial Leverage and its Behaviour, Operating Leverage, Degree of Operating Leverage and its Behaviour, Combined or Total Leverage

### **Capital Investment Decisions**

Objective of capital investment decisions, Estimation of project cash flows, Forecasting and its relation to regulation of capital for short, medium and long term periods, Relationship between sales, production and other functional budgets, Cash Forecasts, Cost analysis for projects, Methods of Investment appraisal; Social Cost Benefit Analysis

### **Capital Budgeting for International Project Investment Decisions**

Foreign Investment Analysis, Special Considerations-Foreign & Home Currency Cash Flows, Foreign Currency Discount Rates Computation, International Portfolio Investment and Institutional Constraints, Direct and Indirect Channels for International Portfolio Investment, Exchange and Country Risk, Return and Risk of Foreign Investment, Capital asset pricing model, Arbitrage pricing theory; International Capital Budgeting Issues involved in overseas projects, Approaches for evaluation of overseas projects, Evaluation methods, , Impact of transfer pricing

### **Adjustment of Risk and Uncertainty in Capital Budgeting Decision**

Sources & Perspectives on Risk, Sensitivity Analysis, Scenario Analysis, Hillier Model, Simulation Analysis, Decision Tree Analysis, Corporate Risk Analysis, Managing Risk, Project Selection Under Risk, Risk Analysis in Practice

### **Decision Making**

Decision Making using Cost-Volume-Profit (CVP) Analysis, Decision Making using Relevant Cost Concepts, Decision Making using Activity Based Costing, Ethical and Non-Financial Considerations Relevant to Decision Making

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## **MODULE C: VALUATION, MERGERS & ACQUISITIONS**

### **Corporate Valuations**

Approaches to Corporate Valuation, Adjusted Book Value Approach, Stock and Debt Approach, Direct Comparison Approach, Discounted Cash Flow Approach, Steps involved in valuation using DCF Approach,

### **Discounted Cash Flow Valuation**

Estimating Inputs, Approaches to Discounted Cash Flow Models, Various discounted Cash Flow Models, Dividend Discount Model, Applicability of the Dividend Discount Model,

### **Other Non-DCF valuation models**

Relative valuation model, Equity Valuation Multiples Model, Enterprise value multiples Model, Choosing the right multiples, Book value approach Model, Stock and debt approach

### **Special cases of valuation**

Intangibles –Brand, Human valuation etc., Real estate Firms, Start-up firms, Firms with negative or low earnings, Financial Service companies, Distressed firms, Valuation of cash and cross holdings, Warrants and convertibles, Cyclical & non-cyclical companies, Holding companies, E-commerce firms

### **Mergers, Acquisitions and Restructuring**

Types of Transactions, Reasons for Merger, Mechanics of a Merger, Costs and Benefits of a Merger, Exchange Ratio in a Merger, Purchase of a Division / Plant, Takeovers, Leveraged Buyouts, Acquisition Financing, Business Alliances, Managing Acquisitions, Divestitures, Holding Company, Demergers Deal structuring and financial strategies

Negotiations, Payment and legal considerations, Tax and accounting considerations, Tax reliefs and benefits in case of Amalgamation in India, Financial reporting of business combinations, Deal Financing, Financing of cross border acquisitions in India

## **MODULE D: EMERGING BUSINESS SOLUTIONS**

### **Hybrid Finance**

Advantages and disadvantages of Hybrid securities, Types of hybrid securities, Preference Share Capital, Features of Warrants, Features of Convertible Debentures, Differences between Warrants and Convertible debentures, Valuation of Warrants, Valuation of Compulsorily Convertible (Partly or fully) Debentures, Objective of issuing Warrants and Convertible debentures, Features of Foreign Currency Convertible Bond (FCCB), Mezzanine Financing, Innovative Hybrids

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### **Start-up Finance**

Benefits to startup under the Startup Plan, Startup definition in India, Challenges faced by Startups, State Startup Policy, Pitch Presentation, Programmes and competitions for startups, Tax exemptions, Funding, Investor's outlook in Startups, Funding schemes and programmes, International challenges and bridges

### **Private Equity and Venture Capital**

Characteristics of Venture Capital Investments, Characteristics shared by Private Equity and Venture Capital as well as their key distinctions, Financing options available through Venture Capital, Investment in Private equity, Benefits obtained through private equity, Drawbacks to the practice of private equity, , Due diligence, Exit Strategies

### **Artificial Intelligence**

History of Artificial Intelligence, Applicability of Artificial Intelligence, Artificial Intelligence in Banking and Finance, The future scope of Artificial Intelligence, Neural Networks, Control Theory and Cybernetics, Rational Agents, Motion and Manipulation, Tools and Techniques of Artificial Intelligence, Artificial Intelligence and Morality

### **Business Analytics as Management Tool**

Essentials of Business analytics, Types of Analytics, Elements of Business Analytics, Big Data Analytics, Web and Mobile Analytics, Comparing web Vs Mobile Analytics, Importance of Business Analytics

### **Green and Sustainable Financing**

ISO Standards for Green Finance, Building Green Finance, International Best Practices towards Green Finance, Public Policy in India, Progress of Green Finance in India, Challenges and way forward, Growth of Regulatory Framework, National Efforts towards Green and Sustainable Financing, RBI Views on Climate Risk and Sustainable Finance

### **Special Purpose Acquisition Company**

Advantages of SPAC, Disadvantages of SPAC, SPAC Formation and Timelines, The SPAC Merger, Stakeholders, Characteristics of SPACs, Process, SPAC Capital Structure, Trust Account, Warrants, Forward Purchase, IPO Agreements, De-SPAC Process

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## **Advanced Business & Financial Management**

### **Very Important Sample Questions**

Which of the following functions of management takes care of the reporting structure?

- a. Planning
- b. Staffing
- c. Organising
- d. Directing

Ans – c

.....

Part of this process involves organising the activities into categories according to the product lines.

- a. Functional Structure
- b. The divisional hierarchy
- c. Organisation with official standing
- d. An unofficial grouping or organisation

Ans – b

.....

Which of the following domains has the maximum potential to contribute to the development of an intelligent system?

- (i) Philosophy
- (ii) Biology
- (iii) Sociology

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

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A firm's details are as under:

Sales (@100 per unit) - Rs. 24,00,000

Variable Cost - 50%

Fixed Cost - Rs. 10,00,000

It has borrowed Rs. 10,00,000 @ 10% p.a. and its equity share capital is Rs. 10,00,000 (Rs. 100 each).

Consider tax @ 50 %.

Calculate its Degree of Financial Leverage

- a. 1 time
- b. 1.5 times
- c. 2 times
- d. 2.5 times

Ans - c

Solution:

Contribution = Sales - Variable cost  
= 24,00,000 - 12,00,000 = 12,00,000

EBIT = Contribution - Fixed cost  
= 12,00,000 - 10,00,000 = 2,00,000

EBT = EBIT - Interest  
= 2,00,000 - 1,00,000 = 1,00,000

Degree of Financial Leverage = EBIT / EBT  
= 2,00,000 / 1,00,000  
= 2 times

The term that most accurately captures planning is .....

- a. an all-encompassing procedure in which the planning, execution, and monitoring of plans are included
- b. coming up with ideas for how the goals of an organisation can be accomplished
- c. determining the goals of an organisation as well as the strategies to achieve those goals
- d. the primary focus of the work that is done by planners and planning departments

Ans - c

.....

The first thing you should do when you start planning something is to .....

- a. Set a goal for yourself
- b. Evaluate alternatives
- c. Find out your strengths and your weaknesses
- d. examination of results from the past

Ans – a

.....

What is the formula of Free cash flow to equity?

- a. Cash from operations - Capex + Net debt issued
- b. Cash from operations - Net debt issued + Capex
- c. Cash from operations - Capex - Net debt issued
- d. Cash from operations + Net debt issued + Capex

Ans – a

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Which of the following statement(s) is true?

- (i) The fifth criterion of Ethisphere is leadership, innovation, and reputation.
- (ii) It is often a shared responsibility among other officers and followers that cascades throughout the organization
- (iii) Ethisphere, a private firm that evaluates firms' ethical behavior and responsibilities, uses seven criteria that produce a single Ethics Quotient (EQ) score

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

.....

A cost driver is .....

- a. An item of production overheads
- b. A common cost which is shared over cost centres

.....

- .....
- c. Any cost relating to transport
  - d. An activity which generates costs

Ans – d

.....

Suppose a project costs Rs. 20,00,000 and yields annually a profit of Rs. 3,00,000 after depreciation @ 10% (straight line method) but before tax at 50%. Calculate the Payback period

- a. 4.51 Years
- b. 5.41 Years
- c. 5.71 Years
- d. 5.91 Years

Ans – c

Solution

Profit after tax = Profit before tax - Tax

= 3,00,000 - 1,50,000 (3,00,000 x 50%) = 1,50,000

Total cash inflow = Profit after tax + Depreciation

= 1,50,000 + 2,00,000 (20,00,000 x 10%) = 3,50,000

Payback period = 20,00,000 / (3,50,000/Year) = 5.71 Years

.....

Which of the following activities is not part of pre-deal preparation with regard to life cycle of Special Purpose Acquisition Companies?

- a. Identify lead investment and M&A lawyers
- b. Develop forecasting model, develop story, and evaluate your company's valuation
- c. Identify an advisor to project manage the process and help develop the deal timeline
- d. Conduct employee education and communication around the SPAC transaction and around being a public company

Ans – d

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Portfolio management is a process and it broadly involves five phases. Arrange the phases involved in the correct sequence.

- I. Portfolio Analysis
- II. Portfolio Revision
- III. Security Analysis
- IV. Portfolio Evaluation
- V. Portfolio Selection

- a. IV, V, III, I, II
- b. III, I, V, II, IV
- c. V, I, IV, III, II
- d. I, III, II, IV, V

Ans – b

Which of the following statements is correct?

- a. The workforce should be given any targets or slogans or exhorted to achieve production levels without devising new methods.
- b. The practice of considering price as the criteria for awarding business contracts should be introduced and the total cost should be minimised by having a large number of suppliers.
- c. Fixing arbitrary production quotas for the workforce and numerical targets for the management should be used as decided by the managers.
- d. The barriers to the pride of workmanship, as well as the annual rating or merit system, should be removed with emphasis on improvement in quality.

Ans – d

What are intangible assets?

- a. Non-monetary assets with tangible value
- b. Financial assets devoid of physical substance
- c. Non-monetary assets devoid of physical substance
- d. Monetary assets having material form

Ans – c

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The systematic risk of a security is measured by a statistical measure which is called Beta (B). What does a security with a Beta of +1.0 indicate?

- (i) Security's return is independent of the market return.
- (ii) Security's return is dependent on the market return.
- (iii) Security's return moves in the direction in which the market moves.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

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The arrears of dividend payments are distributed to the preference shares, often known as .....

- a. Participating Preference share
- b. Cumulative preference shares
- c. Noncumulative preference shares
- d. None of these

Ans – b

.....

Given

Operating fixed costs - Rs. 20,000

Sales - Rs. 1,00,000

P/V Ratio - 40%

The degree of operating leverage is .....

- a. 2.00
- b. 2.50
- c. 2.67
- d. 2.47

Ans – a

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Which among the following is/are correct relating to country risk?

- (i) It denotes the risk that a foreign company will default on its bonds or other financial commitments increasing transfer risk.
- (ii) The United States is considered the benchmark for low-country risk.
- (iii) It most often refers to the possibility of default on locally issued bonds.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

It is expected of a valuer to conduct himself in a professional manner with objectivity at all times, by ensuring that his decisions are made

- a. without the existence of any kind of prejudice
- b. with the use of force
- c. with full assurance
- d. without excessive influence of any party

Ans – a

External sources of finance do not include .....

- a. Debentures
- b. Retained earnings
- c. Overdrafts
- d. Leasing

Ans – b

Which of the following statement(s) is true?

- (i) Managers who engage in the controlling activity watch, evaluate, and when needed, suggest corrective action

- .....
- (ii) Traditional control models suggest that controlling is a three-step process  
(iii) Planning provides the basis for the control process by providing the standards of performance against which managers compare organizational activities.

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – b

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The Discounted Cash Flow approach which of the following?

- (i) Dividend discounted by the cost of equity  
(ii) Free cash flow to equity discounted by the cost of equity  
(iii) Dividend compounded by the cost of equity  
(iv) Free cash flow discounted by the weighted average cost of capital

- a. (i), (ii), (iii)  
b. (i), (ii), (iv)  
c. (ii), (iii), (iv)  
d. (i), (ii), (iii), (iv)

Ans – b

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ISO 14001 is .....

- a. An extremely dangerous greenhouse gas  
b. A European Union law on the reduction of pollution  
c. A water quality regulation established by the Environment Act  
d. An international standard that specifies auditing best practises for organisations' environmental management systems and policies.

Ans – d



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A company sells 1000 units of product X at Rs. 50 having variable cost of Rs. 30 per unit and fixed cost of Rs. 15,000.

Calculate the Degree of Operating Leverage

- a. 2 time
- b. 3 times
- c. 3.5 times
- d. 4 times

Ans - d

Solution:

Sales (50 x 1000 units) - 50,000

Variable Cost (30 x 1000 units) - 30,000

Contribution - 20,000

Fixed Cost - 15,000

Profit (EBIT) - 5,000

Degree of Operating Leverage = Contribution / EBIT

= 20,000 / 5,000

= 4 times

.....

The fundamental analysis encompasses economic, industrial and company analyses. Which of the following are the techniques used in Industry analysis?

- (i) Input Output Analysis
- (ii) Anticipatory Survey
- (iii) Regression Analysis

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans - b

.....

Which of the following statements/(s) regarding the Interest Rate Derivatives is/are correct?

- (i) Interest-rate derivatives are hedges used by institutional investors such as banks to combat the changes in market interest rates
- (ii) A financial instrument based on an underlying financial security whose value is affected by changes in interest rates is known as Interest rate derivatives

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

While evaluating capital investment proposals, time value of money is used in which of the following techniques .....

- a. Payback Period method
- b. Accounting rate of return
- c. Net present value
- d. None of the above

Ans – c

Consider the following statements regarding the Dow Jones Theory regarding the behaviour of stock market prices and choose the correct answer.

- (i) Movements in the share prices on the share market are classified into 2 major categories
- (ii) The Dow theory was developed by W.P. Hamilton and Robert Rhea
- (iii) The Dow-Jones Theory is based upon the movement of two indices, which reflect the aggregate impact of all kinds of information on the market.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Which of the following leadership styles is an indication that the leader has confidence in the skills of his or her followers?

- a. Participative
- b. Delegative
- c. Authoritarian
- d. Transactional

Ans – a

A learning organisation is important because .....

- a. it helps an organisation control its costs
- b. it makes the employees the best in the industry
- c. it helps managers to impose their views on their subordinates
- d. it increases the effectiveness and efficiency of the organisation

Ans – d

Scenario Analysis is considered under scenarios such as .....

- (i) Worst Case Scenario
- (ii) Base Case Scenario
- (iii) Best Case Scenario

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

A manager's propensity to make use of knowledge about subordinates in ways that lead to incorrect perceptions of those subordinates is referred to as .....

- a. the glass ceiling effect
- b. bias

- .....
- c. whistle-blowing
  - d. allocation of Responsibility

Ans – b

.....

Which of the following statement is/are true with respect to informal organisation?

- (i) Informal organisation emerges from within the formal organisation when people interact beyond their officially defined roles.
- (ii) Informal organisation emerges spontaneously and is not deliberately created by the management.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

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Which of the following is not a place where records of sales of real estate in a certain area can be gathered?

- a. Sales data available at the Registrar's Office
- b. Newspaper advertisements
- c. Information about auction sales from various authorities
- d. Equity market

Ans – d

.....

When making valuations, market-based approaches should not be used .....

- a. when the size of the company is insufficient
- b. when a company's assets are lower than its liabilities
- c. in the event that there are significant and unprecedented shifts in the market price
- d. when it is challenging to provide an accurate estimation of the realisable value in the event of a going concern

Ans – c

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Match the following List I with List II regarding the different policy initiatives by the Government of India for start ups and their respective description/purpose.

List I	List II
I. Startup India Initiative	(A) To provide funds to startups and also impart the necessary skill sets to help the startups grow successfully
II. SAMRIDH Scheme	(B) To boost the growth of small businesses in India through enhanced credit facilities.
III. ASPIRE	(C) To offer knowledge and help the entrepreneurs of rural India.
IV. Pradhan Mandhri Mudra Yojana	(D) A 19-point action plan to help grow the startup ecosystem in the country

- a. I-C, II-B, III-A, IV-D
- b. I-D, II-A, III-C, IV-B
- c. I-A, II-C, III-D, IV-B
- d. I-B, II-A, III-D, IV-C

Ans – b

When EBIT is Nil, what will be the Degree of Operative leverage?

- a. 1 time
- b. 2 times
- c. 3 times
- d. Undefined

Ans - d

Solution:

EBIT is Nil means

Contribution = Fixed cost

Degree of Operative leverage (DOL) = Contribution / EBIT

= Contribution / 0

= Undefined

From the following which of the following is correct regarding the features of external sources of recruitment?

- (i) Cost effective
- (ii) Dissatisfaction among existing staff
- (iii) Lengthy process

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Identify the assumptions of Cost-Volume-Profit Analysis from the statements given below.

- (i) All changes in expenses occur because of changes in activity level.
- (ii) All units produced are assumed to be sold.
- (iii) The sales price and the fixed cost per unit are constant but the variable cost is not constant.
- (iv) The costs are fixed within a specified production level.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – b

SPAC sponsors typically own what percentage of stake in the SPAC through founder shares in addition to warrants to purchase more shares?

- a. 10%
- b. 20%
- c. 30%
- d. 40%

Ans – b

It is possible to delegate decision-making power to individuals at lower levels. This is known as .....

- a. Assignment of Responsibility
- b. Centralisation
- c. Decentralisation
- d. None of the preceding options

Ans – c

Which of the following is correct regarding the analysis of combined leverage?

- (i) High Degree of Operating Leverage and High Degree of Financial Leverage Moderate Total Risk (Not a good combination)
  - (ii) Low Degree of Operating Leverage and High Degree of Financial Leverage Moderate Total Risk (Best combination)
  - (iii) High Degree of Operating Leverage and Low Degree of Financial Leverage Moderate Total Risk (Not a good combination)
- a. Only (i) and (ii)
  - b. Only (i) and (iii)
  - c. Only (ii) and (iii)
  - d. (i) (ii) and (iii)

Ans – c

Which of the following refers to a kind of internal changes made by the management in Assets and Liabilities of a company with the consent of its various stakeholders?

- a. Financial Restructuring
- b. Ownership Restructuring
- c. Management Buyouts
- d. Leveraged Buyouts

Ans – a

Which of the following is correctly paired regarding Walter's view on optimum dividend payout ratio?

- a. Growth firms  $r < k_e$ , Normal Firms  $r = k_e$ , Declining Firms  $r > k_e$
- b. Growth firms  $r = k_e$ , Normal Firms  $r > k_e$ , Declining Firms  $r < k_e$
- c. Growth firms  $r = k_e$ , Normal Firms  $r < k_e$ , Declining Firms  $r > k_e$
- d. Growth firms  $r > k_e$ , Normal Firms  $r = k_e$ , Declining Firms  $r < k_e$

Ans – d

Which among the following comparison between Commercial Benefit Analysis (CBA) and Social Cost Benefit Analysis (SCBA) is incorrect?

- (i) CBA is quantitative whereas SCBA cannot be quantitative in nature
- (ii) CBA requires a limited range of efforts whereas SCBA requires an unlimited range of efforts
- (iii) CBA includes L-M Approach whereas SCBA includes UNIDO Approach

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

Identify the disadvantage of preference share from the viewpoint of investors.

- (i) Modest dividend in the context of the associated risk
- (ii) No exemption to corporate investors on preference income
- (iii) Vulnerability to arbitrary managerial action

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b



The Degree of Operating Leverage is calculated as .....

- a. Contribution / EBIT
- b. EBIT / PBT
- c. EBIT / Interest
- d. EBIT / Tax

Ans – a

The following information is related to XYZ Company Ltd. for the year ended 31st March, 2023

Equity share capital (of Rs. 10 each) - Rs. 50 lakhs

12% Bonds of Rs. 1,000 each - Rs. 37 lakhs

Sales - Rs. 84 lakhs

Fixed cost (excluding interest) - Rs. 6.96 lakhs

Profit-volume Ratio - 27.55%

Income Tax Applicable - 40%

Calculate its Degree of Financial Leverage

- a. 1.08 times
- b. 1.38 times
- c. 1.58 times
- d. 1.78 times

Ans - b

Solution:

Sales - 84,00,000

Contribution = (Sales x p/V ratio) = (84,00,000 x 27.55%) = 23,14,200

EBIT = Contribution - Fixed cost = 23,14,200 - 6,96,000 = 16,18,200

EBT = EBIT - Interest on debentures = 16,18,200 - 4,44,000 (12% Rs.37 lakhs) = 11,74,200

Degree of Financial Leverage = EBIT / EBT

= 16,18,200 / 11,74,200 = 1.38 times

"Greenwash" is a company's attempt to improve its environmental image as a means of promoting itself and its products and gaining customers, without necessarily having any genuine substance to back up its claims. "Greenwashing" is thus .....

- a. A necessary economic activity that should be supported if conducted positively and responsibly

- b. A prohibited action that is unpleasant
- c. A sort of advertising that is ignorable
- d. A practice employed by multinational firms to avoid paying tax

Ans – a

Which of the following is correct regarding the challenges faced by the Green Finance in India?

- (i) High Borrowing costs
- (ii) High borrowing costs and assymmetric information
- (iii) Penetration of green instruments is not upto the par with the large size of the domestic market.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

Preference shares are hybrid financial products with elements of .....

- a. Debentures
- b. Equity Shares
- c. Debentures & Equity Shares
- d. None of these

Ans – c

Identify the correct/appropriate features of debentures.

- (i) The issuer enjoys low-cost borrowing
- (ii) They are a flexible debt instrument
- (iii) Repayments can be attained only in instalments payable yearly not all at once

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)

d. (i) (ii) and (iii)

Ans – a

Which aspect of planning is connected to the fact that planners typically have a high level of intelligence because they keep talking about their ability to evaluate their surroundings, forecast the future, and evaluate all of these factors in relation to a variety of other options in order to choose the most suitable one?

- a. The act of planning is an intellectual workout.
- b. Planning involves looking into the future.
- c. The most important part of management is the planning process.
- d. Making choices is an integral part of planning.

Ans – a

Which of the following schools of management focuses on motivation?

- a. Quantitative School
- b. Neoclassical School
- c. System School
- d. Contingency School of Management

Ans – b

Which of the following benefit(s) is/are derived from the use of artificial intelligence?

- (i) Shortens the amount of time needed to find a solution to the problem
- (ii) Contributes to the provision of safety
- (iii) Having the mental capacity to reason makes the process go more smoothly.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

The planning process sets the foundation for .....

- a. Controlling
- b. Directing
- c. Staffing
- d. Organising

Ans – a

.....

Which among the following are correct/appropriate merits of debentures?

- (i) No restrictive covenants in the trust deed
- (ii) Lower cost and tax deductibility of interest payments
- (iii) No dilution of control
- (iv) Enjoy preferential claim on the assets in relation to shareholders

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – c

.....

Which of the following approaches do you believe is most suitable for the purpose of determining the value of the intangible assets?

- a. Multiple
- b. Relative
- c. Consistent
- d. Exclusive

Ans – b

.....

A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest.

1. Calculate the operating leverage?

.....

- a. 1 time  
b. 2 times  
c. 3 times  
d. 4 times

2. Calculate the financial leverage?

- a. 1 time  
b. 2 times  
c. 3 times  
d. 4 times

3. Calculate the combined leverage?

- a. 4 times  
b. 5 times  
c. 6 times  
d. 7 times

Solution:

1 - c

$$\begin{aligned} \text{Contribution} &= \text{Sales} - \text{Variable cost} \\ &= 10,00,000 - 7,00,000 = 3,00,000 \end{aligned}$$

$$\begin{aligned} \text{EBIT} &= \text{Contribution} - \text{Fixed cost} \\ &= 3,00,000 - 2,00,000 = 1,00,000 \end{aligned}$$

$$\begin{aligned} \text{Operating Leverage} &= \text{Contribution} / \text{EBIT} \\ &= 3,00,000 / 1,00,000 = 3 \end{aligned}$$

2 - b

$$\text{EBIT} = 1,00,000$$

$$\begin{aligned} \text{EBT} &= \text{EBIT} - \text{Interest @ 10\% on 5,00,000} \\ &= 1,00,000 - 50,000 = 50,000 \end{aligned}$$

$$\begin{aligned} \text{Financial Leverage} &= \text{EBIT} / \text{EBT} \\ &= 1,00,000 / 50,000 = 2 \end{aligned}$$

3 - c

$$\begin{aligned} \text{Combined Leverage} &= \text{Operating Leverage} = \text{Contribution} / \text{EBT} \\ &= 3,00,000 / 50,000 = 6 \end{aligned}$$

Which of the following terms best depicts the situation in which both parties are attempting to find a resolution to a complicated disagreement that is acceptable to both of them?

- a. Mutual benefit
- b. Win-lose
- c. Zero-sum
- d. Win-win

Ans – d

Which of the following is/are correct regarding the mergers and acquisitions?

- (i) In a merger, two or more companies combine into a single unit
- (ii) The shareholders of each amalgamating company become substantially the shareholders in the amalgamating company
- (iii) Mergers and Acquisitions (M&A) are regulated by SEBI

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

Which of the following is correctly paired regarding the terms associated with mergers and acquisitions?

- a. Acquisition - Both the companies are still left standing as separate entities at the end of the transaction, Consolidation - Results in the legal dissolution of one of the companies.
- b. Merger - One entity buying out another and absorbing the same, Acquisition - Dissolves both of the parties and creates a new one
- c. Consolidation - Unification of two entities into one, Consolidation - Results in legal dissolution of one of the companies
- d. Merger - Results in legal dissolution of one of the companies, Acquisition - Both the companies are still left standing as separate entities at the end of the transaction

Ans – d

Which of the following risks cannot be eliminated by diversification?

- a. Business Risk
- b. Financial Risk
- c. Purchasing Power Risk
- d. Default Risk

Ans – c

Which of the following statement(s) is not true?

- (i) Organizations can introduce the control activity at two stages in the work process: "prior to" or "after" the performance of a work activity
- (ii) Managers can use two types of concurrent controls (steering and screening control) to prevent deviation from the planned course of action while work is in progress
- (iii) Screening controls are reactive concurrent controls; they occur after work has begun but before it is completed

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

Which of the following does not belong to the category of limitations associated with controlling?

- a. Limited ability to influence external factors
- b. An expensive endeavour
- c. Maintaining self-discipline
- d. Challenges involved in establishing quantitative benchmarks

Ans – c

In activity-based costing, costs are accumulated by activity using .....

- a. Cost drivers

- b. Cost objects
- c. Cost pools
- d. Cost benefit analysis

Ans – c

- (i) Equity Capital is an asset.
- (ii) The quantitative value of equity is derived by deducting liabilities from assets.

Choose the correct/appropriate option given below.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – b

Which of the following must be a key competency for a startup in order to be successful?

- a. Creativity and originality
- b. Management of ties with the government
- c. Excellent public relations
- d. Ability to raise loans from banks

Ans – a

Which of the following statements is correct?

- (i) Good quality and lower prices are generally considered as the criteria for decision on imports substitutes
- (ii) If the product is for mass consumption, the price and demand elasticity is normally too high
- (iii) Relevant Cost is not a fixed or onetime concept but a concept relevant at a given time for a given situation

- a. Only (i) and (ii)
- b. Only (i) and (iii)



- c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – d

Preference shares .....

- a. must always pay dividends  
b. have limited voting rights  
c. are not part of a company's share capital  
d. are eligible for interest

Ans – b

Which among the following are short-term cash flow forecast methods?

- (i) Receipts/disbursements Method  
(ii) Bank data Approach  
(iii) Adjusted Net Income Method  
(iv) Rolling Average Method

- a. (i), (ii), (iii)  
b. (i), (ii), (iv)  
c. (ii), (iii), (iv)  
d. (i), (ii), (iii), (iv)

Ans – b

The factors that an individual values and strives to accomplish are depending on .....

- a. whether or not the connections between means and ends are made clear  
b. the anticipation that a higher level of performance will be accomplished successfully as a result of increased effort  
c. their successful execution of the task  
d. it is provided with the essential assistance in the form of training, direction, and training

Ans – b

Risk analyses from various sources such as .....

- (i) Market Risk
- (ii) Competition Risk
- (iii) International Risk

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

A digital gap can give rise to .....

- a. technological innovations
- b. inequalities
- c. higher profits
- d. improved operations

Ans – b

Plug-and-play facilities and other common services are examples of what are referred to as "common services" within the context of an infrastructure that aids entrepreneurs in the early stages of the start-up life cycle. These are known as .....

- a. Incubator
- b. Accelerator
- c. Angel investment platform
- d. Venture capital platform

Ans – a

Which of the following statements is correct?

- (i) The agency theory says that firms merge to resolve the conflicts of interest that exist between shareholders and legal authorities

(ii) In The undervaluation Theory, the market price of the target company does not reflect the present value of its expected future cash flows

(iii) The diversification theory says that firms merge to reduce business risk through diversification of the firms' activities. This would be particularly true of conglomerate mergers

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Which of the following projects will be associated with venture capital?

- a. A brand-new venture in the steel sector
- b. A brand-new endeavour started by IIT and IIM Passouts involving cutting-edge technology
- c. A brand-new endeavour with a high level of risk
- d. Anew project started by a well-known business house

Ans – b

Which of the following statement/(s) is/are correct regarding the formal organisation?

- (i) It clarifies who has to report to whom.
- (ii) Efforts of various departments are coordinated, interlinked and integrated through the formal organisation
- (iii) It is deliberately designed by the top management to facilitate the smooth functioning of the organisation.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

Which of the following statements is correct?

- a. In a reverse merger a smaller company acquires a still smaller company
- b. In a reverse merger a smaller company acquires Larger company
- c. In a reverse merger a larger company acquires a smaller company
- d. In a reverse merger an NBFC acquires a Non-Financial company

Ans – b

Read the following statement and choose the correct option:

- (i) Investing in unprofitable companies is generally a high-risk, low-reward proposition.
- (ii) The trick, of course, is identifying which of these firms will succeed in making the leap to profitability and blue-chip status.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – b

Given that the company XYZ has a constant dividend growth rate of 5% annually till perpetuity. This year the company has given a dividend of Rs 6 per share. The required rate of return for the company is 10% per annum. Then, what should be the purchase price of a share of company XYZ?

- a. Rs 100
- b. Rs 126
- c. Rs 155
- d. Rs 163

Ans – b

Solution

Div = Dividend at zero year = Rs 6

T = required rate of return = 10%

g = constant growth rate of dividends till perpetuity = 5%

Div1 = Dividend per share expected to be received at the end of first year

= Div (1+g)

= 6 (1+0.05) = Rs 6.3

Value of share (P) = Div1/ (r-g)

= 6.3 / (0.1 - 0.05)

= 6.3/0.05 = Rs 126

Which of the following is not considered to be an intangible aspect when it comes to the backdrop of a negotiation?

- a. the importance of preserving healthy relationships.
- b. the final price that has been agreed upon on a contract.
- c. the pressure to present oneself in a "just" or "honourable" light
- d. the importance of maintaining one's appearance

Ans – b

The Degree of Financial Leverage is calculated as .....

- a. EBIT / Contribution
- b. EBIT / EBT
- c. EBIT / Sales
- d. EBIT / Variables Cost

Ans – b

Which of the following activities cannot be considered to be a part of the deal execution activity?

- a. LOI and merger negotiation
- b. Tax structuring
- c. Investor relations
- d. Transaction accounting

Ans – c

Which of the following is/are the features of Planning?

- (i) Planning focuses on achieving objectives  
(ii) planning is pervasive  
(iii) planning is a mental exercise

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – d

Match the following List I with List II regarding the different sources of financing for startups and their description.

List I	List II
I. Incubators	(A) Individuals who invest their money into high-potential startups in return for equity.
II. Angel Investors	(B) Professionally managed investment funds that invest exclusively in high growth startups.
III. Crowd Funding	(C) Raising money from a large number of people who each contribute a relatively small amount
IV. Venture Capital funds	(D) Organizations set up with the specific goal of assisting entrepreneurs with building and launching their startups

- a. I-C, II-A, III-D, IV-B  
b. I-A, II-B, III-D, IV-C  
c. I D, II-A, III-C, IV-B  
d. I-B, II-C, III-D, IV-A

Ans – c

Which of the following type of business analytics focuses exclusively on what has already occurred in an organisation and, does not utilise its results to draw inferences or make forecasts?

- a. Diagnostics analytics  
b. Predictive analytics  
c. Descriptive analytics

d. Prescriptive analytics

Ans – c

Which of the following valuation techniques is best for evaluating an owner-occupied, non-income-producing, residential bungalow?

- a. Discounted Cash Flows Method
- b. Direct Sales Comparison Method
- c. Profit Approach
- d. Hypothetical construction plan

Ans – b

Which of the following is/are excluded from the external sources of recruitment?

- (i) Promotions
- (ii) Advertisement
- (iii) Transfers

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

Which of the following is not factored into the WACC calculation?

- a. Weight or proportion of debt
- b. Equity's proportion or weight
- c. Individual tax rate on interest income
- d. Cost of equity capital

Ans – c

.....

A Company ABC Ltd produces and sells 20,000 shirts. The selling price per shirt is Rs. 500. Variable cost is Rs. 200 per shirt and fixed operating cost is Rs. 40,00,000. Calculate degree of operating leverage.

- a. 2 time
- b. 3 times
- c. 3.5 times
- d. 4 times

Ans - b

Solution:

Sales Revenue (20,000 x 500) - 1,00,00,000

Less: Variable Cost (20,000 x 200) - 40,00,000

Contribution - 60,00,000

Less: Fixed Cost - 40,00,000

EBIT - 20,00,000

Degree of Operating Leverage = Contribution / EBIT

= 60,00,000 / 20,00,000

= 3 times

.....

Green bonds are fixed-income instruments whose proceeds finance new or existing green initiatives that qualify. Which of the following activities is not covered by the Green Bonds objectives?

- a. Efforts to combat air pollution
- b. Climate alteration
- c. Changes to the Demography
- d. Extinction of species and depletion of natural resources

Ans - c

.....

Consider the following statements and choose the correct answer.

- (i) Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.
- (ii) There are two sources of recruitment - Internal and External.

- a. Only (i)
- .....



- b. Only (ii)  
c. Both (i) and (ii)  
d. Neither (i) nor (ii)

Ans – c

When you are developing a model for forecasting, it is essential to keep in mind that sales forecasting is an iterative process and .....

- a. An accurate science  
b. Neither fallacious nor skeptical in nature  
c. Not quite a perfect science  
d. A genuine path leading into the future

Ans – c

Which of the following is a benefit derived from the use of artificial intelligence?

- (i) Shortens the amount of time needed to find a solution to the problem  
(ii) Contributes to the provision of safety  
(iii) Having the mental capacity to reason makes the process go more smoothly

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – d

IRR method would favour project proposals which have .....

- a. Heavy cash inflows in the early stages of the project  
b. Evenly distributed cash inflows throughout the project  
c. Heavy cash inflows at the later stages of the project  
d. None of the above

Ans – a

Z Ltd has estimated that for a new product, the break-even point is 2,000 units, if the items are sold for Rs14 per unit. The Cost Accounting department has currently identified variable cost of Rs. 9 per unit. Calculate the degree of operating leverage for sales volume of 2,500 units and 3,000 units.

1. Calculate the Degree of Operating Leverage for sales volume of 2,500 units

- a. 3 times
- b. 4 times
- c. 5 times
- d. 6 times

2. Calculate the Degree of Operating Leverage for sales volume of 3,000 units

- a. 3 times
- b. 4 times
- c. 5 times
- d. 6 times

Solution:

1 - c

Contribution = Sales - Variable cost

$$= (2500 \times 14) - (2500 \times 9)$$

$$= 35,000 - 22,500 = 12,500$$

EBIT = Contribution - Fixed cost

$$= 12,500 - [2,000 \times (14 - 9)]$$

$$= 12,500 - 10,000 = 2,500$$

Degree of Operating Leverage = Contribution / EBIT

$$= 12,500 / 2,500 = 5$$

2 - a

Contribution = Sales - Variable cost

$$= (3000 \times 14) - (3000 \times 9)$$

$$= 42,000 - 27,000 = 15,000$$

EBIT = Contribution - Fixed cost

$$= 15,000 - [2,000 \times (14 - 9)]$$

$$= 15,000 - 10,000 = 5,000$$

Degree of Operating Leverage = Contribution / EBIT

$$= 15,000 / 5,000 = 3$$

Match the following.

Types of Mergers	Description
I. Vertical Mergers	(i) Competitors in different markets
II. Market Extension	(ii) Companies operate along the supply chain
III. Horizontal Mergers	(iii) Direct Competitors

- a. I-(ii), II-(iii), III-(i)
- b. I-(iii), II-(i), III-(ii)
- c. I-(i), II-(ii), III-(iii)
- d. I-(ii), II-(i), III-(iii)

Ans – d

When exactly, during the planning process, does the most feasible plan become the one that can actually be carried out?

- a. At the time of developing premises
- b. Considering the various potential courses of action
- c. Choosing between available options
- d. Establishing objectives

Ans – c

Which of the following statements is correct?

- (i) Trying to Value Based Off Future Performance Instead of Historical Performance is one of the hurdles of business valuation
  - (ii) Adding Section 179 deduction as depreciation to Income Statement is an error
  - (iii) Accrual Basis Statements and Profit & Loss statements lead to more accurate business valuations
- a. Only (i) and (ii)
  - b. Only (i) and (iii)
  - c. Only (ii) and (iii)
  - d. (i) (ii) and (iii)

Ans – a

Depreciation is included as a cost in which of the following techniques .....

- a. Accounting rate of return
- b. Net present value
- c. Internal rate of return
- d. None of the above

Ans – a

Which of the following statement(s) is not true?

- (i) Planning and controlling are approached with distinctive differences under control-oriented and involvement-oriented approaches to management.
- (ii) The hierarchy plays a passive role in both the planning and controlling process, and the employee is often an active player carrying out the planning directives and the target of the control activity.
- (iii) The mechanistic organization, with its involvement-oriented management practices, places the employee as an active player in both the planning and controlling activity.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Which of the following is not a Need of the Social Responsibility of business?

- a. Long life of business
- b. Impact of its own Operations.
- c. Employee satisfaction
- d. Internal Growth

Ans – d

Match the following List I with List II regarding the different ways to exit out of a Private Equity Investment.

List I	List II
I. Strategic Acquisition	(A) The investor leaves out at a cash loss on capital invested
II. Secondary Sale	(B) The share of PE is acquired by a larger company
III. Liquidation	(C) The founders get back to owning the majority stake in their entity
IV. Repurchase by existing management	(D) The investor PE exits by transferring its share to another PE

- a. I-D, II-A, III-B, IV-C
- b. I-A, II-D, III-C, IV-B
- c. I-B, II-A, III-D, IV-C
- d. I-B, II-D, III-A, IV-C

Ans – d

For resolving which of the following issues, training proves to be the most successful method?

- a. Skill gaps
- b. Attitudinal issues
- c. Insufficient motivation
- d. Attendance difficulties

Ans – a

In most cases, the lifespans of private equity funds are predetermined to be around .....

- a. 5 years
- b. 10 years
- c. 7 years
- d. 8 years

Ans – b

Which among the following risks are included in the market risk?

- (i) Currency risk
- (ii) Commodity risk
- (iii) Equity risk
- (iv) Interest rate risk

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – d

The price-to-earnings ratio goes up when any of the following conditions are met .....

- a. Growth goes up, discount rate goes down, and reinvestment rate stays the same
- b. Growth goes down, discount rate goes down, and reinvestment rate goes up
- c. Growth exceeds expectations, but discount rate and reinvestment rate fall short of expectations
- d. Discount rate goes down and reinvestment rate goes up

Ans – d

The discounted cash flow method of valuation is based on .....

- a. a discount for the future that is anticipated and is likely to be earned.
- b. the company's valuation
- c. Anticipated cash flows along with discount rates
- d. a company's potential for earnings

Ans – c

Arrange the steps involved in the Data Analytics in the correct sequence.

- I. Cleaning the data
- II. Organizing the data
- III. Collecting the data

IV. Criteria for grouping the data

V. Adopt the right type of data analytics process

- a. II, IV, I, III, V
- b. IV, III, II, I, V
- c. III, IV, II, V, I
- d. II, IV, III, I, V

Ans – d

Which of the following is correct regarding the definition of Startup to avail government scheme as per GSR Notification 127(E)?

- (i) Entity should not have been formed by splitting up or reconstruction a business already in existence
- (ii) Upto 10 years from the date of incorporation/registration
- (iii) Turnover for any fiscal year has not exceeded INR 200 crore
- (iv) Incorporated either as a Private Limited Company, or Registered Partnership firm, or Liability Partnership in India

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – b

Which test is most helpful in determining an individual's potential to pick up new abilities quickly and easily?

- a. Test of English Language
- b. Test of Proficiency in a particular trade
- c. General Knowledge Test
- d. Aptitude Test

Ans – d

.....

The equity shares of PQ Ltd. are currently selling in the market at INR 100. The company is expected to pay a dividend of INR 5 per share with an annual growth rate of 10%. Compute the cost of equity for PQ Ltd.

- a. 5 %
- b. 10 %
- c. 15 %
- d. 20 %

Ans – c

Solution

PO (Current price) = Rs. 100

G (dividend growth rate) = 10%

D1 (Dividend for current year) = Rs. 5

$PO = D1 / (Ke - g)$

$100 = 5 / (Ke - 0.10)$

Ke = 0.15 or 15%

.....

..... is a business loan that offers repayment terms adapted to a company's cash flows.

- (i) Subordinated financing
- (ii) Mezzanine Financing
- (iii) Corporate loan

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

.....

Sensitivity analysis is useful in decision making because .....

- a. It shows the probabilities associated with each outcome
  - b. It tells the user how much critical each input is for the Output value
  - c. It allows to calculate the probable results under different scenarios
- .....



d. The results of Sensitivity Analysis are reliable

Ans – b

Which of the following is correct regarding the categories of Descriptive Analytics?

- (i) Ad hoc reports are designed and generated when there is a need to answer a specific business question.
- (ii) A canned report is one that has been designed previously and contains information around a given subject.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

What are the important sources of internal recruitment with respect to staffing?

- (i) Transfers
- (ii) promotions

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

Which method should be used by those businesses which have low profits, but valuable assets?

- a. Earnings valuation method
- b. Book value method
- c. Capitalization of earnings valuation
- d. Return on investment (ROI)

Ans – b

When it comes to reaching an agreement on the conditions of the merger, two of the most essential topics are "post-merger control" and the .....

- a. negotiated price
- b. computed price
- c. market price
- d. price per share

Ans – a

Steps in ABC Analysis include .....

- (i) Identification of activities and their respective costs
- (ii) Identification of cost driver of each activity and computation of an allocation rate per activity
- (iii) Allocation of overhead cost to products/ services based on the activities involved

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

Which of the following statements about a Special Purpose Acquisition Company (SPAC) is incorrect?

- a. An SPAC is an entity specifically set up with the objective of acquiring a firm in a particular sector
- b. An SPAC aims to raise money in an initial public offering (IPO) without any operations or revenues
- c. If the acquisition is not made within one year of the IPO, the SPAC is delisted and the money is returned to the investors
- d. Special Purpose Acquisition Companies are also known as blank cheque companies

Ans – c

Which of the following is an example of a field that has benefited from the application of artificial intelligence?

- a. Language understanding and problem-solving

- b. Setting up a website  
c. Deployment of apps in the cloud  
d. All of the above

Ans – a

Arrange the steps involved in the process of Data Analytics in the correct sequence.

- I. Analyse the data  
II. Review Previous findings  
III. Recognize the problem or question  
IV. Present and act on the results  
V. Model the solution and act on the results  
VI. Collect the data

- a. III, II, V, VI, I, IV  
b. V, VI, I, II, IV, III  
c. VI, I, V, III, II, IV  
d. III, V, II, I, VI, IV

Ans – a

A merger is said to be synergistic if the combined value of the companies is greater than .....

- a. the aggregate value of the individual companies before the merger  
b. values of the individual companies following the merger  
c. the worth of the company as a whole  
d. none of the above

Ans – a

Under the discounted cash flow valuation, which of the following is typically employed as the discounting factor?

- a. Cost of equity  
b. Cost of debt  
c. Annuity factor

d. Overall cost of capital

Ans – d

Which of the following statement(s) is not true?

- (i) "A concise description of the value proposition" to be provided by marketing plan.
- (ii) Operating plan identifies the key players - active investors, board members, and advisors
- (iii) Product and/or service plan explains the type of manufacturing system to be used and describes the facilities, labor, raw materials, and product-processing requirements.
- (iv) "Available legal protection - patents, copyrights, and trademarks" to be provided by Management plan.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – c

The act of bringing together the facilities and persons necessary for collecting and processing information that is required by the Top Management is referred to as .....

- a. PERT
- b. CPM
- c. Analysis of ratios
- d. Management Information System

Ans – d

Which of the following is/are not the feature of Foreign Currency Convertible Bond?

- (i) FCCB means a bond issued by an Indian company expressed in foreign currency
- (ii) The principle and interest in respect of FCCB is payable in foreign currency
- (iii) FCCB means a bond issued by a foreign company expressed in foreign currency

- a. Only (i) and (ii)

- b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – b

When projecting the level of property, plant, and equipment, as well as the amount of depreciation expense that would be linked with it, what factors should you take into consideration?

- a. Assets both short-term and long-term in nature  
b. Current utilisation level and future expansion plans  
c. The inventory and the strategic strategies  
d. Merchandising and business strategies

Ans – b

Which of the following are the two main ways to approach asset-based business valuation methods?

- a. Return on Investment Concept and  
b. Realisation Concept and Cash Basis Concept  
c. Money Measurement Concept and Accrual Concept  
d. Going Concern and Liquidation Value

Ans – d

Students A, B, C, and D have expressed their views regarding the role of Reserve Bank of India in supporting green finance initiatives. Which among the following is/are correct in their views?

- (i) RBI has included the small renewable energy sector under its Priority Sector Lending (PSL) scheme in 2015  
(ii) RBI has included the medium and small renewable energy sector under its Priority Sector Lending (PSL) scheme in 2015  
(iii) Under PSL scheme, firms in renewable energy sector<sup>13</sup> are eligible for loans upto 30 crore

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)

d. (i) (ii) and (iii)

Ans – b

Which of the following does not belong to the category of control processes?

- a. Taking a look at the variations
- b. Organising the combined efforts of employees
- c. Taking action to make things right
- d. Establishing benchmarks for performance

Ans – b

A convertible bond with a par value of 500 rupees is being sold for 520 rupees. What is the conversion price if the conversion ratio is 20?

- a. Rs. 15
- b. Rs. 20
- c. Rs. 25
- d. Rs. 26

Ans – c

Which of the following statement(s) is true?

- (i) The behaviour of Formal groups is directed toward achieving organizational goals
- (ii) Task Group is a group consisting of individuals who report directly to the manager.
- (iii) Informal Groups are formed with friendships and common interests.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

.....  
In the decade that began in the year 2000, which of the following enterprises in India may be considered a successful start-up?

- a. Tata Consultancy
- b. Crompton & Greaves
- c. Baroda Ryan
- d. Flipkart

Ans – d

.....  
A debenture issued for a period of ten years .....

- a. is a long-term loan
- b. cannot be issued as a secured instrument
- c. is a short-term loan
- d. receives dividend payments

Ans – a

.....  
Which of the following laws mentions the requirement of valuation of a business at the time of business combination?

- (i) Company Law
- (ii) Income tax law
- (iii) SEBI Law

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

.....  
Which of the following best indicates the business risk?

- a. Operating leverage
- b. Financial leverage

- .....
- c. Combined leverage
  - d. Total leverage

Ans – a

.....

The re-investment assumption in the case of the IRR technique assumes that .....

- a. Cash flows can be re-invested at the projects IRR
- b. Cash flows can be re-invested at the weighted cost of capital
- c. Cash flows can be re-invested at the marginal cost of capital
- d. None of the above

Ans – a

.....

Consider the following statements regarding the Sustainable Stock Exchange and choose the correct answer.

- (i) In India, only Bombay Stock Exchange is a part of this initiative and publish separate ESG indices
- (ii) Sustainable Stock Exchange is an initiative that recommends the signatory countries' stock exchanges to come up with stock price indices, which are aimed at guiding investors who are interested in investing in green activities

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – b

.....

Which was the first Indian Bank to issue Green Infrastructure Bonds in India?

- a. State Bank of India
- b. Bank of Baroda
- c. HDFC Bank
- d. Yes Bank

Ans – d

.....

.....



.....

A ratio that illustrates the stock market's readiness to pay for one rupee of earnings per share is referred to as an earnings multiple. This is known as .....

- a. Ratio of Price to Net Profit
- b. Ratio of Earnings to Price
- c. Ratio of Price to Earnings
- d. None of the above

Ans – c

.....

Which of the following is a good source for filling the vacant positions with people from departments that already have too many workers?

- a. Employment Exchanges
- b. Relocations
- c. Promotions
- d. Fresh Recruitment

Ans – b

.....

Arrange the following stages involved in the Life cycle of Start up in the correct sequence.

- I. Early Traction
- II. Validation
- III. Ideation and Development
- IV. Growth/Exit

- a. I, III, II, IV
- b. IV, III, I, II
- c. III, II, I, IV
- d. II, III, I, IV

Ans – c

.....

What are the various off the Jobs methods from the following?

- (i) Classroom lectures
- .....

- (ii) Films  
(iii) Case studies

- a. Only (i) and (ii)  
b. Only (i) and (iii)  
c. Only (ii) and (iii)  
d. (i) (ii) and (iii)

Ans – d

Given the following price and cost data

Company	Sales (units)	Sale price per unit (Rs.)	Variable cost per unit (Rs.)	Fixed operating cost (Rs.)
A Ltd	5,000	20	6	60,000
B Ltd	5,000	32	16	40,000
C Ltd	5,000	50	20	1,00,000
D Ltd	5,000	70	50	Nil

1. Calculate the degree of operating leverage the Company A Ltd

- a. 4 times  
b. 5 times  
c. 6 times  
d. 7 times

2. Calculate the degree of operating leverage the Company B Ltd

- a. 1 time  
b. 2 times  
c. 3 times  
d. 4 times

3. Calculate the degree of operating leverage the Company C Ltd

- a. 1 time  
b. 2 times  
c. 3 times  
d. 4 times

4. Calculate the degree of operating leverage the Company D Ltd

- a. 1 time
- b. 2 times
- c. 3 times
- d. 4 times

Solution:

1 - d

Sales revenue = Units x sale price per unit  
= 5,000 x 20 = 1,00,000

Contribution = Sales revenue - Variable cost  
= 1,00,000 - 30,000 (5,000 x 6) = 70,000

EBIT = Contribution - Fixed operating costs  
= 70,000 - 60,000 = 10,000

Degree of Operating Leverage A Ltd = Contribution / EBIT  
= 70,000 / 10,000 = 7 times

2 - b

Sales revenue = Units x sale price per unit  
= 5,000 x 32 = 1,60,000

Contribution = Sales revenue - Variable cost  
= 1,60,000 - 80,000 (5,000 x 16) = 80,000

EBIT = Contribution - Fixed operating costs  
= 80,000 - 40,000 = 40,000

Degree of Operating Leverage B Ltd = Contribution / EBIT  
= 80,000 / 40,000 = 2 times

3 - c

Sales revenue = Units x sale price per unit  
= 5,000 x 50 = 2,50,000

Contribution = Sales revenue - Variable cost  
= 2,50,000 - 1,00,000 (5,000 x 20) = 1,50,000

EBIT = Contribution - Fixed operating costs  
= 1,50,000 - 1,00,000 = 50,000

Degree of Operating Leverage C Ltd = Contribution / EBIT  
= 1,50,000 / 50,000 = 3 times

4 - a

Sales revenue = Units x sale price per unit

.....

$$= 5,000 \times 70 = 3,50,000$$

Contribution = Sales revenue - Variable cost

$$= 3,50,000 - 3,00,000 (5,000 \times 50) = 50,000$$

EBIT = Contribution - Fixed operating costs

$$= 50,000 - 0 = 50,000$$

Degree of Operating Leverage D Ltd = Contribution / EBIT

$$= 50,000 / 50,000 = 1 \text{ time}$$

.....

A project, requiring an investment of Rs. 10,00,000, yields profit after tax and depreciation which is as follows:

Years	Profit after tax and depreciation (Rs.)
1	50,000
2	75,000
3	1,25,000
4	1,30,000
5	80,000
<b>Total</b>	<b>4,60,000</b>

Suppose further that at the end of the 5th year, the plant and machinery of the project can be sold for Rs. 80,000.

1. Determine the Accounting Rate of Return if Initial Investment is considered

- a. 8.3%
- b. 8.7%
- c. 9.2%
- d. 9.8%

2. Determine the Accounting Rate of Return if Average investment is considered

- a. 16.02%
- b. 16.54%
- c. 16.94%
- d. 17.04%

Solution:

Rate of return = Total Profit No. of years / Average investment or Initial Investment x 100

1 - c. If Initial Investment is considered, then ARR

$$= [(4,60,000 / 5 \text{ years}) / 10,00,000] \times 100$$

.....

.....

$$= 92,000 / 10,00,000 = 9.2\%$$

2 - d. If Average investment is considered, then ARR

$$= (\text{Rs. } 92,000 / \text{Average Investment}) \times 100$$

Average Investment = (Initial investment - Salvage value) + Salvage value

$$= \% (\text{Rs. } 10,00,000 - \text{Rs. } 80,000) + \text{Rs. } 80,000$$

$$= \text{Rs. } 4,60,000 + \text{Rs. } 80,000 = \text{Rs. } 5,40,000$$

$$\text{ARR} = (\text{Rs. } 92,000 / \text{Rs. } 5,40,000) \times 100 = 17.04\%$$

.....

It is increasingly common for M&A transactions to contemplate deferred contingent payments to sellers, as part of the consideration, when the buyer and seller cannot agree on the value of a target company. This type of payment, which is contingent upon the happening of certain events or the achieving of pre-set targets such as meeting a post-transaction earnings goal is known as .....

- a. Contingent Liability
- b. Deferred Payment Arrangement
- c. Contingent Asset
- d. Earn outs

Ans – d

.....

Which of the following statement(s) is/are not true?

- (i) A stability strategy involves developing plans to increase the size of the firm in terms of revenue, market share, or geographic reach
- (ii) A growth strategy is a strategy for CCA company to maintain its current income, market share, or geographic reach.
- (iii) A technological innovation may make a company's products obsolete (or at least less attractive), forcing it to work to catch up to the new technology.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

.....

.....

Which of the following does not constitute a part of the process of organising?

- a. Establishing reporting relationships
- b. Determining who will be responsible for a particular activity
- c. Specialising
- d. Dividing and assigning work

Ans – c

When the risk is high, the cash flow under certainty equivalent coefficient is .....

- a. Higher
- b. Lower
- c. No impact
- d. Can be any of the above

Ans – b

Particulars	Scenario 1	Scenario 2
EBIT	1,00,000	1,50,000
Tax @ 50%	50,000	75,000
PAT	50,000	75,000
No. of shares	10,000	10,000
EPS	5	7.5

Calculate its Degree of Financial Leverage

- a. 1
- b. 1.25
- c. 1.33
- d. 1.5

Ans - a

Solution:

Degree of Finance Leverage (DFL) = Change in EPS / Change in EBIT

= 50% / 50%

= 1

Identify the correct/appropriate statements.

- (i) When Sales are slightly less than BEP sales, Degree of Operating Leverage will be slightly more than one.
- (ii) With the reduction in the sale, Degree of Operating Leverage will move towards zero.
- (iii) At Break Even Point, Degree of Operating Leverage will be infinite.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

Which of the following is/are the features of Venture Capital Financing?

- I. When VC invests, It assumes that there would be less liquidity on the equity
- II. The fund would invest with a short time horizon in mind
- III. Venture Capital financing works on the principle of high risk and high return

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – b

What are the various elements of delegation?

- (i) Accountability
- (ii) Responsibility
- (iii) Authority

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

Consider the following statements and choose the correct answer.

- (i) Education is narrower in scope than training
- (ii) Education is the process of increasing the knowledge and understanding of employees.

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – a

.....

From the following what all are necessary for making the delegation effective?

- (i) Motivation of employees
- (ii) Effective management
- (iii) Employee development

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

.....

From the following: what are the benefits that staffing ensures to the organisation?

- (i) Improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution
- (ii) Makes for higher performance, by putting right person on the right job
- (iii) Helps to ensure optimum utilisation of the human resources

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d



Which of the following amounts to direct costs and is included in replacement cost?

- a. Material expense
- b. Financial charges
- c. Legal costs
- d. Licence costs

Ans – a

What exactly does "artificial intelligence" refer to?

- a. The field of study known as artificial intelligence works toward the goal of making people more intelligent
- b. One of the goals of the field of artificial intelligence is to make the world a safer place
- c. The field of study known as artificial intelligence works toward the creation of intelligent machines
- d. One of the primary goals of the field of artificial intelligence is to data mine

Ans – c

With respect to staffing what are the important sources of internal recruitment?

- (i) Transfers
- (ii) promotions
- (iii) Trade Unions

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

Multiple IRRs are obtained when .....

- a. Cash flows in the early stages of the project exceed cash flows during the later stages
- b. Cash flows reverse their signs during the project
- c. Cash flows are uneven

d. None of the above

Ans – b

Under the times revenue business valuation method, a technology company is valued at 3x revenue, while a service company is valued at 0.5x revenue. This method helps in determining the real valuation based on which type of factors?

- (i) Type of Industry
- (ii) Income level of masses
- (iii) Economic Environment

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

When we talk about centralisation, we mean .....

- a. The preservation of one's right to make decisions
- b. Extending into new territories
- c. The division or categorization of different levels
- d. The spread of decision-making power throughout the organisation

Ans – a

The method by which a Venture Capital Fund will realise its investment in a firm is known as .....

- a. Exit Route
- b. Arranging alternate Private Equity
- c. Bonus Shares
- d. Acquiring Institutional Funding

Ans – a

Which of the following statements is correct?

- a. Financial companies by their very nature are not highly levered institutions
- b. Net interest income and fee income are the least important sources of income for a bank
- c. A basic principle of accounting says that capital expenses must be separated from operating expenses
- d. The ultimate beneficiary of technological change is always the firm, and not the consumer

Ans – c

Which of the following types of leadership allows for the least amount of input or feedback from the workforce?

- a. A leadership style that emphasises direction
- b. A method of leadership based on consultation
- c. A method of leadership based on participation
- d. A leadership style that emphasises delegation

Ans – a

Consider the following statements and choose the correct answer

- (i) Training attempts to improve their performance on the current job or prepare them for any intended job
- (ii) Training is a short term process but development is an ongoing process

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Neither (i) nor (ii)

Ans – c

Which of the following entails dividing a large corporation, such as a conglomerate, which is comprised of various divisions, into multiple independent businesses?

- a. Stock split

- b. Amalgamation
- c. Share buyback
- d. Demerger

Ans – d

.....

A Company Management is considering a Rs. 1,00,00,000 investment in a project with a 5-year life and no residual value. If the total income from the project is expected to be Rs. 60,00,000 and recognition is given to the effect of straight-line depreciation on the investment, the average rate of return is .....

- a. 12%
- b. 24%
- c. 60%
- d. 75%

Ans – b

.....

Identify the correct/appropriate advantages of term loans.

- (i) Taxation benefit is available on interest
- (ii) Terms loans are secured loans
- (iii) These are negotiable loans between the borrowers and lenders
- (iv) It does not impose any restrictive covenants on borrowers

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – a

.....

Which of the following equations will tell you whether or not all of your projections, hypotheses, promotional strategies, and operational plans are internally consistent, realistic, and attainable?

- a. Assets = Liabilities + Equity
- b. Costs = Assets + Equity

- .....
- c. Equity = Liabilities + Inventory
  - d. Liability = Assets + Equity

Ans – a

.....

The expression "span of management" refers to .....

- a. The scope of a manager's duties and responsibilities
- b. The responsibility of a manager
- c. The maximum number of direct subordinates that can be effectively managed by a single supervisor
- d. None of the preceding options

Ans – c

.....

Which of the following will need to be compared with the budgets in order to determine whether or not the goals have been achieved?

- a. Risk undertaken
- b. Targets given
- c. Actual performance
- d. Standard Costs

Ans – c

.....

Which of the following statement(s) is/are true?

- (i) An organizational system is a system for accomplishing and connecting the activities that occur within a work organization.
  - (ii) Organizational change refers to the constant shifts that occur within an organizational system
  - (iii) OD (Organisation Development) specialists draw on social science to guide change processes that simultaneously help a business achieve its objectives while generating well-being for employees and sustainable benefits for society.
- a. Only (i) and (ii)
  - b. Only (i) and (iii)
  - c. Only (ii) and (iii)
- .....

d. (i) (ii) and (iii)

Ans – c

A taxpayer in India, may generally carry forward business losses for a period of up to ..... assessment years succeeding the assessment year in which the loss was first computed.

- a. Two
- b. Five
- c. Eight
- d. Ten

Ans – c

The worth of an asset can be determined by analysing its pricing in relation to the pricing of comparable assets in terms of common variable such as earnings, cash flows, book value, or sale is known as .....

- a. Discounted cash flow valuation
- b. Relative valuation
- c. Contingent claim valuation
- d. Free cash flow valuation

Ans – b

Which of the following test is used for the selection of employees?

- (i) Personality test
- (ii) Interest test
- (iii) Intelligence test

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

Which of the following does not qualify as an important aspect of staffing?

- a. Developing talents in workers
- b. Reasonable distribution of responsibilities among staff members
- c. Contentment on the part of employees
- d. Effective management of available human resources

Ans – b

Which of the following statements about a Special Purpose Acquisition Company (SPAC) is correct?

- a. All SPAC investors seek high-flying returns
- b. SPACs have two main stakeholder groups
- c. Most SPAC targets are well established firms
- d. SPAC deals are complex and must be executed on tight timelines

Ans – d

Venture Capital Investment is required by .....

- a. All Companies
- b. Companies Owned by the Government
- c. Entrepreneurs who have Innovative Concepts
- d. All of the afore mentioned

Ans – c

Users of financial statements are able to have a better understanding of a company's ..... success by doing an analysis of the company's ..... performance.

- a. historical; future
- b. future; past
- c. present; future
- d. present; past

Ans – b

Match the following List I with List-II regarding the different terms associated with Ethics.

List I	List II
I. Ethical blindness	A. They do not have or use ethical language or principles
II. Ethical muteness	B. They are not able to see inconsistencies among values they say they follow
III. Ethical incoherence	C. They do not perceive ethical issues due to inattention or inability
IV. Ethical paralysis actions	D. They are unable to act on their values from lack of knowledge or fear of the consequences of their

- a. I-D, II-A, III-C, IV-B
- b. I-C, II-A, III-B, IV-D
- c. I-B, II-D, III-C, IV-A
- d. I-C, II-D, III-B, IV-A

Ans – d

Perpetual Debt capital refers to .....

- a. funds raised through the sale of shares
- b. funds raised by borrowing that need not be repaid
- c. factoring accounts receivable
- d. inventory loans

Ans – b

Which of the following does not belong to the category of content theories?

- a. Maslow's Hierarchy of Needs
- b. Vroom's Expectancy Theory
- c. Herzberg's notion of two factors
- d. McClelland's theory of acquired needs

Ans – b



Which of the following statements are true?

- (i) Activity based Management involves activity analysis and performance measurement
- (ii) Activity based costing serves as a major source of information in ABM

- a. Only (i)
- b. Only (ii)
- c. Both (i) and (ii)
- d. Nether (i) nor (ii)

Ans – c

What kind of merger takes place when two companies whose lines of business are completely unrelated to one another and have nothing in common but decide to join forces?

- a. Horizontal Integration
- b. Conglomerate
- c. Amalgamation
- d. Vertical Integration

Ans – b

Which of the following statements about the participatory style of leadership is not true?

- a. Work is distributed among the workers by the leader
- b. Throughout the course of the work, the leader offers advice and direction
- c. The decisions that a leader makes are dependent on the findings that are gleaned from the workforce
- d. The leader does not delegate any tasks to the members of the workforce

Ans – d

Capital budgeting is done for .....

- a. Evaluating short term investment decisions
- b. Evaluating medium term investment decisions
- c. Evaluating long term investment decisions

d. None of the above

Ans – c

What are the benefits of training and development activity to the employees of the organisation?

(i) Improved skills and knowledge due to training lead to better career of the individual.

(ii) Increased performance by the individual help him to earn more.

(iii) Training makes the employee more efficient to handle machines.

a. Only (i) and (ii)

b. Only (i) and (iii)

c. Only (ii) and (iii)

d. (i) (ii) and (iii)

Ans – d

Present value indicates .....

a. value in use

b. the value of cash flows expected in future

c. value computed using the internal rate of return

d. the present value which a buyer is willing to part with

Ans – b

Which one of the following sentences does not fail to emphasise the connection between planning and controlling?

a. The managerial tasks of planning and controlling are often seen to be separate

b. Planning without control is pointless, while controlling without planning is an exercise in futility

c. Controlling is an evaluative process, whereas planning is a prescriptive one

d. Both the planning and controlling processes are intertwined and mutually rely on one another

Ans – a

Equity shares have a/an .....

- a. unlimited life, and voting rights and receive dividends
- b. limited life, with no voting rights but receive dividends
- c. limited life, and voting rights and receive dividends
- a. unlimited life, and voting rights but receive no dividends

Ans – a

Identify the correct/appropriate method to calculate Degree of Financial Leverage when a debt, as well as preference capital, is used.

- a.  $\{EBIT / (EBIT - 1)\}$
- b.  $\{EBIT / [EBIT - 1 - D_p / (1 - t)]\}$
- c.  $\{\text{Percentage change in EPS} / \text{Percentage change in EBIT}\}$
- d.  $\{EBIT / [EBIT - 1 - (D_p + D_t) / (1 - t)]\}$

Ans – b

PESTEL is a tool that reminds managers to look at several distinct categories in the macro environment. It describes - political factors, economic factors, sociocultural factors, technological factors, environmental factors, and ..... factors

- a. location
- b. linear
- c. leadership
- d. legal

Ans – d

When a share's market price is Rs. 30 and a warrant contains the right to purchase one share of common stock and is exercisable at Rs. 20 per common share, the warrant's theoretical value is Rs.

.....

- a. 5
- b. 10
- c. 15

d. 20

Ans – b

Which among the following are the correct/appropriate merits of the decision tree approach?

- (i) It clearly brings out the implicit assumptions and calculations
- (ii) It allows a decision-maker to visualise assumptions and alternatives in graphic form
- (iii) The Decision Tree algorithm is adequate for applying regression and predicting continuous values
- (iv) Missing values in the data also do not affect the process of building a decision tree to any considerable extent

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – b

In which of the following fields, India's startup movement has expanded greatly in recent years?

- a. E-Commerce
- b. Construction
- c. Textiles
- d. Diamonds

Ans – a

Which of the following is not a "renewable" source of energy?

- a. Wave
- b. Wind
- c. Solar
- d. Coal

Ans – d

.....  
From the following information, calculate the degree of combined leverage .....

Sales - Rs. 20,00,000

Variable Cost - 40%

Fixed Cost - Rs. 10,00,000

Borrowings - Rs. 10,00,000 @ 8% p.a.

- a. 10 times
- b. 6 times
- c. 1.667 times
- d. 0.10 times

Ans – a

.....  
Which of the following factors is used as one of the yardsticks to evaluate the success of new businesses?

- a. Market Share
- b. Return on Investment
- c. Valuation
- d. Profits

Ans – c

.....  
Which of the following statement(s) is true?

- (i) An external consultant is an OD specialist hired to provide outside expertise for a short period of time, usually for a major change effort
- (ii) An internal consultant is someone who works as an employee of an organization and focuses on how to create change from within that organization.
- (iii) Change Management is a specialized field that focuses on how to design and manage change

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

Suppose we have three projects involving discounted cash outflow of Rs. 5,50,000, Rs. 75,000 and Rs. 1,00,20,000 respectively. And the sum of discounted cash inflows for these projects are Rs. 6,50,000, Rs. 95,000 and Rs. 1,00,30,000 respectively.

1. Calculate the Profitability Index (PI) for the 1st project

- a. 1.018
- b. 1.18
- c. 1.027
- d. 1.27

2. Calculate the Profitability Index (PI) for the 2nd project

- a. 1.018
- b. 1.18
- c. 1.027
- d. 1.27

3. Calculate the Profitability Index (PI) for the 3rd project

- a. 1.001
- b. 1.007
- c. 1.013
- d. 1.017

Solution:

1 - b. The Profitability Index for the 1st project =  $6,50,000 / 5,50,000 = 1.18$

2 - d. The Profitability Index for the 2nd project =  $95,000 / 75,000 = 1.27$

3 - a. The Profitability Index for the 1st project =  $1,00,30,000 / 1,00,20,000 = 1.001$

Which of the following would have a negative impact on the demand for real estate?

- a. Low liquidity
- b. Potential of capital growth
- c. Recurring income
- d. The property's potential for redevelopment

Ans – a

Relative valuation approach is also known as .....

- a. Income approach
- b. Asset approach
- c. Liability approach
- d. None of the above

Ans – d

A capital budgeting technique which does not require the computation of cost of capital for decision making purposes is .....

- a. Net Present Value method
- b. Internal Rate of Return method
- c. Modified Internal Rate of Return method
- d. Payback Period method

Ans – d

IRR method would favour project proposals which have .....

- a. Heavy cash inflows in the early stages of the project
- b. Evenly distributed cash inflows throughout the project
- c. Heavy cash inflows at the later stages of the project
- d. None of the above

Ans – a

Which among the following Statement is incorrect regarding the Degree of Financial Leverage?

- a. When  $ROI > Interest$  - Favourable - Advantage
- b. When,  $ROI < Interest$  - Unfavourable - Disadvantage
- c. When,  $ROI > Interest$  - Unfavourable - Advantage
- d. When  $ROI = Interest$  - Neutral - Neither advantage nor disadvantage

Ans – c

Which among the following are the objectives of capital investment?

- (i) Get additional capital assets for expanding, allowing the business to increase production, create new products and add value
- (ii) Replace the existing asset that has reached the end-life
- (iii) Take the privilege of new technology or advancements in equipment or machinery to augment efficiency and reduce cost

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

Which of the following does not appear on the profit and loss statement for a construction company that specialises in real estate?

- a. Revenue from apartment sales
- b. Interest that is repaid to financiers
- c. Cash that was put into the bank
- d. Expenses related to depreciation

Ans – c

Which of the following is not an example of a measure that a target company might take to avoid being acquired?

- a. Poison Puts
- b. Poison Calls
- c. Golden Parachute
- d. Staggered Board

Ans – b



.....  
If Degree of Operating Leverage is 0.94 and Degree of Financial Leverage is 1.09, Degree of Combined Leverage would be .....

- a. 2.03
- b. 1.02
- c. 1.23
- d. 1.08

Ans – b

Solution

Degree of combined leverage (DCL) = DOL X DFL

DCL = 0.94 X 1.09 = 1.02

DOL = Degree of operating leverage

DFL = Degree of financial leverage

.....

Identify the wrong Statement/s from the following given below.

- (i) The business starts with a production budget which provides data to prepare a sales budget.
- (ii) The sales budget uses the data from the production budget to calculate the number of products the company has to produce over a period of time.
- (iii) Sales budget uses sales figures to estimate its future income, and the production budget uses them to determine its production operations.

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – a

.....

"Organizations attempting to achieve group effectiveness through leadership must assess the leader according to an underlying trait, assess the situation faced by the leader, and construct a proper match between the two." - This statement is aligned with which of the following leadership theories?

- a. The transactional theory of leadership
  - b. The contingency theory of leadership
  - c. The situational theory of leadership
- .....

d. The behavioural theory of leadership

Ans – b

What is the Internal rate of return for a project having cash flows of Rs. 40,000 per year for 10 years and a cost of Rs. 2,26,009?

- a. 8%
- b. 91%
- c. 10%
- d. 12%

Ans – d

A private equity fund will typically raise capital by .....

- (i) People with a significant financial footprint
- (ii) Pension Funds
- (iii) Fund of Funds

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – d

A convertible security is .....

- a. convertible into cash at the holder's discretion
- b. a bond or preference share, convertible at the company's option into an equity share
- c. a bond or preference share that can be converted into an equity share at the choice of the holder
- d. a security that can be converted into a bond at the choice of the holder

Ans – c

.....

A warrant is a relatively ..... option to buy ..... at a predetermined exercise price over a specified period of time.

- a. Short-term; Debentures
- b. Long-term; Debentures
- c. Short-term; Equity Shares
- d. Long-term; Equity Shares

Ans – d

.....

Which of the following is a necessary step in the data pattern extraction process that utilises intelligent methods?

- a. Text Mining
- b. Data Management
- c. Data Warehousing
- d. Data Mining

Ans – d

.....

Mr. X has decided to do a valuation of his investment company. What benefits will be offered to his company?

- (i) Major Investment in Bonds
- (ii) Strategic planning
- (iii) Capital financing

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. Only (ii) and (iii)
- d. (i) (ii) and (iii)

Ans – c

.....

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The shares of company are quoted at Rs. 40 per share. Last year, the firm had paid dividend @ Rs. 4 per share. The estimated growth of the company is approximately 16% per year. The required rate of return is 20%. What is the market value of equity shares as per dividend growth model?

- a. Rs. 132 per share
- b. Rs. 288 per share
- c. Rs. 116 per share
- d. Rs. 244 per share

Ans – c

.....

Identify which of the following assumptions of CAPM are true.

- (i) All investors use the mean-variance portfolio selection model of Markowitz.
- (ii) All investors plan for one identical holding period.
- (iii) Investors can lend or borrow at an identical risk-free rate.
- (iv) Assets/securities are perfectly divisible.

- a. (i), (ii), (iii)
- b. (i), (ii), (iv)
- c. (ii), (iii), (iv)
- d. (i), (ii), (iii), (iv)

Ans – d

.....

Certainty Equivalent approach is .....

- a. Guaranteed return from an investment after adjusting for certainty equivalent coefficient
- b. Return that is expected over the lifetime of a project
- c. Equivalent to Net Present Value
- d. An important component in Decision Tree Analysis

Ans – a

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Particulars	Scenario 1	Scenario 2
EBIT	1,00,000	1,50,000
Interest	20,000	20,000
EBT	80,000	1,30,000
Tax @ 50%	40,000	65,000
PAT	40,000	65,000
No of Shares	10,000	10,000
EPS	4	6.5

Calculate the Degree of Finance Leverage (DFL) based on above data

- a. 1
- b. 1.25
- c. 1.33
- d. 1.5

Ans - b

Solution:

$$\begin{aligned} \text{Degree of Finance Leverage (DFL)} &= \text{Change in EPS} / \text{Change in EBIT} \\ &= 62.5\% / 50\% \\ &= 1.25 \end{aligned}$$

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### Important Formula

Some of these Formulas may not be applicable for BFM, but I request all of you to go through all of them to understand the concepts clear for ABM, BFM and ABFM.

#### **ABFM Important Formula**

Earnings Per Share	<b>EAT/No of Equity Shares</b>
Degree of Operating Leverage (DOL)	<b>% change in EBIT / %change in Sales</b>
Impact of Fixed Cost: DOL	<b>Contribution / EBIT</b>
Degree of Financial Leverage (DFL)	<b>% change in EPS / %change in EBIT</b>
Impact of Interest Cost: DFL	<b>EBIT / EBT</b>
Degree of Combined Leverage (DCL) OR Degree of Total Leverage (DTL)	<b>% change in EPS / %change in Sales</b>
Impact of Interest Cost and Fixed Cost: DCL	<b>Contribution / EBT</b>
Break-Even Formula: Break- Even Point	<b>Fixed Cost / Contribution per Unit</b>
Pay Back Period	<b>Initial Investment / Annual Cash Inflow</b>
Net Present Value (NPV)	<b>Present value of net cash inflow - Total net initial investment</b> if NPV ≥ 0 :- Accept the Proposal if NPV ≤ 0 :- Reject the Proposal
Accounting Rate of Return (ARR)	<b>(Average Annual Net Earning after Taxes / Average Investment) × 100%</b>
ARR	<b>(Average Profit / Average Investment) × 100%</b>
Average profit made yearly	<b>Total Profit / No.of Years</b>
Average Investment	<b>{(Initial Investment-Scrap) / 2} + Scrap Value</b>
Average Investment	<b>(Initial Investment + Scrap Value)/2</b>
Average Investment	<b>{(Initial Investment-Salvage Value) /2} + Salvage Value</b>
Deprecation per year	<b>(Price of Machine-Salvage Value) / Life of Machine (Year)</b>
Break-even Point (per month in units)	<b>(Fixed Cost p.m.+number of setups × cost per setup) / Contribution p.u.</b>
Profit per month	<b>{Monthly demand (units) × Contribution per unit} - Fixed Cost per month + setup cost per month</b>
Activity cost driver rate	<b>Total cost of activity / Activity driver</b>

Non-DCF Valuation Models: EBITDA Basis Book Value Basis Seles Basis	<b>EV / EBITDA</b> <b>EV / Book Value</b> <b>EV / Sales Value</b>
P/E multiple	<b>Market price per share / Earnings per share</b>
Price-earnings multiple	<b>P0 / E1</b>
The book value per share (B)	<b>(Shareholders funds–Preference capital) / Number of outstanding equity shars</b>
EV to EBITDA Multiple	<b>Enterprise value (EV) / Earnings before Interest, Taxes, Depreciation, and Amortization</b>
EV/EBIT Multiple	<b>Enterprise value (EV) / Earnings before Interest, Taxes, (EBIT)</b>
EV/FCFF Multiple	<b>Enterprise value (EV) / Free cash flow to firm(FCFF)</b>
EV/BV Multiple	<b>Enterprise value (EV) / Book value of assets (BV)</b>
EV/Sales Multiple	<b>Enterprise value (EV) / Sales(S)</b>

1. Raw material Turnover Ratio = Cost of RM used / Average stock of R M
2. SIP Turnover = Cost of Goods manufactured / Average stock of SIP
3. Debt Collection period = No. days or months or Weeks in a year/Debt Turnover Ratio.
4. Average Payment Period = No. days or months or Weeks in a year/Creditors Turnover Ratio.
5. Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.
6. Debtors Turnover Ratio = Net Credit Sales / Average Debtors.
7. Creditors Turnover Ratio = Net Credit Purchases / Average Credits.
8. Defensive Interval Ratio = Liquid Assets / Projected Daily Cash Requirement

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9. Projected daily cash requirement = Projected operating cash expenses / 365.
  10. Debt Equity Ratio = Long Term Debt / Equity.
  11. Debt Equity Ratio = Total outside Liability / Tangible Net Worth.
  12. Debt to Total Capital Ratio = Total Debts or Total Assets / (Permanent Capital + Current Liabilities)
  13. Interest Coverage Ratio = EBIT / Interest.
  14. Dividend Coverage Ratio = N. P. after Interest & Tax / Preferential dividend
  15. Gross Profit Margin = Gross Profit / Net Sales \* 100
  16. Net Profit Margin = Net Profit / Net Sales \* 100
  17. Cost of Goods Sold Ratio = Cost of Goods Sold / Net Sales \* 100.
  18. Operating Profit Ratio = Earnings Before Interest Tax / Net Sales \* 100
  19. Expenses Ratio or Operating Ratio = Expenses / Net Sales \* 100
  20. Net Profit Ratio = Net Profit After interest and Tax / Net Sales \* 100
  21. Operating Expenses Ratio = (Administrative + Selling expenses) / Net Sales \* 100
  22. Administrative Expenses Ratio = (Administrative Expenses / Net Sales) \* 100
  23. Selling Expenses Ratio = (Selling Expenses / Net Sales) \* 100
  24. Financial Expenses Ratio = (Financial Expenses / Net Sales) \* 100
  25. Return on Assets = Net Profit After Tax / Total Assets.
  26. Total Assets = Net Fixed Assets + Net Working Capital.
  27. Net Fixed Assets = Total Fixed Assets – Accumulated Depreciation.
  28. Net Working Capital = (CA – CL) – (Intangible Assets + Fictitious Assets + Idle Stock + Bad Debts)
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29. Return on Capital Employed = Net Profit Before Interest and Tax / Average Capital Employed.
30. Average Capital employed = Equity Capital + Long Term Funds provided by Owners & Creditors at the beginning & at the end of the accounting period divided by two.
31. Return on Ordinary Share Holders Equity = (NPAT – Preferential Dividends) / Average Ordinary Share Holders Equity or Net Worth.
32. Earnings Per Share = Net Profit After Taxes and Preferential dividends / Number of Equity Share.
33. Dividend per Share = Net Profit After Taxes and distributable dividend / Number of Equity Shares.
34. Dividend Pay Out Ratio = Dividend per Equity Share / Earnings per Equity Share.
35. Dividend Pay Out Ratio = Dividend paid to Equity Share holders / Net Profit available for Equity Share Holders.
36. Price Earning Ratio = Market Price per equity Share / Earning per Share.
37. Total Asset Turnover = Cost of Goods Sold / Average Total Assets.
38. Fixed Asset Turnover = Cost of Goods Sold / Average Fixed Assets.
39. Capital Turnover = Cost of Goods Sold / Average Capital employed.
40. Current Asset Turnover = Cost of Goods Sold / Average Current Assets.
41. Working Capital Turnover = Cost of Goods Sold / Net Working Capital.
42. Return on Net Worth = ( Net Profit / Net Worth ) \* 100
43. DSCR = Profit after Tax & Depreciation + Int. on T L & Differed Credit + Lease Rentals if any divided by Repayment of Interest & Installments on T L & Differed Credits + Lease Rentals if any.
44. Factory Cost = Prime cost + Production Overheads.
45. Cost of Goods Sold = Factory Cost + Selling, distribution & administrative overheads
46. Contribution = Sales – Marginal Costs.
47. Percentage of contribution to sales = ( Contribution / Sales ) \* 100
-

48. Break Even Analysis =  $F / (1 - VC / S)$

F = Fixed costs, VC = Total variable operating costs & S = Total sales revenue

49. Break Even Margin or Margin of Safety =  $\text{Sales} - \text{Break Even Point} / \text{Sales}$ .

50. Cash Break Even =  $F - N / P - R$  or  $F - N / 1 - (VC / S)$

51. BEP =  $\text{Fixed Costs} / \text{Contribution per unit}$ .

52. Sales volume requires =  $\text{Fixed cost} + \text{Required profit} / \text{Contribution per unit}$ .

53. BEP in Sales =  $(\text{Fixed Costs} / \text{Contribution per unit}) * \text{Price per unit}$ .

54. Contribution Sales Ratio =  $(\text{Contribution per unit} / \text{Sale price per unit}) * 100$

55. Level of sales to result in target profit after Tax =  $(\text{Target Profit}) / (1 - \text{Tax rate} / \text{Contribution per unit})$

56. Level of sales to result in target profit =  $(\text{Fixed Cost} + \text{Target profit}) * \text{sales price per unit} / \text{Contribution per unit}$ .

57. Net Present Value =  $-C_0 + C_1 / (1 + r)$

58. Future expected value of a present cash flow =  $\text{Cash Flow} (1 + r)^t$

59. Present value of a simple future cash flow =  $\text{Cash Flow} / (1 + r)^t$

60. The Discount Factor =  $1 / (1 + r)^t$

61. Notation used internationally for PV of an annuity is  $PV(A, r, n)$

62. Notation used internationally for FV of an annuity is  $FV(A, r, n)$

63. The effective annual rate =  $(1 + r)^t - 1$  or  $(1 + (r / N))^N - 1$

N = Number of times compounding in a year

64. PV of end of period Annuity =  $A \{ (1 - (1 / (1+r)^n)) / r$

65. CR = CA : CL

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66. Net Worth = CA - CL

67. DER = TL/TNW or debt/equity or TL/equity

68. Price Elasticity of Supply = (% change in quantity supplied)/(% change in price)

69.  $PV = P / R * [(1+R)^T - 1]/(1+R)^T$

70.  $PV = P / (1+R)^T$

71.  $FV = P * (1 + R)^T$

72.  $FV = P*(1-R)^T$

73.  $FV = P / R * [(1+R)^T - 1]$

74.  $FV = P / R * [(1+R)^T - 1] * (1+R)$

75.  $EMI = P * R * [(1+R)^T/(1+R)^T-1]$

76. FV of annuity =  $A/r \times \{(1+r)^n - 1\}$

77. Bond Price =  $(1/(1+R)^t)((coupon*((1+R)^t-1)/R)+Face Value)$

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## ALL THE VERY BEST FOR YOUR EXAMS

# SAMPLE QUESTIONS FOR CAIIB ADVANCED BUSINESS & FINANCIAL MANAGEMENT

Though we had taken enough care to go through the sample questions provided here, we shall not be responsible for any loss or damage, resulting from any action taken on the basis of the contents. Creation of these short notes is the efforts of so many persons. First of all we thank all of them for their valuable contribution. We request everyone to go through the Macmillan book and update yourself with the latest information through RBI website and other authenticated sources. In case you find any incorrect/doubtful information, kindly update us also (along with the source link/reference for the correct information).

Dr. K Murugan, DMS, MBA (Finance), MBA (HR), MCA, MSc (IT), CAIIB

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