

MCQ BANK BOOK



BUSINESS FINANCE

“THE BEST WAY TO PREDICT THE
FUTURE IS TO CREATE IT”



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BUSINESS FINANCE

UNIT - 1

**Introduction to Business Finance and Time Value for
Money**

1. What is the primary goal of business finance?
a) Maximizing sales b) Maximizing profits
c) Minimizing expenses d) Minimizing taxes
2. Which financial statement provides a snapshot of a company's financial position at a specific point in time?
a) Income statement
b) Cash flow statement
c) Balance sheet
d) Statement of retained earnings
3. What does the term "Time Value of Money" (TVM) represent in finance?
a) The importance of being punctual in business transactions
b) The concept that a sum of money today is worth more than the same sum in the future
c) The value of time management in business operations
d) The rate of interest on loans over time
4. What is the purpose of financial ratios in business finance?
a) To measure a company's profitability
b) To assess a company's liquidity
c) To evaluate a company's solvency
d) All of the above

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5. Which financial metric measures the efficiency of a company in managing its assets to generate sales?

- a) Return on investment (ROI)
- b) Current ratio
- c) Inventory turnover ratio
- d) Debt-to-equity ratio

6. What does the Debt-to-Equity ratio indicate about a company?

- a) Its profitability
- b) Its liquidity
- c) Its level of financial leverage
- d) Its operating efficiency

7. In the context of time value of money, what is the future value of a sum of money?

- a) The value of money at present
- b) The value of money in the future
- c) The present value of money
- d) The nominal value of money

8. What is the discount rate used for in time value of money calculations?

- a) To adjust for inflation
- b) To adjust for risk
- c) To calculate the present value of future cash flows
- d) All of the above

9. What is the formula for calculating the present value of a future sum of money?

- a) $PV = FV / (1 + r)^n$
- b) $PV = FV * (1 + r)^n$
- c) $PV = FV / (1 - r)^n$
- d) $PV = FV * (1 - r)^n$

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10. What role does the time value of money play in investment decision-making?

- a) It encourages delayed investment
- b) It emphasizes the importance of timing in investment decisions
- c) It minimizes the impact of interest rates on investments
- d) It has no relevance in investment analysis

11. What is the purpose of the cash flow statement in financial reporting?

- a) To show the company's profitability
- b) To disclose the company's sources of revenue
- c) To demonstrate how changes in balance sheet accounts affect cash
- d) To provide information about a company's debt levels

12. Which financial ratio measures a company's ability to meet its short-term obligations?

- a) Return on equity (ROE)
- b) Quick ratio
- c) Earnings per share (EPS)
- d) Price-to-earnings ratio (P/E ratio)

13. In the context of bonds, what does the term "coupon rate" refer to?

- a) The interest rate paid by the issuer to the bondholder
- b) The market value of the bond
- c) The maturity date of the bond
- d) The face value of the bond

14. What does the term "capital budgeting" involve in business finance?

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- a) Managing day-to-day expenses
- b) Evaluating and selecting long-term investment projects
- c) Determining the company's working capital requirements
- d) Assessing short-term financial goals

15. How does the Weighted Average Cost of Capital (WACC) influence a company's financial decisions?

- a) It represents the total debt of the company
- b) It is used to calculate the company's market value
- c) It is the required rate of return used in capital budgeting
- d) It is the average cost of financing for the company

16. What is the primary purpose of financial leverage in business?

- a) To increase the risk of the company
- b) To increase the company's profitability
- c) To decrease the company's debt levels
- d) To decrease the company's liquidity

17. What is the relationship between risk and return in financial decision-making?

- a) Higher risk is always associated with lower returns
- b) Higher risk is always associated with higher returns
- c) There is no relationship between risk and return
- d) Risk and return are unrelated concepts in finance

18. How does inflation impact the time value of money?

- a) Inflation has no effect on the time value of money
- b) Inflation increases the future value of money
- c) Inflation decreases the present value of money

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d) Inflation has no relationship with financial calculations

19. What is the significance of the Net Present Value (NPV) in capital budgeting?

- a) It indicates the profitability of an investment project
- b) It measures the payback period of an investment
- c) It assesses the overall financial health of a company
- d) It determines the economic feasibility of an investment

20. In finance, what does the term "diversification" refer to?

- a) Concentrating investments in a single asset
- b) Spreading investments across different assets
- c) Maximizing the return on a single investment
- d) Ignoring investment risks

21. What is the primary function of a financial manager in an organization?

- a) Human resources management
- b) Maximizing shareholder wealth
- c) Marketing strategy development
- d) Operational efficiency improvement

22. What does the Debt Service Coverage Ratio (DSCR) assess in business finance?

- a) Profitability of the company
- b) Ability to meet short-term obligations
- c) Ability to service debt from operating income
- d) Liquidity position of the company

23. In capital budgeting, what does the term "payback period" represent?

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- a) The time it takes for an investment to double
- b) The time it takes for an investment to recover its initial cost
- c) The time it takes for an investment to reach its peak profitability
- d) The time it takes for an investment to become obsolete

24. How does a company's credit rating impact its cost of capital?

- a) Higher credit rating leads to higher cost of capital
- b) Lower credit rating leads to lower cost of capital
- c) Credit rating has no impact on cost of capital
- d) Higher credit rating leads to lower cost of capital

25. What is the primary purpose of financial forecasting in business?

- a) Assessing historical financial performance
- b) Predicting future market trends
- c) Estimating future financial needs and performance
- d) Analyzing competitors' financial statements

26. In the context of time value of money, what does the term "discounting" involve?

- a) Increasing the future value of money
- b) Reducing the present value of money
- c) Increasing the present value of money
- d) Reducing the future value of money

27. What role does the Capital Asset Pricing Model (CAPM) play in finance?

- a) It determines the cost of debt for a company

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- b) It calculates the required rate of return for an investment
- c) It assesses a company's liquidity position
- d) It measures the company's profitability

28. How does a stock split impact a company's financial statements?

- a) It increases the total assets of the company
- b) It decreases the number of outstanding shares
- c) It has no impact on financial statements
- d) It decreases the company's market capitalization

29. What does the term "working capital" represent in business finance?

- a) Long-term assets of a company
- b) Short-term assets of a company
- c) Current assets minus current liabilities
- d) Total assets minus total liabilities

30. How does a high inventory turnover ratio impact a company?

- a) Indicates efficient management of inventory
- b) Suggests a slow-moving inventory
- c) Implies high levels of unsold inventory
- d) Reflects low levels of sales

31. What is the primary objective of financial planning in a business?

- a) Maximizing short-term profits
- b) Minimizing long-term investments
- c) Achieving financial goals and objectives
- d) Reducing the number of financial statements

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32. What is the significance of the Efficient Market Hypothesis (EMH) in finance?

- a) It suggests that financial markets are always inefficient
- b) It proposes that stock prices fully reflect all available information
- c) It recommends constant buying and selling of stocks
- d) It advocates for market manipulation

33. How does a company's dividend policy impact its shareholders?

- a) Dividend policy has no effect on shareholders
- b) It influences the company's credit rating
- c) It affects the value of shareholders' investments
- d) It determines the CEO's compensation

34. What does the term "liquidity" refer to in the context of business finance?

- a) The ease of converting assets into cash
- b) The long-term stability of a company
- c) The total debt of a company
- d) The profitability of a company

35. How does a high debt-to-equity ratio impact a company's financial risk?

- a) It decreases financial risk
- b) It increases financial risk
- c) It has no impact on financial risk
- d) It improves the company's credit rating

36. What is the role of a financial analyst in a business organization?

- a) Managing day-to-day expenses

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- b) Analyzing financial data to provide insights and recommendations
- c) Handling human resources functions
- d) Executing marketing strategies

37. How does the Weighted Average Maturity (WAM) differ from the Weighted Average Life (WAL) in bond analysis?

- a) WAM considers only the principal amount, while WAL considers both principal and interest
- b) WAM focuses on interest payments, while WAL focuses on principal repayment
- c) WAM and WAL are two terms for the same concept
- d) WAM is used for short-term bonds, while WAL is used for long-term bonds

38. What is the purpose of a financial audit in business?

- a) To maximize profits
- b) To assess the company's credit rating
- c) To ensure the accuracy of financial statements
- d) To calculate return on investment

39. How does a company's cost of goods sold (COGS) impact its gross profit margin?

- a) Higher COGS leads to higher gross profit margin
- b) Higher COGS leads to lower gross profit margin
- c) COGS has no impact on gross profit margin
- d) Lower COGS leads to lower gross profit margin

40. What does the term "opportunity cost" mean in the context of financial decision-making?

- a) The cost of taking advantage of a business opportunity

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- b) The cost of forgoing the next best alternative when making a decision
- c) The cost of advertising and promotional activities
- d) The cost of employee training programs

41. What is the primary purpose of a financial ratio like Return on Investment (ROI)?

- a) Assessing a company's liquidity
- b) Evaluating the profitability of an investment
- c) Measuring a company's debt levels
- d) Calculating the company's market capitalization

42. What role does the Federal Reserve play in monetary policy?

- a) Regulating the stock market
- b) Controlling inflation and interest rates
- c) Managing corporate tax rates
- d) Determining exchange rates

43. How does the concept of "time horizon" affect investment decisions?

- a) It has no impact on investment decisions
- b) Shorter time horizons usually involve higher risk
- c) Longer time horizons typically involve lower risk
- d) Time horizon only affects the taxation of investments

44. What does the term "hedging" refer to in financial management?

- a) Minimizing risk through financial instruments
- b) Maximizing profits through aggressive investment strategies
- c) Ignoring potential risks in business operations

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d) Speculating on short-term market movements

45. In finance, what does the term "EBITDA" stand for?

- a) Earnings Before Income Tax and Dividends
- b) Estimated Business Income and Tax Deductions
- c) Earnings Before Interest, Taxes, Depreciation, and Amortization
- d) Exclusive Business Investments and Total Assets

46. How does a high degree of operating leverage impact a company?

- a) It increases the company's fixed costs
- b) It decreases the company's profitability
- c) It has no impact on the company's risk
- d) It reduces the company's debt levels

47. What is the purpose of a financial prospectus in the context of securities offerings?

- a) To provide information about a company's historical performance
- b) To outline the terms of a proposed securities offering
- c) To evaluate a company's dividend policy
- d) To calculate return on investment for investors

48. How does a stock buyback (repurchase) impact a company's shares outstanding?

- a) Increases shares outstanding
- b) Decreases shares outstanding
- c) Has no impact on shares outstanding
- d) Depends on the current stock price

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49. What is the role of a financial derivatives market in finance?

- a) To facilitate the buying and selling of physical commodities
- b) To provide insurance against financial losses
- c) To regulate interest rates in the banking sector
- d) To encourage long-term investments

50. How does the Rule of 72 relate to investment and finance?

- a) It determines the maximum number of shares an investor can own
- b) It calculates the approximate time required for an investment to double at a fixed annual rate
- c) It establishes the minimum rate of return for a successful investment
- d) It regulates the allocation of assets in a portfolio

51. What is the primary objective of financial risk management in a company?

- a) Maximizing profits
- b) Minimizing the cost of goods sold
- c) Reducing exposure to uncertain financial outcomes
- d) Increasing market share

52. In finance, what does the term "beta" measure in relation to a stock?

- a) The stock's historical performance
- b) The stock's dividend yield
- c) The stock's risk relative to the overall market
- d) The stock's market capitalization

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53. How does the concept of "sunk costs" influence decision-making in business finance?

- a) Sunk costs are irrelevant to decision-making
- b) Sunk costs should always be considered in decision-making
- c) Sunk costs represent future investment opportunities
- d) Sunk costs are deducted from future cash flows

54. What does the term "working capital turnover ratio" measure in financial analysis?

- a) Efficiency of managing long-term assets
- b) Efficiency of managing short-term assets
- c) Profitability of a company
- d) Liquidity position of a company

55. How does the concept of "time diversification" relate to investment strategies?

- a) It suggests diversifying investments across different sectors
- b) It advocates for holding investments for longer periods to reduce risk
- c) It promotes frequent buying and selling of stocks
- d) It emphasizes concentrating investments in a short time frame

56. What is the purpose of a financial stress test in risk management?

- a) To assess the financial stability of competitors
- b) To evaluate the impact of adverse economic conditions on a company
- c) To determine the company's tax liability
- d) To analyze the company's marketing strategy

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57. In finance, what does the term "leverage ratio" measure for a company?
- a) The efficiency of managing inventory
 - b) The proportion of debt in the company's capital structure
 - c) The speed at which a company collects accounts receivable
 - d) The rate of return on equity
58. How does a decrease in interest rates affect the present value of future cash flows?
- a) Increases the present value
 - b) Decreases the present value
 - c) Has no impact on the present value
 - d) Depends on the riskiness of the investment
59. What is the purpose of a financial covenant in a loan agreement?
- a) To limit the amount of interest payable by the borrower
 - b) To specify the collateral required for the loan
 - c) To impose restrictions on the borrower's financial activities
 - d) To determine the loan's interest rate
60. How does the DuPont analysis help in assessing a company's return on equity (ROE)?
- a) It evaluates the company's debt levels
 - b) It analyzes the company's marketing strategy
 - c) It breaks down ROE into its components, such as profit margin and asset turnover
 - d) It determines the company's market share

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61. What is the primary purpose of financial modeling in business finance?

- a) Predicting the company's future stock price
- b) Assessing the company's historical performance
- c) Evaluating different financial scenarios and outcomes
- d) Analyzing the company's customer satisfaction

62. How does a dividend yield differ from a dividend payout ratio?

- a) Dividend yield measures dividends relative to the stock's market price, while dividend payout ratio measures dividends relative to earnings
- b) Dividend payout ratio measures dividends relative to the stock's market price, while dividend yield measures dividends relative to earnings
- c) Both terms are interchangeable and mean the same thing
- d) Dividend yield and dividend payout ratio are unrelated concepts in finance

63. What does the term "market capitalization" represent for a publicly traded company?

- a) The total assets of the company
- b) The total debt of the company
- c) The total value of outstanding shares of the company
- d) The company's annual revenue

64. How does the Capital Market Line (CML) relate to portfolio theory?

- a) It represents the line connecting risk free assets with risky assets in a portfolio
- b) It determines the market capitalization of a company

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- c) It outlines the company's dividend policy
- d) It calculates the cost of goods sold for a company

65. What is the purpose of a sensitivity analysis in financial modeling?

- a) To assess the company's historical financial performance
- b) To identify the impact of changes in variables on financial outcomes
- c) To determine the company's market share
- d) To analyze the company's customer satisfaction

66. How does the concept of "systematic risk" differ from "unsystematic risk" in investment?

- a) Systematic risk is specific to an individual investment, while unsystematic risk affects the entire market
- b) Systematic risk affects the entire market, while unsystematic risk is specific to an individual investment
- c) Both terms are interchangeable and mean the same thing
- d) Systematic risk and unsystematic risk are unrelated concepts in finance

67. What does the term "maturity date" signify in the context of bonds?

- a) The date when the bond is issued
- b) The date when the bondholder receives interest payments
- c) The date when the bond reaches its peak market value
- d) The date when the principal amount of the bond is repaid

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68. How does the concept of "arbitrage" relate to financial markets?

- a) Arbitrage involves taking advantage of price differences in different markets to make a profit
- b) Arbitrage is a form of long term investment strategy
- c) Arbitrage is synonymous with speculation in financial markets
- d) Arbitrage is a risk free investment strategy

69. What is the primary purpose of the Sharpe ratio in investment analysis?

- a) To measure a company's liquidity
- b) To assess the risk adjusted return of an investment
- c) To calculate the company's market capitalization
- d) To determine the company's dividend policy

70. How does the concept of "ethical investing" impact financial decision making?

- a) Ethical investing has no impact on financial decision making
- b) Ethical investing focuses on maximizing short term profit
- c) Ethical investing involves considering social and environmental factors in investment decisions
- d) Ethical investing is only relevant to government agencies

71. What is the purpose of a company's income statement?

- a) To provide a snapshot of its financial position
- b) To outline its longterm financial goals

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c) To report its financial performance over a specific period

d) To detail its capital structure

72. How does a company's dividend policy affect its stock price?

a) Higher dividends always lead to higher stock prices

b) Lower dividends always lead to higher stock prices

c) Dividend policy has no impact on stock prices

d) It depends on investors' expectations and market conditions

73. What is the primary goal of financial management in a nonprofit organization?

a) Maximizing shareholder wealth

b) Maximizing profits

c) Achieving its mission and objectives

d) Minimizing expenses

74. How does the concept of "opex" (operating expenses) differ from "capex" (capital expenditures) in financial accounting?

a) Opex involves long term investments, while capex covers day today expenses

b) Opex includes ongoing operational costs, while capex involves investments in assets with long term benefits

c) Both terms refer to the same type of expenses

d) Opex is specific to the manufacturing industry, while capex is relevant to the service industry

75. How does a company's debt to equity ratio impact its financial leverage?

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- a) Higher debt to equity ratio leads to lower financial leverage
- b) Higher debt to equity ratio leads to higher financial leverage
- c) Debt to equity ratio has no impact on financial leverage
- d) Financial leverage is determined solely by the company's profitability

76. What does the term "ROI" (Return on Investment) measure?

- a) The efficiency of inventory management
- b) The profitability of an investment relative to its cost
- c) The company's liquidity position
- d) The market capitalization of a company

77. How does a company's credit rating impact its ability to borrow money?

- a) Higher credit rating makes it easier to borrow at lower interest rates
- b) Lower credit rating has no impact on borrowing terms
- c) Credit rating only affects the amount of money a company can borrow
- d) Credit rating has no relation to borrowing capacity

78. What is the role of a financial planner in personal finance?

- a) Maximizing shortterm profits for individuals
- b) Managing day today expenses for individuals
- c) Assessing and planning for an individual's financial goals
- d) Implementing marketing strategies for individuals

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79. How does the concept of "liquidity preference" relate to financial markets?

- a) It refers to the preference for holding illiquid assets
- b) It is unrelated to financial decision making
- c) It reflects the preference for holding liquid assets over illiquid assets
- d) It only applies to government securities

80. What is the purpose of a financial audit in a business organization?

- a) To maximize profits
- b) To assess market share
- c) To ensure the accuracy of financial statements
- d) To calculate return on investment

81. What does the term "working capital cycle" measure in business finance?

- a) The time it takes to manufacture a product
- b) The time it takes to collect accounts receivable
- c) The time it takes to sell inventory
- d) The time it takes to convert raw materials into finished goods

82. How does the concept of "cash flow" differ from "profit" in financial analysis?

- a) Cash flow represents revenue, while profit represents expenses
- b) Cash flow reflects the movement of money in and out of a business, while profit is the difference between revenue and expenses
- c) Cash flow and profit are interchangeable terms in financial analysis

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d) Profit measures the liquidity position of a business, while cash flow assesses profitability

83. What is the purpose of a company's balance sheet?

- a) To report its financial performance over a specific period
- b) To outline its longterm financial goals
- c) To provide a snapshot of its financial position at a specific point in time
- d) To detail its capital structure

84. How does a company's inventory turnover ratio impact its operations?

- a) A high inventory turnover ratio indicates efficient inventory management
- b) A low inventory turnover ratio suggests effective utilization of inventory
- c) Inventory turnover ratio has no impact on operations
- d) A high inventory turnover ratio indicates inefficient inventory management

85. What is the primary purpose of a financial statement analysis in business?

- a) To determine the company's dividend policy
- b) To assess market share
- c) To evaluate a company's financial performance and make informed decisions
- d) To calculate the company's market capitalization

86. How does a company's cost of goods sold (COGS) influence its gross profit margin?

- a) Higher COGS leads to higher gross profit margin

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- b) Lower COGS leads to higher gross profit margin
 - c) COGS has no impact on gross profit margin
 - d) Lower COGS leads to lower gross profit margin
87. In finance, what does the term "dividend reinvestment plan" (DRIP) involve?
- a) Distributing dividends to shareholders
 - b) Reinvesting dividends back into additional shares of the company's stock
 - c) Reducing the dividend payout ratio
 - d) Ignoring the payment of dividends
88. How does a company's quick ratio differ from its current ratio?
- a) Quick ratio includes inventory, while current ratio does not
 - b) Quick ratio excludes inventory, while current ratio includes it
 - c) Quick ratio and current ratio are interchangeable terms
 - d) Quick ratio is irrelevant in financial analysis
89. What does the term "EBIT" stand for in financial analysis?
- a) Earnings Before Interest and Taxes
 - b) Earnings Before Income and Taxes
 - c) Estimated Business Income and Taxes
 - d) Exclusive Business Investments and Total Assets
90. How does the concept of "beta" in the context of stocks relate to market risk?
- a) Beta measures a stock's volatility relative to the market
 - b) Beta determines the market capitalization of a stock
 - c) Beta reflects a stock's dividend yield

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- d) Beta is unrelated to market risk
91. What does the term "capital budgeting" involve in financial management?
- a) Managing daytoday expenses
 - b) Planning for longterm investments in projects and assets
 - c) Calculating return on investment for a specific period
 - d) Assessing a company's liquidity position
92. How does a company's retained earnings impact its equity?
- a) Retained earnings decrease equity
 - b) Retained earnings have no impact on equity
 - c) Retained earnings increase equity
 - d) Retained earnings decrease liabilities
93. What does the term "financial leverage" measure for a company?
- a) The proportion of debt in the company's capital structure
 - b) The speed at which a company collects accounts receivable
 - c) The efficiency of managing inventory
 - d) The company's dividend payout ratio
94. How does the concept of "opportunity cost" relate to decisionmaking in finance?
- a) It is the cost of taking advantage of a business opportunity
 - b) It is the cost of forgoing the next best alternative when making a decision
 - c) It is the cost of borrowing money

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d) It is the cost of advertising and promotional activities

95. What is the purpose of the Debt to Equity ratio in financial analysis?

- a) To measure a company's liquidity
- b) To assess the efficiency of inventory turnover
- c) To evaluate the company's profitability
- d) To indicate the proportion of debt relative to equity in a company's capital structure

96. How does the concept of "time value of money" impact financial decisionmaking?

- a) It suggests that money has a constant value over time
- b) It recognizes that a sum of money has different values at different points in time
- c) It is irrelevant in financial decisionmaking
- d) It only applies to shortterm investments

97. What does the term "hurdle rate" represent in capital budgeting?

- a) The company's target profit margin
- b) The minimum rate of return required for an investment to be accepted
- c) The maximum debt level a company can have
- d) The rate of inflation in the market

98. How does a decrease in interest rates impact the cost of borrowing for a company?

- a) Increases the cost of borrowing
- b) Decreases the cost of borrowing
- c) Has no impact on the cost of borrowing
- d) Depends on the company's credit rating

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99. What is the purpose of financial ratios in financial analysis?

- a) To assess a company's historical performance
- b) To evaluate the company's marketing strategy
- c) To provide insights into various aspects of a company's financial performance
- d) To calculate the company's market share

100. How does the concept of "present value" relate to the time value of money?

- a) Present value is a measure of the future value of money
- b) Present value ignores the time value of money
- c) Present value is the current value of future cash flows discounted at a specific rate
- d) Present value is only relevant in shortterm financial decisions

101. What is the primary purpose of financial forecasting in business?

- a) Predicting the company's stock price
- b) Estimating future financial performance based on historical data
- c) Determining the company's historical profits
- d) Analyzing the company's marketing strategy

102. How does the concept of "diversification" reduce risk in investment portfolios?

- a) By concentrating investments in a single asset class
- b) By increasing exposure to a single industry
- c) By spreading investments across different asset classes
- d) By ignoring risk altogether

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103. What does the term "working capital" represent in financial management?

- a) The total assets of a company
- b) The difference between current assets and current liabilities
- c) The company's long-term debt
- d) The company's net income

104. How does the concept of "cost of capital" impact investment decisions?

- a) It has no impact on investment decisions
- b) It represents the total expenses incurred in a business
- c) It is the rate of return required by investors to compensate for the risk of investing
- d) It only applies to short-term investments

105. What does the term "net present value" (NPV) signify in capital budgeting?

- a) The total cash inflows of an investment
- b) The difference between total cash inflows and total cash outflows discounted at a specific rate
- c) The total cost of an investment
- d) The total profits generated by an investment

106. How does the concept of "systemic risk" differ from "idiosyncratic risk" in financial markets?

- a) Systemic risk is specific to an individual investment, while idiosyncratic risk affects the entire market
- b) Systemic risk affects the entire market, while idiosyncratic risk is specific to an individual investment
- c) Both terms are interchangeable and mean the same thing

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d) Systemic risk and idiosyncratic risk are unrelated concepts in finance

107. What does the term "financial statement analysis" involve in business finance?

- a) Calculating return on investment
- b) Assessing the company's marketing strategy
- c) Evaluating a company's financial statements to make informed decisions
- d) Determining the company's liquidity position

108. How does the concept of "book value" differ from "market value" for a company's stock?

- a) Book value represents the stock's historical performance, while market value reflects its future potential
- b) Book value is the total value of a company's outstanding shares, while market value is its net asset value
- c) Book value is based on accounting principles, while market value is influenced by supply and demand in the stock market
- d) Book value is determined by the company's profits, while market value is determined by its losses

109. How does the concept of "cost of goods sold" (COGS) relate to a company's income statement?

- a) COGS represents the total revenue generated by a company
- b) COGS is the difference between total revenue and total expenses

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- c) COGS is the total cost of producing and selling goods during a specific period
- d) COGS is the company's net income before taxes

110. What is the purpose of a company's cash flow statement in financial reporting?

- a) To assess the company's historical performance
- b) To provide a snapshot of its financial position at a specific point in time
- c) To report its financial performance over a specific period
- d) To show the movement of cash in and out of the company during a specific period

111. What does the term "cost of equity" represent in financial analysis?

- a) The total expenses incurred by a company
- b) The return required by equity investors to compensate for the risk of holding the company's stock
- c) The cost associated with issuing new equity shares
- d) The company's net income before taxes

112. How does the concept of "stakeholder analysis" relate to corporate finance?

- a) It involves analyzing the company's marketing strategy
- b) It assesses the impact of financial decisions on various stakeholders, such as shareholders, employees, and customers
- c) It determines the company's dividend policy
- d) It evaluates the company's historical financial performance

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113. What is the role of a company's Chief Financial Officer (CFO) in financial management?

- a) Managing day-to-day expenses
- b) Overseeing marketing and advertising strategies
- c) Assessing and planning for the company's financial goals
- d) Analyzing the company's customer satisfaction

114. How does the concept of "weighted average cost of capital" (WACC) influence capital budgeting decisions?

- a) It has no impact on capital budgeting decisions
- b) It represents the total cost of a company's capital
- c) It is used as the discount rate for evaluating investment projects
- d) It only applies to short-term financial decisions

115. What does the term "cost of debt" represent in financial analysis?

- a) The total expenses incurred by a company
- b) The return required by debt holders to compensate for the risk of lending money to the company
- c) The cost associated with issuing new debt
- d) The company's net income before taxes

116. How does the concept of "financial distress" impact a company?

- a) It has no impact on a company's financial health
- b) It indicates a situation where a company is unable to meet its financial obligations
- c) It results in increased profitability for the company
- d) It is synonymous with financial success

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117. What does the term "corporate governance" involve in the context of business finance?

- a) Managing day-to-day expenses
- b) Overseeing marketing and advertising strategies
- c) The system of rules, practices, and processes by which a company is directed and controlled
- d) Analyzing the company's customer satisfaction

118. How does the concept of "financial ratio analysis" contribute to financial decision-making?

- a) By assessing the company's historical performance
- b) By evaluating the company's marketing strategy
- c) By providing insights into various aspects of a company's financial performance
- d) By determining the company's market share

119. What is the purpose of a company's statement of cash flows in financial reporting?

- a) To assess the company's historical performance
- b) To provide a snapshot of its financial position at a specific point in time
- c) To report its financial performance over a specific period
- d) To show the movement of cash in and out of the company during a specific period

120. How does the concept of "economic value added" (EVA) contribute to financial analysis?

- a) By assessing the company's historical performance
- b) By evaluating the company's marketing strategy
- c) By measuring the company's profitability after considering the cost of capital

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d) By determining the company's market share

ANSWERS

1.b,2.c,3.b,4.d,5.c,6.c,7.b,8.c,9.a,10.b,11.c,12.b,13.a,
14.b,15.d,16.b,17.b,18.c,19.a,20.b,21.b,22.c,23.b,24.d,
25.c,26.b,27.b,28.c,29.c,30.a,31.c,32.b,33.c,34.a,35.b,
36.b,37.a,38.c,39.b,40.b,41.b,42.b,43.c,44.a,45.c,46.a,
47.b,48.b,49.b,50.b,51.c,52.c,53.a,54.b,55.b,56.b,57.b,
58.a,59.c,60.c,61.c,62.a,63.c,64.a,65.b,66.b,67.d,68.a,
69.b,70.c,71.c,72.d,73.c,74.b,75.b,76.b,77.a,78.c,79.c,
80.c,81.c,82.b,83.c,84.a,85.c,86.d,87.b,88.b,89.a,90.a,
91.b,92.c,93.a,94.b,95.d,96.b,97.b,98.b,99.c,100.c,101.b,
102.c,103.b,104.c,105.b,106.b,107.c,108.c,109.c,110.d,
111.b,112.b,113.c,114.c,115.b,116.b,117.c,118.c,119.d,
120.c



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**UNIT - 2
Risk management**

1. What is the primary purpose of risk identification in risk management?
 - a) Determine risk tolerance
 - b) Assess risk impacts
 - c) Identify potential risks
 - d) Mitigate risks
2. Which of the following is a quantitative method for assessing risk?
 - a) SWOT analysis
 - b) Delphi technique
 - c) Monte Carlo simulation
 - d) Brainstorming
3. What is the risk appetite of an organization?
 - a) Willingness to take risks
 - b) Ability to take risks
 - c) Preference for risk avoidance
 - d) Risk management strategy
4. Which risk response strategy involves accepting the consequences of a risk without attempting to change it?
 - a) Avoidance
 - b) Transfer
 - c) Mitigation
 - d) Acceptance
5. What is the purpose of a risk register?
 - a) Monitor project progress
 - b) Track project expenses
 - c) Record and manage risks
 - d) Evaluate project success
6. Which type of risk is associated with changes in economic conditions or market trends?

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- | | |
|---------------------|--------------------|
| a) Operational risk | b) Financial risk |
| c) Strategic risk | d) Compliance risk |

7. What is the main objective of risk mitigation?

- a) Transfer risks to a third party
- b) Eliminate the risk entirely
- c) Accept the risk consequences
- d) Monitor and control risks

8. Which risk management step involves prioritizing risks based on their impact and likelihood?

- | | |
|---------------------------|--------------------|
| a) Risk identification | b) Risk assessment |
| c) Risk response planning | d) Risk monitoring |

9. What is a risk threshold?

- a) Maximum acceptable level of risk
- b) Minimum acceptable level of risk
- c) Average level of risk
- d) Total project risk

10. Which risk response strategy involves shifting the financial consequences of a risk to a third party?

- | | |
|---------------|---------------|
| a) Avoidance | b) Mitigation |
| c) Acceptance | d) Transfer |

11. What is the purpose of a risk matrix in risk management?

- | | |
|-------------------|-------------------------|
| a) Identify risks | b) Assess risk severity |
| c) Mitigate risks | d) Accept risks |

12. Which risk assessment method involves assigning scores to the likelihood and impact of risks?

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- a) Delphi technique b) Risk mapping
- c) Risk scoring d) Fault Tree Analysis (FTA)

13. In risk management, what does the acronym "ERM" stand for?

- a) External Risk Management
- b) Enterprise Risk Management
- c) Event Risk Management
- d) Effective Risk Management

14. What is the primary focus of qualitative risk analysis?

- a) Assigning numerical values to risks
- b) Prioritizing risks based on impact
- c) Assessing risks in monetary terms
- d) Identifying and categorizing risks

15. Which risk response strategy involves sharing the impact of a risk with a partner or another party?

- a) Mitigation b) Acceptance
- c) Transfer d) Avoidance

16. What does the term "residual risk" refer to in risk management?

- a) Unidentified risks
- b) Remaining risk after mitigation
- c) Initial risk assessment
- d) Total project risk

17. Which risk management process involves monitoring identified risks and executing response plans?

- a) Risk identification
- b) Risk assessment

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- c) Risk response planning
- d) Risk monitoring and control

18. What is the primary objective of risk communication in risk management?

- a) Avoiding risks
- b) Sharing risk information
- c) Transferring risks
- d) Eliminating risks

19. Which risk response strategy aims to reduce the probability or impact of a risk?

- a) Acceptance
- b) Mitigation
- c) Transfer
- d) Avoidance

20. What is the difference between a risk and an issue in project management?

- a) Risk is positive, and an issue is negative
- b) Risk is uncertain, and an issue is certain
- c) Risk has a known impact, and an issue has an unknown impact
- d) Risk is a potential future event, and an issue is a current problem

21. Which risk analysis technique involves creating scenarios to explore potential future events and their impacts?

- a) Sensitivity analysis
- b) Scenario analysis
- c) Root Cause Analysis (RCA)
- d) Failure Mode and Effect Analysis (FMEA)

22. What is the purpose of a risk heat map in risk management?

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- a) Identify key stakeholders
- b) Visualize and prioritize risks
- c) Communicate project progress
- d) Allocate project resources

23. In risk management, what does the term "black swan" refer to?

- a) Unforeseeable events with extreme consequences
- b) Common risks with minor impacts
- c) Risks that are easily mitigated
- d) Risks that are well-understood

24. Which risk response strategy involves creating contingency plans to address potential risks?

- a) Mitigation
- b) Acceptance
- c) Contingency planning
- d) Transfer

25. What is the primary goal of risk monitoring in the risk management process?

- a) Identify new risks
- b) Evaluate risk responses
- c) Update the risk register
- d) Track changes in risk status

26. What is the role of a risk owner in the risk management process?

- a) Develop risk response plans
- b) Monitor and manage a specific risk
- c) Identify all project risks
- d) Assess risk impacts

27. Which risk identification technique involves seeking input from a diverse group of experts?

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- | | |
|------------------|---------------------|
| a) Brainstorming | b) Delphi technique |
| c) SWOT analysis | d) Checklists |

28. What is the primary objective of risk response planning?

- a) Eliminate all risks
- b) Minimize project scope
- c) Develop strategies to address risks
- d) Transfer all risks to third parties

29. In risk management, what does the term "mitigation" refer to?

- a) Accepting the consequences of a risk
- b) Reducing the probability or impact of a risk
- c) Transferring the risk to a third party
- d) Avoiding the risk entirely

30. What is the primary purpose of a risk response plan?

- a) Record identified risks
- b) Monitor project progress
- c) Outline actions to address specific risks
- d) Assess risk tolerance

31. What is the primary focus of the risk identification process?

- a) Quantifying risks
- b) Prioritizing risks
- c) Recognizing potential risks
- d) Developing risk response plans

32. Which risk management activity involves determining the potential frequency and impact of identified risks?

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- a) Risk identification b) Risk assessment
- c) Risk response planning d) Risk monitoring

33. What does the term "risk tolerance" refer to in the context of risk management?

- a) Willingness to take risks
- b) Ability to manage risks
- c) Maximum acceptable level of risk
- d) Historical risk performance

34. In risk management, what is the purpose of a risk threshold?

- a) Determine risk impacts
- b) Assess risk severity
- c) Identify acceptable risk levels
- d) Prioritize risks

35. Which risk response strategy involves ceasing a particular activity to avoid the associated risk?

- a) Mitigation b) Acceptance
- c) Avoidance d) Transfer

36. What is the primary objective of risk communication in project management?

- a) Share project progress
- b) Inform stakeholders about project scope
- c) Facilitate understanding of project risks
- d) Allocate project resources

37. Which document outlines how risk management activities will be conducted throughout a project?

- a) Project charter b) Risk register

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- c) Risk management plan d) Stakeholder analysis

38. What is the purpose of a risk appetite statement in risk management?

- a) Provide a historical overview of risks
- b) Communicate the organization's willingness to take risks
- c) Identify specific project risks
- d) Assess the financial impact of risks

39. Which risk analysis technique involves identifying the potential positive and negative outcomes of a decision or action?

- a) SWOT analysis b) Monte Carlo simulation
- c) Decision tree analysis d) Root Cause Analysis (RCA)

40. What is the primary purpose of a risk log in risk management?

- a) Record daily project activities
- b) Track project expenses
- c) Document identified risks and their status
- d) Evaluate project success

41. Which risk management activity involves reviewing and updating the risk management plan throughout the project lifecycle?

- a) Risk identification b) Risk assessment
- c) Risk monitoring and control d) Risk response planning

42. In the context of risk management, what does the acronym "COSO" stand for?

- a) Comprehensive Observation of Strategic Objectives
- b) Committee of Strategic Operations

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c) Committee of Sponsoring Organizations of the Treadway Commission

d) Central Office for Strategic Operations

43. What is the primary goal of risk documentation in risk management?

a) Summarize project progress

b) Provide evidence for legal purposes

c) Communicate risk information effectively

d) Track project expenses

44. Which risk assessment method involves assigning a subjective probability to the likelihood of a risk occurrence?

a) Delphi technique

b) Monte Carlo simulation

c) Qualitative risk analysis

d) Fault Tree Analysis (FTA)

45. What is the purpose of a risk review meeting in the risk management process?

a) Develop risk response plans

b) Identify new project risks

c) Assess the effectiveness of risk responses

d) Communicate project progress

46. Which risk response strategy involves taking actions to reduce the impact of a risk?

a) Acceptance

b) Transfer

c) Mitigation

d) Avoidance

47. What is the primary focus of risk governance in an organization?

a) Daily project activities

b) Strategic decision-making

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- c) Financial management
- d) Stakeholder communication

48. Which risk management principle emphasizes the importance of considering both threats and opportunities?

- a) Risk avoidance
- b) Risk transfer
- c) Risk neutrality
- d) Risk balance

49. In risk management, what does the term "secondary risk" refer to?

- a) Risks that have been transferred
- b) Risks that arise as a result of implementing a risk response
- c) Risks with low impact and low probability
- d) Risks identified in the early stages of a project

50. Which risk analysis technique involves studying historical data to predict future risks?

- a) Sensitivity analysis
- b) Trend analysis
- c) Scenario analysis
- d) Root Cause Analysis (RCA)

51. What is the primary purpose of a risk workshop in risk management?

- a) Documenting identified risks
- b) Facilitating discussions to identify and assess risks
- c) Updating the risk register
- d) Implementing risk response plans

52. Which risk response strategy involves assigning the responsibility for a specific risk to another party?

- a) Avoidance
- b) Mitigation
- c) Acceptance
- d) Transfer

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53. What is the primary objective of risk reporting in project management?

- a) Assess project success
- b) Communicate risk information to stakeholders
- c) Develop risk response plans
- d) Identify new project risks

54. In risk management, what is the purpose of a risk scenario?

- a) Assessing risk impacts
- b) Quantifying risks
- c) Describing a plausible future event and its consequences
- d) Developing risk response plans

55. Which risk analysis technique involves evaluating the sensitivity of project outcomes to variations in key project variables?

- a) Scenario analysis
- b) Sensitivity analysis
- c) Delphi technique
- d) SWOT analysis

56. What does the term "risk register" typically include in risk management?

- a) Stakeholder analysis
- b) Project timeline
- c) A list of identified risks and their characteristics
- d) Financial reports

57. Which risk response strategy involves taking advantage of an opportunity if it arises?

- a) Acceptance
- b) Enhancement
- c) Exploitation
- d) Avoidance

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58. What is the primary purpose of a risk categorization system in risk management?

- a) Assign numerical values to risks
- b) Prioritize risks based on their severity
- c) Group similar risks for easier management
- d) Transfer risks to a third party

59. In risk management, what does the term "risk velocity" refer to?

- a) The speed at which risks occur
- b) The likelihood of risks
- c) The severity of risks
- d) The financial impact of risks

60. Which risk analysis technique involves breaking down a complex system into its individual components and analyzing their interactions?

- a) Fault Tree Analysis (FTA)
- b) Risk mapping
- c) Monte Carlo simulation
- d) Decision tree analysis

61. What is the primary purpose of a risk threshold in risk management?

- a) Quantify the impact of risks
- b) Determine the maximum acceptable level of risk
- c) Identify potential risks
- d) Develop risk response plans

62. Which risk assessment method involves comparing the estimated monetary value of a risk with the cost of implementing preventive measures?

- a) Quantitative risk analysis

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- b) Cost-Benefit Analysis (CBA)
- c) Qualitative risk analysis
- d) Delphi technique

63. In risk management, what is the primary purpose of a risk appetite statement?

- a) Evaluate risk impacts
- b) Communicate the organization's attitude toward risk
- c) Develop risk response plans
- d) Prioritize risks

64. Which risk response strategy involves sharing information about risks with relevant stakeholders?

- a) Acceptance
- b) Communication
- c) Mitigation
- d) Transfer

65. What is the primary objective of risk awareness training in an organization?

- a) Eliminate all risks
- b) Inform employees about project progress
- c) Increase understanding of potential risks
- d) Transfer risks to third parties

66. Which risk identification technique involves reviewing historical project documents and lessons learned?

- a) Delphi technique
- b) Checklists
- c) Brainstorming
- d) SWOT analysis

67. In risk management, what is the purpose of a risk log?

- a) Track project expenses
- b) Document identified risks and their status
- c) Communicate project progress

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d) Develop risk response plans

68. Which risk response strategy involves taking actions in advance to reduce the impact of a potential risk?

- a) Mitigation
- b) Avoidance
- c) Acceptance
- d) Transfer

69. What does the term "risk aversion" refer to in risk management?

- a) The tendency to take on high-risk activities
- b) The willingness to accept all risks
- c) The inclination to avoid or minimize risk
- d) The ability to transfer risks to third parties

70. Which risk analysis technique involves analyzing the likelihood and impact of multiple risks simultaneously?

- a) Delphi technique
- b) Monte Carlo simulation
- c) Sensitivity analysis
- d) SWOT analysis

71. What is the primary purpose of a risk contingency reserve in project management?

- a) Covering unexpected project expenses
- b) Documenting identified risks
- c) Assessing project success
- d) Communicating risk information

72. In risk management, what does the term "Risk Appetite Framework" represent?

- a) A document outlining risk response plans
- b) A set of guidelines defining the organization's approach to risk-taking
- c) A tool for identifying risks

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d) A schedule for risk monitoring

73. Which risk response strategy involves accepting the risk but taking actions to minimize its impact?

- a) Avoidance
- b) Mitigation
- c) Acceptance
- d) Transfer

74. What is the primary focus of a risk audit in risk management?

- a) Identifying new risks
- b) Assessing the effectiveness of risk responses
- c) Documenting historical project activities
- d) Developing risk response plans

75. Which risk assessment method involves assigning relative weights to various risk factors and calculating an overall risk score?

- a) Fault Tree Analysis (FTA)
- b) Risk mapping
- c) Risk scoring
- d) Decision tree analysis

76. In risk management, what is the purpose of a risk control plan?

- a) Eliminate all risks
- b) Monitor and control risks throughout the project
- c) Develop risk response plans
- d) Transfer risks to third parties

77. What does the term "resilience" refer to in the context of risk management?

- a) The ability to transfer risks effectively
- b) The capacity to recover from or adapt to changes and disruptions

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- c) The willingness to accept all risks
- d) The tendency to avoid risk

78. Which risk response strategy involves allocating additional resources to address potential risks?

- a) Avoidance
- b) Enhancement
- c) Transfer
- d) Acceptance

79. What is the primary goal of risk ownership in risk management?

- a) Identify new risks
- b) Assess the impact of risks
- c) Monitor and manage a specific risk
- d) Develop risk response plans

80. Which risk analysis technique involves examining the consequences of a risk event under various scenarios?

- a) Fault Tree Analysis (FTA)
- b) Scenario analysis
- c) Sensitivity analysis
- d) Decision tree analysis

81. What does the term "risk transfer" involve in risk management?

- a) Sharing risk information with stakeholders
- b) Allocating risks to a third party
- c) Accepting the consequences of a risk
- d) Developing risk response plans

82. Which risk response strategy involves setting aside funds to cover the financial impact of potential risks?

- a) Acceptance
- b) Contingency planning
- c) Mitigation
- d) Transfer

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83. What is the primary purpose of a risk communication plan in risk management?

- a) Develop risk response plans
- b) Document identified risks
- c) Facilitate effective communication about risks with stakeholders
- d) Assess project success

84. Which risk identification technique involves analyzing historical data to identify patterns and trends?

- a) Delphi technique
- b) Trend analysis
- c) Brainstorming
- d) Fault Tree Analysis (FTA)

85. In risk management, what does the term "risk event" refer to?

- a) The likelihood of a risk occurring
- b) The consequence of a risk
- c) A specific occurrence that may impact the project objectives
- d) The overall risk tolerance of the organization

86. What is the primary goal of a risk response owner in risk management?

- a) Monitor and manage a specific risk
- b) Develop risk response plans
- c) Assess project success
- d) Identify new risks

87. Which risk analysis technique involves creating a visual representation of risks and their interdependencies?

- a) Risk mapping
- b) Sensitivity analysis
- c) Monte Carlo simulation
- d) Scenario analysis

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88. In risk management, what does the term "risk horizon" refer to?

- a) The time frame over which risks will be monitored and controlled
- b) The total number of risks identified in a project
- c) The geographical area where risks are present
- d) The severity of risks

89. What is the primary purpose of a risk escalation plan in risk management?

- a) Eliminate all risks
- b) Transfer risks to third parties
- c) Communicate the severity of risks to higher management
- d) Develop risk response plans

90. Which risk response strategy involves accepting the consequences of a risk without taking any specific actions?

- a) Mitigation
- b) Avoidance
- c) Acceptance
- d) Transfer

91. What does the term "risk threshold" represent in risk management?

- a) The maximum acceptable level of risk
- b) The minimum acceptable level of risk
- c) The average level of risk
- d) The total number of risks identified in a project

92. In risk management, what is the primary purpose of a risk governance framework?

- a) Assigning risk ownership

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- b) Monitoring project progress
- c) Providing guidelines for managing risks
- d) Developing risk response plans

93. Which risk response strategy involves taking advantage of positive risks or opportunities?

- a) Mitigation
- b) Exploitation
- c) Acceptance
- d) Avoidance

94. What is the primary focus of a risk review meeting in risk management?

- a) Documenting identified risks
- b) Assessing the effectiveness of risk responses
- c) Developing risk response plans
- d) Identifying new project risks

95. Which risk analysis technique involves creating a diagram that illustrates the relationships between different risk factors?

- a) Decision tree analysis
- b) Ishikawa diagram
- c) SWOT analysis
- d) Sensitivity analysis

96. In risk management, what is the purpose of a risk dashboard?

- a) Record identified risks
- b) Communicate risk information visually
- c) Develop risk response plans
- d) Monitor project expenses

97. What does the term "risk correlation" refer to in risk management?

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- a) The relationship between the likelihood and impact of a risk
- b) The connection between different risks that may occur simultaneously
- c) The process of assigning scores to risks
- d) The speed at which risks occur

98. Which risk response strategy involves eliminating the root cause of a risk?

- a) Mitigation
- b) Avoidance
- c) Acceptance
- d) Remediation

99. What is the primary purpose of a risk assessment matrix in risk management?

- a) Identify risks
- b) Assess risk impacts
- c) Prioritize risks based on likelihood and impact
- d) Develop risk response plans

100. Which risk response strategy involves shifting the negative consequences of a risk to a third party?

- a) Avoidance
- b) Mitigation
- c) Acceptance
- d) Transfer

101. In risk management, what does the term "risk appetite" refer to?

- a) The maximum acceptable level of risk
- b) The willingness to take risks
- c) The severity of risks
- d) The historical performance of risks

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102. Which risk identification technique involves analyzing the potential impact of changes in external conditions?

- a) SWOT analysis
- b) Brainstorming
- c) Environmental scanning
- d) Delphi technique

103. What is the primary goal of a risk culture in an organization?

- a) Minimize all risks
- b) Eliminate risks
- c) Foster awareness and understanding of risks
- d) Transfer risks to third parties

104. Which risk response strategy involves preparing for the potential consequences of a risk to minimize its impact?

- a) Avoidance
- b) Mitigation
- c) Acceptance
- d) Transfer

105. In risk management, what is the purpose of a risk report?

- a) Develop risk response plans
- b) Communicate risk information to stakeholders
- c) Assess project success
- d) Track project expenses

106. What is the primary focus of risk intelligence in an organization?

- a) Monitoring project progress
- b) Assessing financial risks
- c) Identifying potential risks
- d) Making informed decisions based on risk information

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107. Which risk analysis technique involves assessing the impact of a risk on the project's schedule?

- a) Schedule risk analysis b) Monte Carlo simulation
- c) Sensitivity analysis d) Fault Tree Analysis (FTA)

108. What does the term "risk velocity" refer to in risk management?

- a) The speed at which risks occur
- b) The likelihood of risks
- c) The severity of risks
- d) The financial impact of risks

109. Which risk response strategy involves allocating additional resources to exploit opportunities?

- a) Avoidance b) Enhancement
- c) Transfer d) Acceptance

110. In risk management, what is the purpose of a risk tolerance statement?

- a) Assess project success
- b) Communicate the organization's attitude toward risk
- c) Develop risk response plans
- d) Prioritize risks

111. Which risk assessment method involves assigning a numerical score to the likelihood and impact of risks?

- a) Qualitative risk analysis b) Risk scoring
- c) Delphi technique d) Fault Tree Analysis (FTA)

112. In risk management, what is the purpose of a risk dashboard?

- a) Monitor and manage a specific risk

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- b) Communicate risk information visually
- c) Assess the impact of risks
- d) Develop risk response plans

113. What does the term "risk mitigation" involve in risk management?

- a) Transferring the risk to a third party
- b) Accepting the consequences of a risk
- c) Reducing the probability or impact of a risk
- d) Avoiding the risk entirely

114. Which risk response strategy involves taking actions to reduce the probability of a risk occurring?

- a) Avoidance
- b) Mitigation
- c) Transfer
- d) Acceptance

115. What is the primary focus of a risk register in risk management?

- a) Assign risk scores
- b) Develop risk response plans
- c) Document identified risks and their characteristics
- d) Assess project success

116. Which risk analysis technique involves studying the potential consequences of risks on project objectives?

- a) Scenario analysis
- b) Sensitivity analysis
- c) Decision tree analysis
- d) SWOT analysis

117. In risk management, what is the purpose of a risk control plan?

- a) Eliminate all risks
- b) Monitor and control risks throughout the project

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- c) Develop risk response plans
- d) Transfer risks to third parties

118. What is the primary objective of risk awareness training in an organization?

- a) Eliminate all risks
- b) Inform employees about project progress
- c) Increase understanding of potential risks
- d) Transfer risks to third parties

119. Which risk response strategy involves taking no specific actions to address a risk and accepting its consequences?

- a) Avoidance
- b) Mitigation
- c) Acceptance
- d) Transfer

120. What is the primary purpose of a risk impact matrix in risk management?

- a) Assess the likelihood of risks
- b) Quantify the financial impact of risks
- c) Prioritize risks based on severity
- d) Develop risk response plans

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ANSWERS

1.c,2.c,3.a,4.d,5.c,6.b,7.b,8.b,9.a,10.d,11.b,12.c,13.b,
14.d,15.c,16.b,17.d,18.b,19.b,20.d,21.b,22.b,23.a,24.c,
25.d,26.b,27.b,28.c,29.b,30.c,31.c,32.b,33.a,34.c,35.c,
36.c,37.c,38.b,39.a,40.c,41.c,42.c,43.c,44.c,45.c,46.c,
47.b,48.d,49.b,50.b,51.b,52.d,53.b,54.c,55.b,56.c,57.c,
58.c,59.a,60.a,61.b,62.b,63.b,64.b,65.c,66.b,67.b,68.a,
69.c,70.b,71.a,72.b,73.b,74.b,75.c,76.b,77.b,78.b,79.c,
80.b,81.b,82.b,83.c,84.b,85.c,86.a,87.a,88.a,89.c,90.c,
91.a,92.c,93.b,94.b,95.b,96.b,97.b,98.b,99.c,100.d,101.b,
102.c,103.c,104.b,105.b,106.d,107.a,108.a,109.b,110.b,
111.b,112.b,113.c,114.a,115.c,116.a,117.b,118.c,119.c,
120.c



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**UNIT – 3
Startup financing and learning**

1. What is the term for the initial funding used to start a new business?

- a) Operating capital
- b) Seed capital
- c) Venture capital
- d) Angel investment

2. Which financing method involves raising small amounts of money from a large number of people, often through online platforms?

- a) Venture capital
- b) Crowdfunding
- c) Angel investing
- d) Private equity

3. What is the primary goal of a startup accelerator program?

- a) Providing long-term funding
- b) Offering mentorship and resources
- c) Acquiring competitors
- d) Securing government grants

4. Which term refers to the practice of funding a startup with personal savings or revenue?

- a) Bootstrapping
- b) Venture capital
- c) Initial public offering (IPO)
- d) Angel investing

5. In the context of startup financing, what is the role of an angel investor?

- a) Providing early-stage funding to startups
- b) Managing day-to-day operations
- c) Conducting market research
- d) Offering legal advice

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6. What does the acronym "IPO" stand for in the startup and finance context?

- a) Initial Public Offering
- b) International Profit Organization
- c) Investor Protection Office
- d) Internal Project Operations

7. What is the primary purpose of a pitch deck in the startup fundraising process?

- a) Providing a summary of the company's learning objectives
- b) Outlining the marketing strategy
- c) Presenting the business to potential investors
- d) Detailing the daily operations of the company

8. Which funding source involves government support for startups, often in the form of grants or low-interest loans?

- a) Bootstrapping
- b) Angel investing
- c) Public funding
- d) Private equity

9. What is the term for a financial arrangement where an investor provides capital to a startup in exchange for convertible debt or equity?

- a) Seed capital
- b) Venture debt
- c) Crowdfunding
- d) Angel financing

10. In the context of startup learning, what is the significance of a Minimum Viable Product (MVP)?

- a) Demonstrating the learning progress of the team
- b) Providing a basic version of the product to test in the market

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- c) Outlining the maximum potential of the business
- d) Securing intellectual property rights

11. Which type of funding involves exchanging equity for small amounts of money from a large number of investors, often through online platforms?

- a) Seed funding
- b) Crowdfunding
- c) Venture capital
- d) Angel investing

12. What is the primary purpose of a convertible note in startup financing?

- a) Providing a fixed interest rate to investors
- b) Offering equity to investors at a later funding round
- c) Securing government grants
- d) Funding day-to-day operations

13. In the context of startup learning, what does the term "pivot" mean?

- a) Gradual expansion of the product line
- b) Changing the fundamental business strategy
- c) Securing additional rounds of funding
- d) Establishing a partnership with a larger company

14. Which type of funding involves selling ownership stakes in a startup to a group of private investors?

- a) Seed funding
- b) Series A funding
- c) Private equity
- d) Bootstrapping

15. What is the primary goal of due diligence in the context of startup financing?

- a) Securing government grants

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- b) Evaluating the potential risks and opportunities of an investment
- c) Creating a detailed business plan
- d) Obtaining a patent for the product

16. What is the role of a startup incubator in the entrepreneurial ecosystem?

- a) Providing long-term funding
- b) Offering mentorship, resources, and office space
- c) Conducting market research
- d) Acquiring competitors

17. Which type of financing involves selling shares to the public for the first time?

- a) Venture capital
- b) Private equity
- c) Initial Public Offering (IPO)
- d) Angel investing

18. In the context of startup financing, what does the term "burn rate" refer to?

- a) The rate at which a startup is spending its capital
- b) The speed at which a new product is developed
- c) The interest rate on convertible notes
- d) The rate of return on investment

19. What is the primary focus of customer discovery in the startup learning process?

- a) Product development
- b) Identifying potential investors
- c) Understanding customer needs and preferences
- d) Securing intellectual property rights

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20. Which financial metric indicates the percentage of ownership a startup is willing to offer investors in exchange for funding?

- a) Equity ratio
- b) Valuation
- c) ROI (Return on Investment)
- d) Gross margin

21. What is the term for a funding round that follows the seed stage and typically involves larger investments to help a startup grow?

- a) Seed funding
- b) Series A funding
- c) Crowdfunding
- d) Angel investing

22. In startup financing, what is the purpose of a term sheet?

- a) Outlining the terms and conditions of a potential investment
- b) Presenting the company's learning objectives
- c) Providing a summary of financial statements
- d) Detailing the daily operations of the company

23. What is the primary focus of a startup mentorship program?

- a) Offering seed funding
- b) Providing guidance and advice to entrepreneurs
- c) Conducting market research
- d) Securing government grants

24. Which type of financing involves borrowing money with the understanding that it will be repaid, typically with interest?

- a) Equity financing
- b) Debt financing
- c) Venture capital
- d) Crowdfunding

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25. In the context of startup learning, what does the term "lean startup" refer to?

- a) A startup with minimal financial resources
- b) A startup that prioritizes efficiency and iterative development
- c) A startup focused on aggressive expansion
- d) A startup without external funding

26. What is the primary purpose of a financial model in startup financing?

- a) Demonstrating the viability of the business
- b) Providing a summary of the company's learning objectives
- c) Offering mentorship and resources
- d) Assessing project success

27. Which term refers to a stage in a startup's development where it achieves a sustainable business model and positive cash flow?

- a) Traction
- b) Pivot
- c) Burn rate
- d) MVP (Minimum Viable Product)

28. What is the role of a startup advisory board?

- a) Providing long-term funding
- b) Evaluating potential investments
- c) Offering guidance and expertise to the startup's leadership
- d) Conducting market research

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29. Which type of financing involves selling shares in a startup to institutional investors, often in later funding rounds?

- a) Series A funding
- b) Seed funding
- c) Private equity
- d) Angel investing

30. In the context of startup financing, what does the term "vesting" refer to?

- a) The process of gaining market traction
- b) The gradual earning of ownership in equity over time
- c) The rate at which a startup is spending its capital
- d) The potential for an IPO (Initial Public Offering)

31. What is the primary purpose of a runway in the context of startup financing?

- a) A place for startup events and networking
- b) A financial metric indicating profitability
- c) The time a startup can operate with its current funding before running out of money
- d) A term for the rate of growth in a startup's valuation

32. Which financial metric represents the difference between a company's total revenue and its total expenses?

- a) Profit margin
- b) Gross margin
- c) Net income
- d) Return on investment (ROI)

33. In the context of startup learning, what does the term "lean canvas" refer to?

- a) A simplified business model that outlines key elements of a startup
- b) The financial statement of a startup
- c) A type of financial model

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d) The minimum viable product (MVP) of a startup

34. What is the primary goal of a startup's go-to-market strategy?

- a) Obtaining intellectual property rights
- b) Securing government grants
- c) Launching the product or service into the market and acquiring customers
- d) Offering mentorship to other startups

35. Which type of financing involves funding a startup in exchange for a share of future revenue, without equity ownership?

- a) Revenue-based financing
- b) Crowdfunding
- c) Series B funding
- d) Angel investing

36. What does the term "vested interest" mean in the context of startup financing?

- a) The gradual earning of ownership by stakeholders over time
- b) The rate at which a startup is spending its capital
- c) The financial interest of the government in startup success
- d) The total funding raised by a startup

37. In startup financing, what is the purpose of a cap table (capitalization table)?

- a) A document outlining the terms and conditions of a potential investment
- b) Demonstrating the viability of the business
- c) Providing a summary of financial statements
- d) Detailing the ownership structure of the company

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38. Which type of financing involves selling securities directly to institutional investors without a public offering?

- a) Private placement
- b) Seed funding
- c) Series C funding
- d) Equity crowdfunding

39. What is the primary purpose of a startup pivot?

- a) Gradual expansion of the product line
- b) Changing the fundamental business strategy
- c) Securing additional rounds of funding
- d) Establishing a partnership with a larger company

40. In startup learning, what is the significance of the "fail fast, fail cheap" principle?

- a) Encouraging startups to avoid failure entirely
- b) Promoting rapid experimentation and learning from failures with minimal cost
- c) Discouraging startups from taking risks
- d) Focusing on long-term success without considering initial failures

41. What is the primary purpose of a term sheet in the context of startup financing?

- a) Providing a summary of the company's learning objectives
- b) Outlining the terms and conditions of a potential investment
- c) Detailing the ownership structure of the company
- d) Assessing the financial health of the startup

42. Which term refers to the process of a startup ceasing operations due to financial difficulties?

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- | | |
|----------------|----------------------------------|
| a) Liquidation | b) Acquisition |
| c) Pivot | d) IPO (Initial Public Offering) |

43. In startup financing, what does the acronym "ROI" stand for?

- | | |
|-------------------------------|-----------------------|
| a) Return on Investment | b) Rate of Interest |
| c) Revenue Optimization Index | d) Risk of Insolvency |

44. What is the primary focus of a startup advisory board?

- a) Providing long-term funding
- b) Evaluating potential investments
- c) Offering guidance and expertise to the startup's leadership
- d) Conducting market research

45. Which type of financing involves selling shares in a startup to institutional investors, often in later funding rounds?

- | | |
|---------------------|--------------------|
| a) Series A funding | b) Seed funding |
| c) Private equity | d) Angel investing |

46. In startup learning, what does the term "lean startup" refer to?

- a) A startup with minimal financial resources
- b) A startup that prioritizes efficiency and iterative development
- c) A startup focused on aggressive expansion
- d) A startup without external funding

47. What is the primary purpose of a financial model in startup financing?

- a) Demonstrating the viability of the business

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- b) Providing a summary of the company's learning objectives
- c) Offering mentorship and resources
- d) Assessing project success

48. Which term refers to a stage in a startup's development where it achieves a sustainable business model and positive cash flow?

- a) Traction
- b) Pivot
- c) Burn rate
- d) MVP (Minimum Viable Product)

49. In the context of startup financing, what does the term "vesting" refer to?

- a) The process of gaining market traction
- b) The gradual earning of ownership in equity over time
- c) The rate at which a startup is spending its capital
- d) The potential for an IPO (Initial Public Offering)

50. In startup learning, what is the significance of the "lean startup" methodology?

- a) Minimizing the number of employees in a startup
- b) Focusing on rapid experimentation and validated learning
- c) Avoiding external funding entirely
- d) Prioritizing long-term planning over quick implementation

51. What is the primary purpose of a runway in the context of startup financing?

- a) A place for startup events and networking
- b) A financial metric indicating profitability

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c) The time a startup can operate with its current funding before running out of money

d) A term for the rate of growth in a startup's valuation

52. Which financial metric represents the difference between a company's total revenue and its total expenses?

a) Profit margin

b) Gross margin

c) Net income

d) Return on investment (ROI)

53. In the context of startup learning, what does the term "lean canvas" refer to?

a) A simplified business model that outlines key elements of a startup

b) The financial statement of a startup

c) A type of financial model

d) The minimum viable product (MVP) of a startup

54. What is the primary focus of a startup's go-to-market strategy?

a) Obtaining intellectual property rights

b) Securing government grants

c) Launching the product or service into the market and acquiring customers

d) Offering mentorship to other startups

55. Which type of financing involves funding a startup in exchange for a share of future revenue, without equity ownership?

a) Revenue-based financing

b) Crowdfunding

c) Series B funding

d) Angel investing

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56. What does the term "vested interest" mean in the context of startup financing?

- a) The gradual earning of ownership by stakeholders over time
- b) The rate at which a startup is spending its capital
- c) The financial interest of the government in startup success
- d) The total funding raised by a startup

57. In startup financing, what is the purpose of a cap table (capitalization table)?

- a) A document outlining the terms and conditions of a potential investment
- b) Demonstrating the viability of the business
- c) Providing a summary of financial statements
- d) Detailing the ownership structure of the company

58. Which type of financing involves selling securities directly to institutional investors without a public offering?

- a) Private placement
- b) Seed funding
- c) Series C funding
- d) Equity crowdfunding

59. What is the primary purpose of a startup pivot?

- a) Gradual expansion of the product line
- b) Changing the fundamental business strategy
- c) Securing additional rounds of funding
- d) Establishing a partnership with a larger company

60. In the context of startup learning, what is the significance of the "fail fast, fail cheap" principle?

- a) Encouraging startups to avoid failure entirely

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- b) Promoting rapid experimentation and learning from failures with minimal cost
- c) Discouraging startups from taking risks
- d) Focusing on long-term success without considering initial failures

61. What is the primary purpose of a term sheet in the context of startup financing?

- a) Providing a summary of the company's learning objectives
- b) Outlining the terms and conditions of a potential investment
- c) Detailing the ownership structure of the company
- d) Assessing the financial health of the startup

62. Which term refers to the process of a startup ceasing operations due to financial difficulties?

- a) Liquidation
- b) Acquisition
- c) Pivot
- d) IPO (Initial Public Offering)

63. In startup financing, what does the acronym "ROI" stand for?

- a) Return on Investment
- b) Rate of Interest
- c) Revenue Optimization Index
- d) Risk of Insolvency

64. What is the primary focus of a startup advisory board?

- a) Providing long-term funding
- b) Evaluating potential investments
- c) Offering guidance and expertise to the startup's leadership
- d) Conducting market research

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65. Which type of financing involves selling shares in a startup to institutional investors, often in later funding rounds?

- a) Series A funding
- b) Seed funding
- c) Private equity
- d) Angel investing

66. In startup learning, what does the term "lean startup" refer to?

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- d) A startup without external funding

67. What is the primary purpose of a financial model in startup financing?

- a) Demonstrating the viability of the business
- b) Providing a summary of the company's learning objectives
- c) Offering mentorship and resources
- d) Assessing project success

68. Which term refers to a stage in a startup's development where it achieves a sustainable business model and positive cash flow?

- a) Traction
- b) Pivot
- c) Burn rate
- d) MVP (Minimum Viable Product)

69. In the context of startup financing, what does the term "vesting" refer to?

- a) The process of gaining market traction
- b) The gradual earning of ownership in equity over time

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- c) The rate at which a startup is spending its capital
- d) The potential for an IPO (Initial Public Offering)

70. In startup learning, what is the significance of the "lean startup" methodology?

- a) Minimizing the number of employees in a startup
- b) Focusing on rapid experimentation and validated learning
- c) Avoiding external funding entirely
- d) Prioritizing long-term planning over quick implementation

71. What is the primary purpose of a runway in the context of startup financing?

- a) A place for startup events and networking
- b) A financial metric indicating profitability
- c) The time a startup can operate with its current funding before running out of money
- d) A term for the rate of growth in a startup's valuation

72. Which financial metric represents the difference between a company's total revenue and its total expenses?

- a) Profit margin
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- c) Net income
- d) Return on investment (ROI)

73. In the context of startup learning, what does the term "lean canvas" refer to?

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- c) A type of financial model
- d) The minimum viable product (MVP) of a startup

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74. What is the primary focus of a startup's go-to-market strategy?

- a) Obtaining intellectual property rights
- b) Securing government grants
- c) Launching the product or service into the market and acquiring customers
- d) Offering mentorship to other startups

75. Which type of financing involves funding a startup in exchange for a share of future revenue, without equity ownership?

- a) Revenue-based financing
- b) Crowdfunding
- c) Series B funding
- d) Angel investing

76. What does the term "vested interest" mean in the context of startup financing?

- a) The gradual earning of ownership by stakeholders over time
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78. Which type of financing involves selling securities directly to institutional investors without a public offering?

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79. What is the primary purpose of a startup pivot?

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80. In the context of startup learning, what is the significance of the "fail fast, fail cheap" principle?

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- c) Discouraging startups from taking risks
- d) Focusing on long-term success without considering initial failures

81. What is the primary purpose of a term sheet in the context of startup financing?

- a) Providing a summary of the company's learning objectives
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82. Which term refers to the process of a startup ceasing operations due to financial difficulties?

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- | | |
|----------------|----------------------------------|
| a) Liquidation | b) Acquisition |
| c) Pivot | d) IPO (Initial Public Offering) |

83. In startup financing, what does the acronym "ROI" stand for?

- | | |
|-------------------------------|-----------------------|
| a) Return on Investment | b) Rate of Interest |
| c) Revenue Optimization Index | d) Risk of Insolvency |

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- a) Providing long-term funding
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- d) A startup without external funding

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- a) Demonstrating the viability of the business
- b) Providing a summary of the company's learning objectives
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88. Which term refers to a stage in a startup's development where it achieves a sustainable business model and positive cash flow?

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c) The time a startup can operate with its current funding before running out of money

d) A term for the rate of growth in a startup's valuation

92. Which financial metric represents the difference between a company's total revenue and its total expenses?

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c) Net income

d) Return on investment (ROI)

93. In the context of startup learning, what does the term "lean canvas" refer to?

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c) A type of financial model

d) The minimum viable product (MVP) of a startup

94. What is the primary focus of a startup's go-to-market strategy?

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b) Securing government grants

c) Launching the product or service into the market and acquiring customers

d) Offering mentorship to other startups

95. Which type of financing involves funding a startup in exchange for a share of future revenue, without equity ownership?

a) Revenue-based financing

b) Crowdfunding

c) Series B funding

d) Angel investing

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- b) The rate at which a startup is spending its capital
- c) The financial interest of the government in startup success
- d) The total funding raised by a startup

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- d) Equity crowdfunding

99. What is the primary purpose of a startup pivot?

- a) Gradual expansion of the product line
- b) Changing the fundamental business strategy
- c) Securing additional rounds of funding
- d) Establishing a partnership with a larger company

100. In the context of startup learning, what is the significance of the "fail fast, fail cheap" principle?

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- a) Encouraging startups to avoid failure entirely
- b) Promoting rapid experimentation and learning from failures with minimal cost
- c) Discouraging startups from taking risks
- d) Focusing on long-term success without considering initial failures

101. What is the primary purpose of a term sheet in the context of startup financing?

- a) Providing a summary of the company's learning objectives
- b) Outlining the terms and conditions of a potential investment
- c) Detailing the ownership structure of the company
- d) Assessing the financial health of the startup

102. Which term refers to the process of a startup ceasing operations due to financial difficulties?

- a) Liquidation
- b) Acquisition
- c) Pivot
- d) IPO (Initial Public Offering)

103. In startup financing, what does the acronym "ROI" stand for?

- a) Return on Investment
- b) Rate of Interest
- c) Revenue Optimization Index
- d) Risk of Insolvency

104. What is the primary focus of a startup advisory board?

- a) Providing long-term funding
- b) Evaluating potential investments
- c) Offering guidance and expertise to the startup's leadership

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d) Conducting market research

105. Which type of financing involves selling shares in a startup to institutional investors, often in later funding rounds?

- a) Series A funding
- b) Seed funding
- c) Private equity
- d) Angel investing

106. In startup learning, what does the term "lean startup" refer to?

- a) A startup with minimal financial resources
- b) A startup that prioritizes efficiency and iterative development
- c) A startup focused on aggressive expansion
- d) A startup without external funding

107. What is the primary purpose of a financial model in startup financing?

- a) Demonstrating the viability of the business
- b) Providing a summary of the company's learning objectives
- c) Offering mentorship and resources
- d) Assessing project success

108. Which term refers to a stage in a startup's development where it achieves a sustainable business model and positive cash flow?

- a) Traction
- b) Pivot
- c) Burn rate
- d) MVP (Minimum Viable Product)

109. In the context of startup financing, what does the term "vesting" refer to?

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- a) The process of gaining market traction
- b) The gradual earning of ownership in equity over time
- c) The rate at which a startup is spending its capital
- d) The potential for an IPO (Initial Public Offering)

110. In startup learning, what is the significance of the "lean startup" methodology?

- a) Minimizing the number of employees in a startup
- b) Focusing on rapid experimentation and validated learning
- c) Avoiding external funding entirely
- d) Prioritizing long-term planning over quick implementation

111. What is the primary purpose of a runway in the context of startup financing?

- a) A place for startup events and networking
- b) A financial metric indicating profitability
- c) The time a startup can operate with its current funding before running out of money
- d) A term for the rate of growth in a startup's valuation

112. Which financial metric represents the difference between a company's total revenue and its total expenses?

- a) Profit margin
- b) Gross margin
- c) Net income
- d) Return on investment (ROI)

113. In the context of startup learning, what does the term "lean canvas" refer to?

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- a) A simplified business model that outlines key elements of a startup
- b) The financial statement of a startup
- c) A type of financial model
- d) The minimum viable product (MVP) of a startup

114. What is the primary focus of a startup's go-to-market strategy?

- a) Obtaining intellectual property rights
- b) Securing government grants
- c) Launching the product or service into the market and acquiring customers
- d) Offering mentorship to other startups

115. Which type of financing involves funding a startup in exchange for a share of future revenue, without equity ownership?

- a) Revenue-based financing
- b) Crowdfunding
- c) Series B funding
- d) Angel investing

116. What does the term "vested interest" mean in the context of startup financing?

- a) The gradual earning of ownership by stakeholders over time
- b) The rate at which a startup is spending its capital
- c) The financial interest of the government in startup success
- d) The total funding raised by a startup

117. In startup financing, what is the purpose of a cap table (capitalization table)?

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- a) A document outlining the terms and conditions of a potential investment
- b) Demonstrating the viability of the business
- c) Providing a summary of financial statements
- d) Detailing the ownership structure of the company

118. Which type of financing involves selling securities directly to institutional investors without a public offering?

- a) Private placement
- b) Seed funding
- c) Series C funding
- d) Equity crowdfunding

119. What is the primary purpose of a startup pivot?

- a) Gradual expansion of the product line
- b) Changing the fundamental business strategy
- c) Securing additional rounds of funding
- d) Establishing a partnership with a larger company

120. In the context of startup learning, what is the significance of the "fail fast, fail cheap" principle?

- a) Encouraging startups to avoid failure entirely
- b) Promoting rapid experimentation and learning from failures with minimal cost
- c) Discouraging startups from taking risks
- d) Focusing on long-term success without considering initial failures

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ANSWERS

1.b,2.b,3.b,4.a,5.a,6.a,7.c,8.c,9.b,10.b,11.b,12.b,13.b,
14.c,15.b,16.b,17.c,18.a,19.c,20.b,21.b,22.a,23.b,24.b,
25.b,26.a,27.a,28.c,29.c,30.b,31.c,32.c,33.a,34.c,35.a,
36.a,37.d,38.a,39.b,40.b,41.b,42.a,43.a,44.c,45.c,46.b,
47.a,48.a,49.b,50.b,51.c,52.c,53.a,54.c,55.a,56.a,57.d,
58.a,59.b,60.b,61.b,62.a,63.a,64.c,65.c,66.b,67.a,68.a,
69.b,70.b,71.c,72.c,73.a,74.c,75.a,76.a,77.d,78.a,79.b,
80.b,81.b,82.a,83.a,84.c,85.c,86.b,87.a,88.a,89.b,90.b,
91.c,92.c,93.a,94.c,95.a,96.a,97.d,98.a,99.b,100.b,101.b,
102.a,103.a,104.c,105.c,106.b,107.a,108.a,109.b,110.b,
111.c,112.c,113.a,114.c,115.a,116.a,117.d,118.a,119.b,
120.b



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UNIT - 4

Cash receivable and Inventory Management

1. What is the primary purpose of managing cash receivables?
 - a. Increase inventory turnover
 - b. Minimize stockouts
 - c. Improve cash flow
 - d. Reduce holding costs
2. In inventory management, what does the Economic Order Quantity (EOQ) represent?
 - a. Maximum order quantity
 - b. Minimum order quantity
 - c. Optimal order quantity
 - d. Safety stock quantity
3. What does the Days Sales Outstanding (DSO) metric measure?
 - a. Inventory turnover
 - b. Accounts payable days
 - c. Average collection period
 - d. Days inventory on hand
4. Which inventory management approach aims to minimize storage costs by ordering just enough inventory to meet demand?
 - a. Just-in-Time (JIT)
 - b. Economic Order Quantity (EOQ)
 - c. Safety stock
 - d. ABC analysis

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5. What is the purpose of a safety stock in inventory management?
- Minimize holding costs
 - Prevent stockouts
 - Increase order frequency
 - Maximize order quantity
6. Which method calculates the average cost of ending inventory based on the cost of the most recently purchased items?
- FIFO (First-In-First-Out)
 - LIFO (Last-In-First-Out)
 - Weighted Average
 - Specific Identification
7. What is the formula for the inventory turnover ratio?
- $\text{Cost of Goods Sold (COGS)} / \text{Average Inventory}$
 - $\text{Average Inventory} / \text{Cost of Goods Sold (COGS)}$
 - $\text{Sales} / \text{Average Inventory}$
 - $\text{Average Inventory} / \text{Sales}$
8. How does a longer accounts receivable collection period impact a company's cash flow?
- Increases cash flow
 - Decreases cash flow
 - No impact on cash flow
 - Increases expenses
9. What is the primary goal of effective inventory management?
- Maximize holding costs
 - Minimize order frequency

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- c. Minimize stockouts while controlling costs
 - d. Maximize safety stock
10. Which inventory classification method divides items into categories based on their importance and value?
- a. FIFO
 - b. LIFO
 - c. ABC analysis
 - d. JIT
11. What does the Cash Conversion Cycle (CCC) measure in the context of working capital management?
- a. Time taken to convert inventory to cash
 - b. Time taken to convert accounts receivable to cash
 - c. Time taken to convert cash to inventory
 - d. Time taken to convert accounts payable to cash
12. In the context of inventory management, what is the purpose of the reorder point?
- a. Determine when to place a new order
 - b. Calculate the Economic Order Quantity (EOQ)
 - c. Minimize holding costs
 - d. Set the safety stock level
13. How does a company benefit from effectively managing accounts receivable?
- a. Reducing bad debt expenses
 - b. Increasing inventory turnover
 - c. Maximizing safety stock
 - d. Minimizing order frequency
14. Which method of inventory valuation assumes that the cost of the most recently acquired items is reflective of the current market value?

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- a. FIFO
- b. LIFO
- c. Weighted Average
- d. Specific Identification

15. What is the purpose of the Days Inventory on Hand (DIH) metric?

- a. Measure the efficiency of accounts receivable collection
- b. Assess the liquidity of inventory
- c. Calculate the reorder point
- d. Determine the Economic Order Quantity (EOQ)

16. How does the Accounts Payable Turnover ratio impact a company's financial health?

- a. It increases liquidity
- b. It decreases liquidity
- c. It has no impact on liquidity
- d. It increases profitability

17. Which inventory costing method assumes that the cost of goods sold is based on the average cost of all items available for sale during the period?

- a. FIFO
- b. LIFO
- c. Weighted Average
- d. Specific Identification

18. What is the purpose of the Aging of Accounts Receivable report?

- a. Assess the liquidity of inventory
- b. Evaluate the creditworthiness of customers
- c. Calculate the Economic Order Quantity (EOQ)
- d. Determine reorder point

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19. Which financial metric helps measure the efficiency of cash conversion from sales?
- Inventory Turnover Ratio
 - Days Sales Outstanding (DSO)
 - Cash Conversion Cycle (CCC)
 - Accounts Payable Turnover Ratio
20. How does a company's credit policy impact accounts receivable management?
- It has no impact on accounts receivable
 - It decreases bad debt expenses
 - It influences the average collection period
 - It increases inventory turnover
21. What is the primary purpose of safety stock in inventory management?
- Minimize holding costs
 - Prevent stockouts
 - Maximize order quantity
 - Reduce order frequency
22. In the context of inventory turnover, a high ratio is generally associated with:
- Efficient inventory management
 - Overstocking
 - Slow-moving inventory
 - Increased holding costs
23. How does a low accounts receivable turnover ratio impact a company's financial health?
- It improves liquidity
 - It decreases liquidity

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- c. It has no impact on liquidity
- d. It increases profitability

24 .What is the primary disadvantage of using the LIFO (Last-In-First-Out) method for inventory valuation?

- a. Higher taxes in inflationary environments
- b. Lower cost of goods sold
- c. Better matching of current costs with revenue
- d. Reduced holding costs

25. How does effective cash management contribute to a company's profitability?

- a. By increasing expenses
- b. By reducing liquidity
- c. By minimizing holding costs
- d. By maximizing safety stock

26. Which financial metric helps assess the efficiency of a company's cash collections from its customers?

- a. Days Sales Outstanding (DSO)
- b. Accounts Receivable Turnover
- c. Cash Conversion Cycle (CCC)
- d. Accounts Payable Turnover

27. What is the primary goal of implementing a Just-in-Time (JIT) inventory system?

- a. Maximize holding costs
- b. Minimize order frequency
- c. Eliminate the need for safety stock
- d. Increase lead time

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28. How does a high inventory turnover ratio impact a company's cash flow?
- a. Increases cash flow
 - b. Decreases cash flow
 - c. No impact on cash flow
 - d. Increases holding costs
29. What is the primary purpose of the Economic Order Quantity (EOQ) model?
- a. Minimize order frequency
 - b. Maximize safety stock
 - c. Minimize holding costs
 - d. Increase lead time
30. In the context of inventory management, what does the term "ABC analysis" refer to?
- a. A method of inventory valuation
 - b. A technique for classifying inventory items based on importance
 - c. A strategy to increase order frequency
 - d. A measure of cash flow efficiency
31. What is the primary objective of optimizing the Accounts Payable Turnover ratio?
- a. Minimize cash flow
 - b. Increase liquidity
 - c. Extend payment periods
 - d. Reduce supplier relationships
32. How does a shorter cash conversion cycle impact a company's working capital?

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- a. Increases working capital
 - b. Decreases working capital
 - c. No impact on working capital
 - d. Increases holding costs
33. What is the primary advantage of the Weighted Average method for inventory valuation?
- a. Simplicity in calculation
 - b. Reflects current market values
 - c. Minimizes taxes in inflationary periods
 - d. Smooths out fluctuations in costs
34. Which financial metric is useful for evaluating the efficiency of accounts payable management?
- a. Accounts Receivable Turnover
 - b. Days Sales Outstanding (DSO)
 - c. Cash Conversion Cycle (CCC)
 - d. Accounts Payable Turnover
35. What does the term "Lead Time" refer to in the context of inventory management?
- a. Time taken to convert inventory to cash
 - b. Time taken to convert accounts receivable to cash
 - c. Time taken to place a new order and receive the goods
 - d. Time taken to convert cash to inventory
- 36 . How does the adoption of electronic payment systems impact accounts payable management?
- a. Slows down payment processing
 - b. Increases manual errors
 - c. Improves efficiency and reduces processing time

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d. Increases the need for safety stock

37. In the context of inventory control, what is the purpose of the Economic Batch Quantity (EBQ)?

- a. Determine the optimal order quantity
- b. Assess the efficiency of accounts payable
- c. Minimize holding costs
- d. Set safety stock levels

38. How does a high level of obsolete inventory impact a company's financial performance?

- a. Increases profitability
- b. Decreases liquidity
- c. Improves cash flow
- d. Reduces holding costs

39. What is the primary purpose of the Perpetual Inventory System?

- a. Minimize order frequency
- b. Improve cash flow
- c. Maintain a continuous and real-time record of inventory
- d. Increase lead time

40. How does the ABC analysis help in inventory management?

- a. Determines the optimal order quantity
- b. Classifies inventory items based on importance
- c. Calculates the reorder point
- d. Measures cash conversion efficiency

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41. What does the term "Cash Sweep" refer to in cash management?
- a. Automatically transferring excess cash to interest-bearing accounts
 - b. Increasing accounts payable turnover
 - c. Reducing the cash conversion cycle
 - d. Minimizing safety stock
42. How does a company benefit from effective inventory turnover?
- a. Increases holding costs
 - b. Decreases liquidity
 - c. Minimizes stockouts
 - d. Reduces accounts receivable turnover
43. What is the purpose of the Z-score in credit management?
- a. Measure inventory turnover efficiency
 - b. Evaluate the financial health and risk of a customer or supplier
 - c. Determine the optimal order quantity
 - d. Calculate the cash conversion cycle
44. How does a company benefit from implementing a centralized cash management system?
- a. Increases cash flow
 - b. Reduces liquidity
 - c. Enhances control and efficiency in managing cash
 - d. Minimizes order frequency
45. In the context of inventory control, what is the purpose of the Economic Production Quantity (EPQ)?

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- a. Determine the optimal order quantity
- b. Assess the efficiency of accounts payable
- c. Calculate the reorder point
- d. Optimize production and inventory levels simultaneously

46. How does the implementation of an effective cash concentration system contribute to cash management?

- a. Decreases liquidity
- b. Increases manual errors
- c. Consolidates dispersed funds into a central account
- d. Reduces the need for safety stock

47. What is the primary goal of managing the collection float in cash management?

- a. Increase liquidity
- b. Decrease cash flow
- c. Minimize stockouts
- d. Reduce the time between receiving a payment and depositing it

48. How does a longer cash conversion cycle impact a company's need for external financing?

- a. Decreases the need for external financing
- b. Increases the need for external financing
- c. No impact on external financing
- d. Minimizes holding costs

49. What is the primary purpose of the Receivables Turnover ratio?

- a. Assess the efficiency of accounts payable
- b. Evaluate the liquidity of inventory

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c. Measure the effectiveness of managing accounts receivable

d. Calculate the Economic Order Quantity (EOQ)

50. How does a company benefit from implementing a Vendor-Managed Inventory (VMI) system?

a. Reduces control over inventory levels

b. Minimizes order frequency

c. Increases stockouts

d. Shifts inventory management responsibility to suppliers

51. What is the primary objective of dynamic discounting in accounts payable management?

a. Increase order frequency

b. Reduce cash flow

c. Improve supplier relationships by offering early payment discounts

d. Minimize holding costs

52. How does the implementation of a cash concentration system impact a company's overall cash management strategy?

a. Decreases control over cash

b. Consolidates dispersed funds into a central account

c. Increases the need for safety stock

d. Reduces accounts payable turnover

53. What is the primary advantage of using the Perpetual Inventory System over the Periodic Inventory System?

a. Simplifies inventory valuation

b. Provides real-time visibility into inventory levels

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- c. Minimizes order frequency
- d. Reduces holding costs

54. In the context of inventory management, what does the term "Backordering" refer to?

- a. Fulfilling customer orders from current inventory
- b. Placing orders for inventory in advance
- c. Delaying customer orders until inventory is available
- d. Maintaining safety stock levels

55. How does the implementation of a Just-in-Time (JIT) inventory system impact holding costs?

- a. Increases holding costs
- b. Decreases holding costs
- c. No impact on holding costs
- d. Increases order frequency

56. What is the primary purpose of a cash budget in cash management?

- a. Assess the efficiency of accounts payable
- b. Evaluate the financial health of customers
- c. Plan and control cash inflows and outflows
- d. Calculate the reorder point

57. How does a high Debt to Equity ratio impact a company's ability to manage accounts receivable?

- a. Improves liquidity
- b. Increases the risk of bad debt
- c. Reduces the need for safety stock
- d. Enhances cash conversion efficiency

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58. In the context of inventory control, what is the purpose of the Economic Lot Sizing (ELS) model?
- a. Determine the optimal order quantity
 - b. Assess the efficiency of accounts payable
 - c. Calculate the reorder point
 - d. Minimize order frequency
59. How does the adoption of electronic invoicing impact accounts payable processes?
- a. Increases manual errors
 - b. Slows down payment processing
 - c. Improves efficiency and reduces processing time
 - d. Reduces the need for safety stock
60. What is the primary goal of implementing a centralized cash disbursement system?
- a. Increases liquidity
 - b. Reduces control over cash
 - c. Enhances control and efficiency in managing cash disbursements
 - d. Minimizes stockouts
61. What does the term "Days Payable Outstanding (DPO)" measure in accounts payable management?
- a. The average collection period for accounts receivable
 - b. The efficiency of inventory turnover
 - c. The average time it takes to pay suppliers
 - d. The liquidity of inventory
62. How does a company benefit from utilizing a lockbox system for cash management?

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- a. Increases order frequency
- b. Accelerates the collection of receivables
- c. Reduces the need for safety stock
- d. Slows down payment processing

63. In inventory management, what is the purpose of the ABC-XYZ analysis?

- a. Classifying inventory items based on importance and value
- b. Calculating the reorder point
- c. Assessing the efficiency of accounts payable
- d. Increasing order frequency

64. How does a company benefit from implementing an Electronic Funds Transfer (EFT) system for cash disbursements?

- a. Increases control over cash disbursements
- b. Slows down payment processing
- c. Improves efficiency and reduces processing time
- d. Reduces the need for safety stock

65. What is the primary goal of managing the collection float in cash management?

- a. Decrease liquidity
- b. Improve customer relationships
- c. Reduce the time between mailing invoices and customer payments
- d. Increase cash conversion cycle

66. In accounts receivable management, what is the purpose of the Aging Schedule?

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- a. Evaluate the financial health of customers
 - b. Assess the efficiency of accounts payable
 - c. Classify outstanding receivables based on their age
 - d. Calculate the reorder point
67. How does a company benefit from implementing a Just-in-Time (JIT) inventory system?
- a. Increases order frequency
 - b. Reduces holding costs
 - c. Improves customer relationships
 - d. Maximizes safety stock
68. What does the term "Cross Docking" refer to in inventory management?
- a. Maintaining high levels of safety stock
 - b. Directly transferring received goods to outbound shipping without storage
 - c. Calculating the Economic Order Quantity (EOQ)
 - d. Classifying inventory items based on importance and value
69. How does the adoption of electronic payment methods impact the efficiency of accounts payable processes?
- a. Increases manual errors
 - b. Slows down payment processing
 - c. Improves efficiency and reduces processing time
 - d. Reduces control over cash
70. What is the primary purpose of a physical inventory count in inventory management?
- a. Assess the efficiency of accounts payable

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- b. Calculate the reorder point
- c. Verify the accuracy of the recorded inventory levels
- d. Increase order frequency

71. What is the primary objective of utilizing a revolving credit arrangement in cash management?

- a. Increase liquidity
- b. Decrease control over cash
- c. Enhance cash conversion efficiency
- d. Minimize order frequency

72. In the context of inventory management, what is the purpose of the Economic Shelf Space model?

- a. Determine the optimal order quantity
- b. Assess the efficiency of accounts payable
- c. Maximize shelf space utilization for different inventory items
- d. Calculate the reorder point

73. How does the implementation of a cash flow forecast benefit a company's cash management?

- a. Increases liquidity
- b. Decreases control over cash
- c. Predicts future cash inflows and outflows
- d. Reduces the need for safety stock

74. What does the term "Zero-Based Budgeting" mean in the context of cash management?

- a. A budgeting approach that starts from scratch each budget cycle
- b. A method to minimize holding costs
- c. A technique to calculate reorder points

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d. A strategy to increase order frequency

75. How does a company benefit from implementing a centralized cash receipt system?

- a. Increases control over cash receipts
- b. Accelerates the collection of receivables
- c. Improves efficiency in managing cash disbursements
- d. Reduces the need for safety stock

76. What is the primary purpose of a cash concentration and disbursement system?

- a. Increase liquidity
- b. Consolidate dispersed funds into a central account and manage disbursements
- c. Reduce control over cash
- d. Minimize order frequency

77. How does a longer cash conversion cycle impact a company's need for external financing?

- a. Decreases the need for external financing
- b. Increases the need for external financing
- c. No impact on external financing
- d. Minimizes holding costs

78. What is the primary purpose of utilizing a Letter of Credit in international trade and accounts payable management?

- a. Increase order frequency
- b. Minimize holding costs
- c. Enhance cash conversion efficiency
- d. Ensure payment security and reduce credit risk

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79. How does the implementation of a well-structured credit policy impact accounts receivable management?

- a. Increases the risk of bad debt
- b. Improves liquidity
- c. Slows down payment processing
- d. Reduces the average collection period

80. What is the primary purpose of the Internal Rate of Return (IRR) in cash management?

- a. Assess the efficiency of accounts payable
- b. Evaluate the financial health of customers
- c. Determine the profitability of an investment
- d. Calculate the reorder point

81. How does the implementation of a virtual account structure contribute to cash management efficiency?

- a. Increases manual errors
- b. Consolidates dispersed funds into a central account
- c. Reduces efficiency in managing cash disbursements
- d. Decreases liquidity

82. What is the primary purpose of the Debtors Collection Period ratio in accounts receivable management?

- a. Evaluate the liquidity of inventory
- b. Assess the efficiency of accounts payable
- c. Measure the average time taken to collect receivables
- d. Calculate the Economic Order Quantity (EOQ)

83. How does the implementation of a cash reserve policy impact a company's financial flexibility?

- a. Decreases financial flexibility
- b. Increases financial flexibility

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- c. No impact on financial flexibility
- d. Reduces control over cash disbursements

84. In inventory management, what does the term "Just-in-Case" inventory refer to?

- a. Minimizing safety stock
- b. Calculating the reorder point
- c. Maintaining the Economic Order Quantity (EOQ)
- d. Holding excess inventory as a precaution against unexpected demand fluctuations

85. What is the primary purpose of the Weighted Average Days to Pay metric in accounts payable management?

- a. Evaluate the financial health of customers
- b. Assess the efficiency of accounts payable
- c. Calculate the reorder point
- d. Minimize holding costs

86. How does the implementation of a cash flow hedge impact a company's exposure to currency risk?

- a. Increases exposure to currency risk
- b. Decreases exposure to currency risk
- c. No impact on exposure to currency risk
- d. Reduces the need for safety stock

87. What is the primary goal of managing the "days of supply" metric in inventory management?

- a. Minimize order frequency
- b. Maximize safety stock
- c. Control holding costs
- d. Optimize inventory levels based on expected demand

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88. How does a company benefit from utilizing a credit scoring system in accounts receivable management?

- a. Increases liquidity
- b. Improves customer relationships
- c. Decreases control over cash
- d. Reduces the risk of bad debt

89. What is the primary purpose of the Disbursement Float in cash management?

- a. Increase liquidity
- b. Accelerate cash collections
- c. Delay payment processing
- d. Minimize control over cash disbursements

90. How does a high level of slow-moving or obsolete inventory impact a company's financial performance?

- a. Increases profitability
- b. Decreases liquidity
- c. Improves cash flow
- d. Reduces holding costs

91. What does the term "Days Inventory Outstanding (DIO)" measure in inventory management?

- a. Average time to collect accounts receivable
- b. Average time goods are held in inventory
- c. Average time to pay accounts payable
- d. Average time to process cash disbursements

92. How does implementing a Vendor-Managed Inventory (VMI) system impact the relationship between suppliers and buyers?

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- a. Shifts inventory management responsibility to buyers
- b. Reduces collaboration between suppliers and buyers
- c. Enhances collaboration and communication between suppliers and buyers
- d. Increases order frequency

93. In the context of cash management, what does the term "Float" refer to?

- a. The liquidity of assets
- b. The total cash held by a company
- c. The time between mailing invoices and customer payments
- d. The time between receiving a payment and depositing it

94. What is the primary purpose of the Inventory Turnover ratio?

- a. Assess the efficiency of accounts payable
- b. Evaluate the liquidity of inventory
- c. Measure the efficiency of managing accounts receivable
- d. Calculate

95. How does a just-in-time system impact inventory levels?

- a. Slowly increases
- b. Acceptably maintains
- c. Increases significantly
- d. Reduces significantly

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96. What is the primary goal of managing the Average Collection Period in accounts receivable management?
- a. Increase liquidity
 - b. Accelerate cash collections
 - c. Minimize order frequency
 - d. Improve customer relationships
97. How does the implementation of an Electronic Data Interchange (EDI) system impact accounts payable processes?
- a. Increases manual errors
 - b. Slows down payment processing
 - c. Improves efficiency and reduces processing time
 - d. Reduces control over cash
98. What does the term "Strategic Sourcing" refer to in inventory management?
- a. Selecting suppliers based on cost efficiency only
 - b. The integration of purchasing strategies with overall business objectives
 - c. Reducing the frequency of orders
 - d. Calculating the Economic Order Quantity (EOQ)
99. How does a high level of accounts receivable impact a company's working capital?
- a. Decreases working capital
 - b. Increases working capital
 - c. No impact on working capital
 - d. Decreases cash flow

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100. In the context of inventory management, what is the purpose of the Pareto Principle?

- a. Determine the optimal order quantity
- b. Classify inventory items based on importance and value
- c. Assess the efficiency of accounts payable
- d. Calculate the reorder point

101. What is the primary goal of managing the "Days Sales of Inventory (DSI)" metric in inventory management?

- a. Minimize order frequency
- b. Control holding costs
- c. Optimize inventory levels based on expected demand
- d. Accelerate cash collections

102. How does a company benefit from implementing a cash concentration system with notional pooling?

- a. Decreases control over cash
- b. Consolidates dispersed funds into a central account while maintaining separate balances
- c. Increases the need for safety stock
- d. Reduces liquidity

103. In accounts payable management, what is the purpose of the Discount Period?

- a. Assess the efficiency of accounts payable
- b. Measure the average collection period
- c. Determine the optimal order quantity
- d. Identify the period during which early payment discounts are offered

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104. How does the implementation of a Centralized Receivables System impact cash management?

- a. Slows down cash collections
- b. Accelerates the collection of receivables
- c. Increases control over cash receipts
- d. Reduces the need for safety stock

105. What is the primary purpose of implementing a revolving credit facility in cash management?

- a. Minimize order frequency
- b. Increase liquidity
- c. Decrease control over cash
- d. Improve customer relationships

106. How does a company benefit from implementing a decentralized cash disbursement system?

- a. Increases control over cash disbursements
- b. Consolidates dispersed funds into a central account
- c. Improves efficiency in managing cash disbursements
- d. Reduces liquidity

107. What is the primary goal of managing the "Cash Conversion Cycle (CCC)" in cash management?

- a. Increase liquidity
- b. Decrease control over cash
- c. Minimize order frequency
- d. Optimize the time it takes to convert resources into cash flows

108. How does a high level of obsolete inventory impact a company's financial performance?

- a. Increases profitability

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- b. Decreases liquidity
- c. Improves cash flow
- d. Reduces holding costs

109. What is the primary purpose of implementing a Cash Pooling arrangement in cash management?

- a. Decreases control over cash
- b. Consolidates dispersed funds into a central account to optimize cash balances
- c. Increases the need for safety stock
- d. Reduces liquidity

110. In accounts receivable management, what is the purpose of the Aging of Receivables report?

- a. Assess the efficiency of accounts payable
- b. Classify outstanding receivables based on their age
- c. Determine the optimal order quantity
- d. Calculate the reorder point

111. How does the implementation of an efficient cash sweep mechanism impact cash management?

- a. Slows down cash collections
- b. Increases control over cash
- c. Accelerates the collection of receivables
- d. Reduces liquidity

112. In the context of inventory management, what does the term "Safety Stock" refer to?

- a. Inventory held to guard against stockouts due to uncertainties in demand or supply
- b. The minimum order quantity required for optimal production

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- c. The reorder point for inventory replenishment
 - d. The maximum inventory level a company can hold
113. What is the primary purpose of managing the "Cash Conversion Efficiency" metric in cash management?
- a. Increase liquidity
 - b. Optimize inventory levels
 - c. Minimize order frequency
 - d. Improve the efficiency of cash flow in the conversion process
114. How does the adoption of a centralized cash disbursement system impact efficiency in cash management?
- a. Slows down cash collections
 - b. Accelerates the collection of receivables
 - c. Increases control over cash disbursements
 - d. Reduces liquidity
115. What is the primary purpose of the Days Beyond Terms (DBT) metric in accounts payable management?
- a. Measure the efficiency of cash flow
 - b. Assess the efficiency of accounts payable
 - c. Calculate the reorder point
 - d. Minimize order frequency
116. How does a company benefit from implementing a Just-in-Time (JIT) inventory system?
- a. Increases holding costs
 - b. Reduces order frequency
 - c. Improves customer relationships
 - d. Maximizes safety stock

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117. In the context of inventory management, what is the purpose of the Economic Order Quantity (EOQ)?
- Determine the optimal order quantity
 - Assess the efficiency of accounts payable
 - Calculate the reorder point
 - Minimize order frequency
118. What does the term "Factoring" refer to in accounts receivable management?
- The process of classifying receivables based on their age
 - The sale of accounts receivable to a third party for immediate cash
 - Calculating the reorder point for inventory
 - Increasing the liquidity of inventory
119. How does the implementation of a centralized cash concentration system impact cash management?
- Decreases control over cash
 - Consolidates dispersed funds into a central account
 - Increases the need for safety stock
 - Reduces liquidity
120. What is the primary objective of managing the Disbursement Float in cash management?
- Increase liquidity
 - Accelerate cash collections
 - Delay payment processing
 - Minimize control over cash disbursements

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ANSWERS

1.c,2.c,3.c,4.a,5.b,6.a,7.a,8.b,9.c,10.c,11.a,12.a,13.a,
14.b,15.b,16.a,17.c,18.b,19.c,20.c,21.b,22.a,23.b,24.a,
25.c,26.b,27.c,28.a,29.c,30.b,31.b,32.b,33.d,34.d,35.c,
36.c,37.a,38.b,39.c,40.b,41.a,42.c,43.b,44.c,45.d,46.c,
47.d,48.b,49.c,50.d,51.c,52.b,53.b,54.c,55.b,56.c,57.b,
58.a,59.c,60.c,61.c,62.b,63.a,64.c,65.c,66.c,67.b,68.b,
69.c,70.c,71.a,72.c,73.c,74.a,75.b,76.b,77.b,78.d,79.d,
80.c,81.b,82.c,83.b,84.d,85.b,86.b,87.d,88.d,89.c,90.b,
91.b,92.c,93.d,94.b,95.b,96.b,97.c,98.b,99.b,100.b,101.c,
102.b,103.d,104.b,105.b,106.a,107.d,108.b,109.b,110.b,
111.c,112.a,113.d,114.c,115.b,116.b,117.a,118.b,119.b,
120.c



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**Unit - 5
Multinational capital budgeting**

1. What is the primary goal of multinational capital budgeting?
 - a) Maximize shareholder wealth
 - b) Increase market share
 - c) Minimize taxation
 - d) Enhance employee satisfaction
2. In multinational capital budgeting, what does the term "exchange rate risk" refer to?
 - a) Fluctuations in interest rates
 - b) Changes in inflation rates
 - c) Variations in currency values
 - d) Market competition risks
3. Which of the following is a commonly used method for evaluating multinational capital projects?
 - a) Payback period
 - b) Employee morale analysis
 - c) Social responsibility assessment
 - d) Customer satisfaction index
4. What is the purpose of using the discount factor in net present value (NPV) analysis for multinational projects?
 - a) To account for inflation
 - b) To adjust for exchange rate fluctuations
 - c) To calculate the payback period
 - d) To incorporate risk premiums

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5. Which risk management technique is commonly employed to mitigate exchange rate risk in multinational projects?
- a) Hedging
 - b) Outsourcing
 - c) Diversification
 - d) Benchmarking
6. What does the term "repatriation of profits" mean in the context of multinational capital budgeting?
- a) Sending funds to foreign subsidiaries
 - b) Reinvesting profits in the host country
 - c) Distributing profits to shareholders
 - d) Withholding profits for future projects
7. Which factor is crucial in determining the cost of capital for a multinational project?
- a) Host country's GDP
 - b) Home country's inflation rate
 - c) Project's payback period
 - d) Country risk premium
8. What is the primary drawback of using the Internal Rate of Return (IRR) method in multinational capital budgeting?
- a) Complexity in calculation
 - b) Ignores time value of money
 - c) Sensitivity to project size
 - d) Ambiguity in risk assessment
9. How does political stability in a host country impact multinational capital budgeting decisions?
- a) Reduces project risk

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- b) Increases exchange rate risk
- c) Lowers the cost of capital
- d) Limits access to foreign markets

10. What is the role of sensitivity analysis in multinational capital budgeting?

- a) Evaluating project feasibility
- b) Assessing the impact of variable changes
- c) Calculating the payback period
- d) Analyzing social and environmental factors

11. What is the primary purpose of conducting a risk analysis in multinational capital budgeting?

- a) To eliminate all project risks
- b) To assess the impact of uncertainties on project outcomes
- c) To increase the cost of capital
- d) To minimize taxation

12. How does the use of a higher discount rate affect the Net Present Value (NPV) of a multinational project?

- a) Increases NPV
- b) Decreases NPV
- c) Has no effect on NPV
- d) Makes NPV calculation invalid

13. In multinational capital budgeting, what does the term "capital rationing" refer to?

- a) Limiting the total capital available for investment
- b) Unlimited access to capital for all projects
- c) Excessive spending on marketing strategies
- d) Allocating capital based on political stability

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14. Which risk is associated with the expropriation of assets by the host country in multinational projects?

- a) Exchange rate risk b) Political risk
- c) Interest rate risk d) Market risk

15. What is the significance of the Weighted Average Cost of Capital (WACC) in multinational capital budgeting?

- a) Determines the project's payback period
- b) Represents the average cost of funds from different sources
- c) Measures the project's profitability index
- d) Evaluates social and environmental impacts

16. How does a subsidiary's dividend policy impact the parent company in multinational capital budgeting?

- a) No impact on the parent company
- b) Increases exchange rate risk
- c) Affects the cost of capital
- d) Reduces project risk

17. Which method considers the time value of money and is widely used in multinational capital budgeting?

- a) Accounting Rate of Return (ARR)
- b) Return on Investment (ROI)
- c) Internal Rate of Return (IRR)
- d) Profitability Index (PI)

18. What role does the concept of "transfer pricing" play in multinational capital budgeting?

- a) Determines the project's initial investment

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- b) Influences the project's risk analysis
- c) Sets the prices for goods and services transferred between subsidiaries
- d) Measures the project's environmental impact

19. How does a decentralized organizational structure impact the capital budgeting process in multinational corporations?

- a) Streamlines decision making
- b) Increases coordination challenges
- c) Reduces exchange rate risk
- d) Improves project feasibility

20. What is the primary advantage of using the Modified Internal Rate of Return (MIRR) in multinational capital budgeting?

- a) Ignores cash flow timing issues
- b) Considers reinvestment at the project's cost of capital
- c) Underestimates project profitability
- d) Increases project risk

21. What is the primary drawback of using the Accounting Rate of Return (ARR) in multinational capital budgeting?

- a) Ignores cash flows over the project's life
- b) Does not consider the time value of money
- c) Requires complex calculations
- d) Overemphasizes shortterm profitability

22. How does inflation in a host country impact the cash flows of a multinational project?

- a) Increases cash inflows
- b) Reduces project risk

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- c) Decreases cash outflows
- d) Negatively affects the purchasing power of cash flows

23. What is the purpose of conducting a sensitivity analysis in multinational capital budgeting?

- a) To identify the impact of changes in variables on project outcomes
- b) To calculate the project's payback period
- c) To assess political stability
- d) To estimate the project's internal rate of return

24. How does the use of a higher discount rate affect the payback period of a multinational project?

- a) Increases the payback period
- b) Decreases the payback period
- c) Has no effect on the payback period
- d) Makes the payback period calculation invalid

25. In multinational capital budgeting, what is the significance of the risk adjusted discount rate?

- a) Represents the cost of capital
- b) Accounts for variations in currency values
- c) Adjusts the discount rate based on project risk
- d) Calculates the project's net present value

26. How does a high degree of correlation between currencies impact exchange rate risk in multinational projects?

- a) Increases exchange rate risk
- b) Decreases exchange rate risk
- c) Has no effect on exchange rate risk

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d) Eliminates exchange rate risk

27. What role does the concept of "cross border financing" play in multinational capital budgeting?

- a) Determines the project's cash flow
- b) Facilitates international trade
- c) Influences the project's net present value
- d) Raises funds from sources outside the home country

28. How does a government's tax policy in the host country impact the multinational capital budgeting process?

- a) Reduces project risk
- b) Affects the cost of capital
- c) Increases the payback period
- d) Enhances the project's profitability index

29. What is the primary objective of using scenario analysis in multinational capital budgeting?

- a) To calculate the accounting rate of return
- b) To evaluate social and environmental factors
- c) To assess the impact of different future scenarios on project outcomes
- d) To determine the project's net present value

30. How does a multinational corporation benefit from centralized decisionmaking in capital budgeting?

- a) Increases coordination challenges
- b) Enhances project feasibility
- c) Reduces the cost of capital
- d) Limits access to global markets

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31. In multinational capital budgeting, what does the term "capital flight" refer to?

- a) Movement of funds across subsidiaries
- b) Rapid depreciation of a host country's currency
- c) Delays in project implementation
- d) Excessive spending on capital projects

32. How does a higher degree of integration between subsidiaries impact the risk of a multinational project?

- a) Increases project risk
- b) Decreases project risk
- c) Has no effect on project risk
- d) Reduces exchange rate risk

33. What is the primary consideration when selecting a discount rate for multinational capital budgeting?

- a) Project size
- b) Local inflation rate
- c) Host country's GDP
- d) Project's systematic risk

34. How does a long payback period impact the attractiveness of a multinational project?

- a) Increases project risk
- b) Enhances project feasibility
- c) Reduces exchange rate risk
- d) Lowers the cost of capital

35. What role does the cost of debt play in determining the Weighted Average Cost of Capital (WACC) for multinational projects?

- a) It has no impact on WACC

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- b) Increases WACC
- c) Lowers WACC
- d) Affects project's net present value

36. In multinational capital budgeting, how does a decentralized decision-making structure impact the allocation of resources?

- a) Streamlines resource allocation
- b) Increases coordination challenges
- c) Lowers the cost of capital
- d) Accelerates project implementation

37. What is the primary disadvantage of relying solely on the payback period for project evaluation in multinational corporations?

- a) Ignores the time value of money
- b) Increases project risk
- c) Requires complex calculations
- d) Enhances social responsibility

38. How does the use of real options in multinational capital budgeting add value to project evaluation?

- a) Increases project risk
- b) Provides flexibility in decision-making
- c) Lowers the cost of capital
- d) Reduces exchange rate risk

39. What is the purpose of conducting a post audit analysis in multinational capital budgeting?

- a) Determines the project's initial investment
- b) Evaluates the project's environmental impact

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- c) Assesses the accuracy of initial project estimates
- d) Calculates the project's payback period

40. How does the concept of "transfer pricing" impact a multinational corporation's tax liabilities?

- a) Reduces tax liabilities
- b) Increases tax liabilities
- c) Has no effect on tax liabilities
- d) Simplifies tax calculations

41. What risk does the term "country risk" encompass in the context of multinational capital budgeting?

- a) Currency risk
 - b) Political risk
 - c) Interest rate risk
 - d) Market risk
- Answer: b) Political risk

42. How does the use of a lower discount rate affect the Net Present Value (NPV) of a multinational project?

- a) Increases NPV
- b) Decreases NPV
- c) Has no effect on NPV
- d) Makes NPV calculation invalid

43. What is the role of the risk free rate in determining the cost of capital for multinational projects?

- a) Represents the minimum acceptable rate of return
- b) Reflects the project's systematic risk
- c) Influences the project's payback period
- d) Affects exchange rate risk

44. How does the use of a shorter payback period impact the risk profile of a multinational project?

- a) Increases project risk

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- b) Decreases project risk
- c) Has no effect on project risk
- d) Increases exchange rate risk

45. What is the significance of the Modified Internal Rate of Return (MIRR) in multinational capital budgeting?

- a) Ignores cash flow timing issues
- b) Accounts for changes in currency values
- c) Underestimates project profitability
- d) Increases project risk

46. How does the inclusion of sunk costs in project analysis impact the decision-making process in multinational corporations?

- a) Increases project risk
- b) Affects the project's payback period
- c) Should not influence decisions
- d) Lowers the cost of capital

47. What is the primary advantage of using the Profitability Index (PI) in multinational capital budgeting?

- a) Considers the time value of money
- b) Provides a relative measure of project profitability
- c) Ignores changes in exchange rates
- d) Lowers the cost of capital

48. How does the concept of "cross cultural differences" impact the implementation of multinational projects?

- a) Increases project risk
- b) Streamlines communication
- c) Lowers the cost of capital

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d) Reduces exchange rate risk

49. What is the primary objective of using the Equivalent Annual Cost (EAC) method in multinational capital budgeting?

- a) Determines the project's payback period
- b) Calculates the project's net present value
- c) Compares projects with unequal lifespans
- d) Analyzes social and environmental factors

50. In multinational capital budgeting, how does the use of sensitivity analysis differ from scenario analysis?

a) Sensitivity analysis assesses the impact of variable changes, while scenario analysis evaluates different future situations.

b) Scenario analysis focuses on project risk, while sensitivity analysis considers project profitability.

c) Sensitivity analysis and scenario analysis are interchangeable terms.

d) Scenario analysis only considers exchange rate risk, while sensitivity analysis covers various variables.

51. What risk is associated with the term "cross border taxation" in multinational capital budgeting?

- a) Political risk
- b) Currency risk
- c) Interest rate risk
- d) Taxation risk

52. How does a high level of project risk impact the required rate of return for a multinational project?

- a) Increases the required rate of return
- b) Decreases the required rate of return
- c) Has no effect on the required rate of return
- d) Lowers the project's net present value

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53. In multinational capital budgeting, what does the term "soft factors" refer to?

- a) Easily quantifiable project variables
- b) Cultural and qualitative aspects influencing project success
- c) Exchange rate fluctuations
- d) Political stability measures

54. How does a multinational corporation benefit from diversifying its capital sources?

- a) Increases project risk
- b) Lowers the cost of capital
- c) Raises exchange rate risk
- d) Influences the project's payback period

55. What is the primary purpose of a postimplementation audit in multinational capital budgeting?

- a) Determines the project's initial investment
- b) Assesses the accuracy of initial project estimates
- c) Calculates the project's payback period
- d) Evaluates the project's environmental impact

56. How does the use of the real exchange rate impact the evaluation of multinational projects?

- a) Increases project risk
- b) Adjusts for inflation and exchange rate changes
- c) Lowers the cost of capital
- d) Influences the project's payback period

57. What role does the concept of "agency costs" play in multinational capital budgeting?

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- a) Represents the project's systematic risk
- b) Accounts for changes in currency values
- c) Reflects conflicts of interest between management and shareholders
- d) Determines the project's net present value

58. How does a multinational corporation mitigate political risk in capital budgeting?

- a) Hedging against exchange rate fluctuations
- b) Diversifying its investment portfolio
- c) Implementing sound corporate governance practices
- d) Setting conservative payback periods

59. What is the primary advantage of using the discounted payback period in multinational capital budgeting?

- a) Ignores the time value of money
- b) Considers the time value of money
- c) Requires less complex calculations
- d) Reduces project risk

60. How does the use of a higher hurdle rate impact the acceptance criteria for multinational projects?

- a) Lowers the acceptance criteria
- b) Raises the acceptance criteria
- c) Has no effect on acceptance criteria
- d) Eliminates the need for acceptance criteria

61. What risk is associated with the term "repatriation restrictions" in multinational capital budgeting?

- a) Exchange rate risk
- b) Political risk
- c) Interest rate risk
- d) Market risk

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62. How does a high degree of correlation between currencies impact the diversification benefits in multinational capital budgeting?

- a) Increases diversification benefits
- b) Decreases diversification benefits
- c) Has no effect on diversification benefits
- d) Eliminates diversification benefits

63. What role does the concept of "risk free rate" play in the determination of the cost of equity for multinational projects?

- a) Represents the project's systematic risk
- b) Reflects the minimum acceptable rate of return
- c) Influences the project's payback period
- d) Affects exchange rate risk

64. How does a higher inflation rate in the host country impact the nominal cash flows of a multinational project?

- a) Increases nominal cash inflows
- b) Reduces nominal cash outflows
- c) Lowers nominal cash inflows
- d) Has no effect on nominal cash flows

65. In multinational capital budgeting, what is the significance of the riskadjusted discount rate?

- a) Represents the minimum acceptable rate of return
- b) Accounts for changes in currency values
- c) Adjusts the discount rate based on project risk
- d) Determines the project's payback period

66. What is the primary role of the project manager in the context of multinational capital budgeting?

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- a) Determines the project's initial investment
- b) Implements sound corporate governance practices
- c) Manages and oversees the project throughout its lifecycle
- d) Influences the project's net present value

67. How does a decentralized decision-making structure impact the risk assessment process in multinational corporations?

- a) Streamlines risk assessment
- b) Increases coordination challenges
- c) Lowers the cost of capital
- d) Influences the project's payback period

68. What risk is associated with the term "cultural risk" in multinational capital budgeting?

- a) Exchange rate risk
- b) Political risk
- c) Interest rate risk
- d) Differences in cultural practices and norms

69. How does the use of a longer payback period impact the attractiveness of a multinational project?

- a) Increases project risk
- b) Lowers project risk
- c) Enhances project feasibility
- d) Increases exchange rate risk

70. What is the primary purpose of using the certainty equivalent method in multinational capital budgeting?

- a) Evaluates political stability
- b) Adjusts for uncertainty in cash flows

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- c) Determines the project's payback period
- d) Influences the project's net present value

71. What is the primary disadvantage of using the payback period as the sole criterion for project acceptance in multinational corporations?

- a) Ignores the time value of money
- b) Requires complex calculations
- c) Enhances project feasibility
- d) Lowers the cost of capital

72. In multinational capital budgeting, what does the term "cross hedging" refer to?

- a) Hedging against changes in interest rates
- b) Hedging against changes in exchange rates using a different currency
- c) Diversifying investments across different countries
- d) Minimizing political risk

73. How does a high degree of financial leverage impact the risk profile of a multinational project?

- a) Increases project risk
- b) Decreases project risk
- c) Has no effect on project risk
- d) Lowers the cost of capital

74. What is the role of the Modified Internal Rate of Return (MIRR) in overcoming the limitations of the traditional Internal Rate of Return (IRR) in multinational capital budgeting?

- a) Ignores cash flow timing issues

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b) Considers reinvestment at the project's cost of capital

c) Underestimates project profitability

d) Has no impact on project evaluation

75. How does the use of a lower discount rate impact the present value of future cash flows in multinational projects?

a) Increases present value

b) Decreases present value

c) Has no effect on present value

d) Invalidates present value calculations

76. What risk is associated with the term "liquidity risk" in multinational capital budgeting?

a) Political risk

b) Currency risk

c) Interest rate risk

d) Difficulty in converting assets into cash

77. How does the use of the Monte Carlo simulation method assist in risk analysis for multinational projects?

a) Calculates the payback period

b) Assesses political stability

c) Models various scenarios to estimate potential outcomes

d) Determines the project's cost of capital

78. What is the primary advantage of using the profitability index (PI) over the payback period in project evaluation?

a) Considers the time value of money

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- b) Requires less complex calculations
- c) Measures social and environmental factors
- d) Provides a relative measure of project profitability

79. How does a higher level of financial transparency impact the cost of capital for multinational corporations?

- a) Lowers the cost of capital
- b) Increases the cost of capital
- c) Has no effect on the cost of capital
- d) Reduces project risk

80. What is the significance of the capital asset pricing model (CAPM) in multinational capital budgeting?

- a) Calculates the project's payback period
- b) Determines the project's cost of equity
- c) Measures political stability
- d) Analyzes exchange rate risk

81. What is the primary advantage of using real options analysis in multinational capital budgeting?

- a) Considers the time value of money
- b) Provides flexibility in decision making
- c) Reduces exchange rate risk
- d) Lowers project risk

82. How does a higher degree of financial leverage impact the weighted average cost of capital (WACC) for multinational projects?

- a) Increases WACC
- b) Decreases WACC
- c) Has no effect on WACC
- d) Reduces project risk

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83. What is the role of the Fisher Effect in multinational capital budgeting?

- a) Measures project profitability
- b) Adjusts for changes in exchange rates
- c) Reflects the impact of inflation on nominal interest rates
- d) Determines the project's payback period

84. How does the use of scenario analysis differ from sensitivity analysis in multinational capital budgeting?

- a) Scenario analysis assesses the impact of variable changes, while sensitivity analysis evaluates different future situations.
- b) Sensitivity analysis focuses on project risk, while scenario analysis considers project profitability.
- c) Sensitivity analysis and scenario analysis are interchangeable terms.
- d) Scenario analysis only considers exchange rate risk, while sensitivity analysis covers various variables.

85. What is the primary purpose of using the certainty equivalent method in multinational capital budgeting?

- a) Evaluates political stability
- b) Adjusts for uncertainty in cash flows
- c) Determines the project's payback period
- d) Influences the project's net present value

86. How does the use of a higher risk free rate impact the cost of equity for multinational projects?

- a) Increases the cost of equity
- b) Decreases the cost of equity
- c) Has no effect on the cost of equity

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d) Raises the project's net present value

87. What is the primary drawback of using the Profitability Index (PI) in multinational capital budgeting?

- a) Does not consider the time value of money
- b) Requires complex calculations
- c) Ignores project risk
- d) Overemphasizes short term profitability

88. How does the use of a higher discount rate impact the present value of future cash flows in multinational projects?

- a) Increases present value
- b) Decreases present value
- c) Has no effect on present value
- d) Invalidates present value calculations

89. What is the role of the country risk premium in the determination of the cost of capital for multinational projects?

- a) Represents the project's systematic risk
- b) Reflects the minimum acceptable rate of return
- c) Influences the project's payback period
- d) Accounts for additional risks associated with the host country

90. How does a high degree of financial leverage impact the financial flexibility of multinational corporations?

- a) Increases financial flexibility
- b) Decreases financial flexibility
- c) Has no effect on financial flexibility

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d) Reduces exchange rate risk

91. What is the primary purpose of using sensitivity analysis in multinational capital budgeting?

- a) Determines the project's initial investment
- b) Evaluates political stability
- c) Assesses the impact of variable changes on project outcomes
- d) Calculates the project's payback period

92. How does the use of the Equivalent Annual Cost (EAC) method address the issue of unequal project lifespans in multinational capital budgeting?

- a) Ignores unequal project lifespans
- b) Converts project cash flows into equal annual amounts
- c) Increases the cost of capital
- d) Accounts for differences in project size

93. What is the significance of the term "opportunity cost" in the context of multinational capital budgeting?

- a) Measures the project's profitability
- b) Represents the cost of forgoing the next best alternative
- c) Determines the project's payback period
- d) Evaluates social and environmental impacts

94. How does a higher beta coefficient impact the cost of equity for a multinational project?

- a) Increases the cost of equity
- b) Decreases the cost of equity
- c) Has no effect on the cost of equity

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d) Lowers the project's net present value

95. What is the primary disadvantage of relying solely on the Accounting Rate of Return (ARR) for project evaluation in multinational corporations?

- a) Ignores the time value of money
- b) Requires complex calculations
- c) Enhances project feasibility
- d) Measures short term profitability only

96. How does a higher level of uncertainty impact the feasibility of a multinational project?

- a) Increases project risk
- b) Decreases project risk
- c) Has no effect on project risk
- d) Lowers the project's net present value

97. In multinational capital budgeting, what does the term "capital adequacy" refer to?

- a) The project's initial investment
- b) The availability of funds for investment
- c) Political stability in the host country
- d) The project's cost of equity

98. How does the use of the real exchange rate impact the analysis of multinational projects?

- a) Increases project risk
- b) Adjusts for inflation and exchange rate changes
- c) Lowers the cost of capital
- d) Influences the project's payback period

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99. What is the primary objective of using the Monte Carlo simulation method in multinational capital budgeting?

- a) Evaluates political stability
- b) Models various scenarios to estimate potential outcomes
- c) Determines the project's payback period
- d) Calculates the project's net present value

100. How does the use of a higher risk free rate impact the required rate of return for a multinational project?

- a) Increases the required rate of return
- b) Decreases the required rate of return
- c) Has no effect on the required rate of return
- d) Raises the project's net present value

101. What risk is associated with the term "repatriation risk" in multinational capital budgeting?

- a) Currency risk
- b) Political risk
- c) Interest rate risk
- d) Risk of capital flight

102. How does a higher degree of integration between subsidiaries impact the risk of a multinational project?

- a) Increases project risk
- b) Decreases project risk
- c) Has no effect on project risk
- d) Reduces exchange rate risk

103. What role does the concept of "transfer pricing" play in multinational capital budgeting?

- a) Determines the project's cash flow
- b) Facilitates international trade

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- c) Influences the project's net present value
- d) Establishes the pricing of goods and services within the multinational corporation

104. How does a higher level of project risk impact the cost of capital for multinational projects?

- a) Increases the cost of capital
- b) Decreases the cost of capital
- c) Has no effect on the cost of capital
- d) Reduces project feasibility

105. In multinational capital budgeting, what does the term "political stability" refer to?

- a) The project's payback period
- b) The availability of funds for investment
- c) The likelihood of political changes affecting the project
- d) The project's cost of equity

106. How does the use of the real options approach differ from traditional discounted cash flow methods in multinational capital budgeting?

- a) It ignores cash flow timing issues
- b) It considers the flexibility to adapt to changing circumstances
- c) It has no impact on project risk
- d) It underestimates project profitability

107. What is the primary objective of using the certainty equivalent method in multinational capital budgeting?

- a) Determines the project's payback period
- b) Adjusts for uncertainty in cash flows
- c) Evaluates political stability

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d) Calculates the project's net present value

108. How does a higher level of cross border financing impact the risk profile of a multinational project?

- a) Increases project risk
- b) Decreases project risk
- c) Has no effect on project risk
- d) Lowers the cost of capital

109. What is the primary purpose of using the certainty equivalent method in multinational capital budgeting?

- a) Determines the project's payback period
- b) Adjusts for uncertainty in cash flows
- c) Evaluates political stability
- d) Calculates the project's net present value

110. How does the concept of "cross border financing" impact the capital structure of multinational corporations?

- a) Reduces the cost of capital
- b) Increases financial flexibility
- c) Influences the project's payback period
- d) Raises funds from sources outside the home country

111. What risk is associated with the term "currency risk" in multinational capital budgeting?

- a) Political risk
- b) Exchange rate risk
- c) Interest rate risk
- d) Repatriation risk

112. How does a higher degree of financial transparency impact the cost of capital for multinational corporations?

- a) Lowers the cost of capital
- b) Increases the cost of capital

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- c) Has no effect on the cost of capital
 - d) Reduces project risk
113. What role does the concept of "cross cultural differences" play in the implementation of multinational projects?
- a) Increases project risk
 - b) Streamlines communication
 - c) Lowers the cost of capital
 - d) Reduces exchange rate risk
114. How does the use of a lower discount rate impact the Net Present Value (NPV) of a multinational project?
- a) Increases NPV
 - b) Decreases NPV
 - c) Has no effect on NPV
 - d) Makes NPV calculation invalid
115. What is the primary role of the risk free rate in determining the cost of capital for multinational projects?
- a) Represents the project's systematic risk
 - b) Reflects the project's payback period
 - c) Influences the project's net present value
 - d) Represents the minimum acceptable rate of return
116. How does a higher level of project risk impact the acceptability of a multinational project?
- a) Increases acceptability
 - b) Decreases acceptability
 - c) Has no effect on acceptability
 - d) Lowers the project's net present value

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117. What is the primary purpose of conducting a post audit analysis in multinational capital budgeting?

- a) Determines the project's initial investment
- b) Evaluates the project's environmental impact
- c) Assesses the accuracy of initial project estimates
- d) Calculates the project's payback period

118. How does the use of sensitivity analysis differ from scenario analysis in multinational capital budgeting?

a) Sensitivity analysis assesses the impact of variable changes, while scenario analysis evaluates different future situations.

b) Scenario analysis focuses on project risk, while sensitivity analysis considers project profitability.

c) Sensitivity analysis and scenario analysis are interchangeable terms.

d) Scenario analysis only considers exchange rate risk, while sensitivity analysis covers various variables.

119. What is the primary advantage of using the Modified Internal Rate of Return (MIRR) in multinational capital budgeting?

a) Ignores cash flow timing issues

b) Considers reinvestment at the project's cost of capital

c) Underestimates project profitability

d) Lowers project risk

120. How does the use of a decentralized decision making structure impact the coordination of multinational projects?

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- a) Streamlines coordination
- b) Increases coordination challenges
- c) Lowers the cost of capital
- d) Accelerates project implementation

ANSWERS

1.a,2.c,3.a,4.a,5.a,6.c,7.d,8.b,9.a,10.b,11.b,12.b,13.a,
14.b,15.b,16.c,17.c,18.c,19.b,20.b,21.b,22.d,23.a,24.c,
25.c,26.b,27.d,28.b,29.c,30.c,31.b,32.b,33.d,34.a,35.b,
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91.c,92.b,93.b,94.a,95.a,96.a,97.b,98.b,99.b,100.b,101.b,
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Mrs. G. Banupriya was born in 1985 in Madurai. She is currently working as an Assistant Professor in the Department of Commerce, St. Joseph's College of Arts and Science for Women, Hosur. She has completed M.Com., in Kamarajar University and M.Phil., in Periyar University and Perusing (P.hD) in Periyar University. She has versatile experience of 10 years. She has published numerous papers national and international journals. Her area of interest include Finance, Marketing and Human Resource Management. Received the Best Senior Faculty Award from Novel research Academy, Registered under the ministry of MSME, Government of India.

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