Ch-1 Scope & Objectives — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. The CFO of Falcon Steel asks you to compute the metric. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q2. Delta Motors is reassessing policy; consider the data below. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q3. Beta Foods Pvt. Ltd. is reassessing policy; consider the data below. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q4. The CFO of Helios Electronics asks you to compute the metric. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

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Q5. Assume 365-day year for Jupiter Tools unless stated. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q6. Cosmo Textiles is reassessing policy; consider the data below. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q7. Assume 365-day year for Krypton Plastics unless stated. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q8. Assume 365-day year for Alpha Ltd. unless stated. Which objective aligns best with shareholder value?

Type: Normal | Topic: Objectives | Difficulty: Easy | Trend: High

(A) Wealth maximisation uses NPV & risk/time value

(B) Profit maximisation fully accounts for timing

(C) Profit always ensures value creation

(D) Wealth ignores risk

Answer: (A) **Hint:** Wealth ≈ PV of future cash flows; considers timing & risk.

Q9. The CFO of Alpha Ltd. asks you to compute the metric. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend

(B) Planning, Auditing, Reporting

(C) Budgeting, Taxation, Audit

(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q10. Cosmo Textiles has provided the following; pick the best answer. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend
(B) Planning, Auditing, Reporting
(C) Budgeting, Taxation, Audit
(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q11. Indus Breweries is reassessing policy; consider the data below. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend
(B) Planning, Auditing, Reporting
(C) Budgeting, Taxation, Audit
(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q12. Cosmo Textiles has provided the following; pick the best answer. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend
(B) Planning, Auditing, Reporting
(C) Budgeting, Taxation, Audit
(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q13. The CFO of Falcon Steel asks you to compute the metric. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend
(B) Planning, Auditing, Reporting
(C) Budgeting, Taxation, Audit
(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q14. At Beta Foods Pvt. Ltd., the finance team is reviewing metrics. Identify the three core finance decisions.

Type: Normal | Topic: Functions | Difficulty: Easy | Trend: High

(A) Investment, Financing, Dividend
(B) Planning, Auditing, Reporting
(C) Budgeting, Taxation, Audit
(D) Treasury, Payroll, CSR

Answer: (A) **Hint:** Capital budgeting, capital structure, payout policy.

Q15. Time Value: Find PV of Rs. 100,000 after 3 years @ 10%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 75,131
(B) PV ≈ Rs. 90,157
(C) PV ≈ Rs. 60,104
(D) PV ≈ Rs. 112,696

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q16. Time Value: Find PV of Rs. 200,000 after 2 years @ 12%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 159,439 (B) PV ≈ Rs. 191,326

(C) PV ≈ Rs. 127,551 (D) PV ≈ Rs. 239,158

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q17. Time Value: Find PV of Rs. 150,000 after 4 years @ 8%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 110,254 (B) PV ≈ Rs. 132,304

(C) PV ≈ Rs. 88,203 (D) PV ≈ Rs. 165,381

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q18. Time Value: Find PV of Rs. 120,000 after 5 years @ 9%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 77,992 (B) PV ≈ Rs. 93,590

(C) PV ≈ Rs. 62,393 (D) PV ≈ Rs. 116,988

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q19. Time Value: Find PV of Rs. 100,000 after 6 years @ 10%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 56,447 (B) PV ≈ Rs. 67,736

(C) PV ≈ Rs. 45,157 (D) PV ≈ Rs. 84,670

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q20. Time Value: Find PV of Rs. 100,000 after 3 years @ 10%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 75,131 (B) PV ≈ Rs. 90,157

(C) PV ≈ Rs. 60,104 (D) PV ≈ Rs. 112,696

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q21. Time Value: Find PV of Rs. 200,000 after 2 years @ 12%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 159,439 (B) PV ≈ Rs. 191,326

(C) PV ≈ Rs. 127,551 (D) PV ≈ Rs. 239,158

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q22. Time Value: Find PV of Rs. 150,000 after 4 years @ 8%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 110,254 (B) PV ≈ Rs. 132,304

(C) PV ≈ Rs. 88,203 (D) PV ≈ Rs. 165,381

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q23. Time Value: Find PV of Rs. 120,000 after 5 years @ 9%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 77,992
(B) PV ≈ Rs. 93,590
(C) PV ≈ Rs. 62,393
(D) PV ≈ Rs. 116,988

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q24. Time Value: Find PV of Rs. 100,000 after 6 years @ 10%.

Type: Normal | Topic: TVM | Difficulty: Easy | Trend: Medium

(A) PV ≈ Rs. 56,447
(B) PV ≈ Rs. 67,736
(C) PV ≈ Rs. 45,157
(D) PV ≈ Rs. 84,670

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q25. CAPM: Rf=6%, Rm=12%, β=1.2. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 13.2%
(B) 6.0%
(C) 12.0%
(D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q26. CAPM: Rf=7%, Rm=13%, β=0.8. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 11.8%
(B) 7.0%
(C) 13.0%
(D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q27. CAPM: Rf=5%, Rm=11%, β=1.5. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 14.0%
(B) 5.0%
(C) 11.0%
(D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q28. CAPM: Rf=6%, Rm=10%, β=1.1. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 10.4%
(B) 6.0%
(C) 10.0%
(D) 4.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q29. CAPM: Rf=5%, Rm=12%, β=0.9. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 11.3%
(B) 5.0%
(C) 12.0%
(D) 7.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q30. CAPM: Rf=6%, Rm=12%, β=1.2. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 13.2% (B) 6.0%

(C) 12.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q31. CAPM: Rf=7%, Rm=13%, β=0.8. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 11.8% (B) 7.0%

(C) 13.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q32. CAPM: Rf=5%, Rm=11%, β=1.5. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 14.0% (B) 5.0%

(C) 11.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q33. CAPM: Rf=6%, Rm=10%, β=1.1. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 10.4% (B) 6.0%

(C) 10.0% (D) 4.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q34. CAPM: Rf=5%, Rm=12%, β=0.9. Estimate ke.

Type: Normal | Topic: Risk–Return | Difficulty: Easy | Trend: High

(A) 11.3% (B) 5.0%

(C) 12.0% (D) 7.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q35. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q36. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q37. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q38. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q39. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q40. Agency problem: pick the correct statement.

Type: Normal | Topic: Agency | Difficulty: Easy | Trend: Medium

(A) ESOPs and monitoring help align interests (B) Perk consumption always benefits SH

(C) Removing covenants reduces lender protection (D) Window dressing improves ethics

Answer: (A) **Hint:** Incentives + monitoring mitigate conflicts; covenants protect lenders.

Q41. Ethics in finance: choose the best practice.

Type: Normal | Topic: Ethics | Difficulty: Easy | Trend: Low

(A) True & fair view, timely disclosure (B) Hide losses to protect price

(C) Selective disclosure is fine (D) Delay audited results

Answer: (A) **Hint:** Disclosure and fairness reduce cost of capital.

Q42. Ethics in finance: choose the best practice.

Type: Normal | Topic: Ethics | Difficulty: Easy | Trend: Low

(A) True & fair view, timely disclosure (B) Hide losses to protect price

(C) Selective disclosure is fine (D) Delay audited results

Answer: (A) **Hint:** Disclosure and fairness reduce cost of capital.

Q43. Ethics in finance: choose the best practice.

Type: Normal | Topic: Ethics | Difficulty: Easy | Trend: Low

(A) True & fair view, timely disclosure (B) Hide losses to protect price

(C) Selective disclosure is fine (D) Delay audited results

Answer: (A) **Hint:** Disclosure and fairness reduce cost of capital.

Q44. Ethics in finance: choose the best practice.

Type: Normal | Topic: Ethics | Difficulty: Easy | Trend: Low

(A) True & fair view, timely disclosure (B) Hide losses to protect price

(C) Selective disclosure is fine (D) Delay audited results

Answer: (A) **Hint:** Disclosure and fairness reduce cost of capital.

Q45. Wealth metric primarily uses:

Type: Twist | Topic: Wealth vs Profit | Difficulty: Moderate | Trend: High

(A) Market value/NPV (B) Accounting profit

(C) Sales growth (D) EPS only

Answer: (A) **Hint:** Use NPV/cash flows.

Q46. Which link is correct?

Type: Twist | Topic: Decisions link | Difficulty: Moderate | Trend: High

(A) Payout affects retention b and growth g (B) Financing never affects WACC

(C) Investment choices don’t impact ke (D) Dividend policy fixes β

Answer: (A) **Hint:** g=b×r; WACC and g interact.

Q47. If β>1, the stock is:

Type: Twist | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) Aggressive (more volatile than market) (B) Defensive

(C) Risk-free (D) Mispriced

Answer: (A) **Hint:** $\beta>1 \rightarrow$ higher systematic risk.

Q48. Annuity PV uses:

Type: Twist | Topic: TVM | Difficulty: Moderate | Trend: High

(A) PVAF (B) FVAF

(C) PVIF only (D) No factor

Answer: (A) **Hint:** Use PVAF(k,n).

Q49. Window dressing tends to:

Type: Twist | Topic: Ethics | Difficulty: Moderate | Trend: High

(A) Mislead users
(B) Improve real cash flows
(C) Lower risk
(D) Raise intrinsic value

Answer: (A) **Hint:** It misleads; not real improvement.

Q50. Covenants are primarily for:

Type: Twist | Topic: Agency | Difficulty: Moderate | Trend: High

(A) Lenders' protection
(B) Employees
(C) Customers
(D) Auditors

Answer: (A) **Hint:** Restrict risky actions.

Q51. If Rm=Rf, then risk premium:

Type: Twist | Topic: Risk–return | Difficulty: Moderate | Trend: High

(A) Zero
(B) Positive
(C) Negative
(D) Undefined

Answer: (A) **Hint:** Market premium = Rm–Rf.

Q52. Higher k leads PV to:

Type: Twist | Topic: TVM | Difficulty: Moderate | Trend: High

(A) Decrease
(B) Increase
(C) Unchanged
(D) Oscillate

Answer: (A) **Hint:** PV inversely related to k.

Q53. Slope is:

Type: Twist | Topic: Capital market line | Difficulty: Moderate | Trend: High

(A) Market risk premium/σM
(B) β
(C) Rf
(D) Sharpe of risk-free

Answer: (A) **Hint:** CML slope = (Rm–Rf)/σM.

Q54. Primary goal of FM is:

Type: Twist | Topic: Goal | Difficulty: Moderate | Trend: High

(A) Shareholder wealth maximization
(B) Sales maximization
(C) EPS maximization only
(D) Tax minimization

Answer: (A) **Hint:** Standard objective.

Q55. Indus Breweries plans to set aside funds for a payment of Rs. 100,000 due in 3 years. Return available 10%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 75,131
(B) Rs. 90,157
(C) Rs. 60,104
(D) Rs. 112,696

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q56. Epsilon Pharma plans to set aside funds for a payment of Rs. 200,000 due in 2 years. Return available 12%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 159,439 (B) Rs. 191,326

(C) Rs. 127,551 (D) Rs. 239,158

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q57. Indus Breweries plans to set aside funds for a payment of Rs. 150,000 due in 4 years. Return available 8%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 110,254 (B) Rs. 132,304

(C) Rs. 88,203 (D) Rs. 165,381

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q58. Helios Electronics plans to set aside funds for a payment of Rs. 120,000 due in 5 years. Return available 9%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 77,992 (B) Rs. 93,590

(C) Rs. 62,393 (D) Rs. 116,988

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q59. Delta Motors plans to set aside funds for a payment of Rs. 180,000 due in 3 years. Return available 11%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 131,614 (B) Rs. 157,936

(C) Rs. 105,291 (D) Rs. 197,421

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q60. Delta Motors plans to set aside funds for a payment of Rs. 100,000 due in 3 years. Return available 10%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 75,131 (B) Rs. 90,157

(C) Rs. 60,104 (D) Rs. 112,696

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q61. Delta Motors plans to set aside funds for a payment of Rs. 200,000 due in 2 years. Return available 12%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 159,439 (B) Rs. 191,326

(C) Rs. 127,551 (D) Rs. 239,158

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q62. Beta Foods Pvt. Ltd. plans to set aside funds for a payment of Rs. 150,000 due in 4 years. Return available 8%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 110,254 (B) Rs. 132,304

(C) Rs. 88,203 (D) Rs. 165,381

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q63. Beta Foods Pvt. Ltd. plans to set aside funds for a payment of Rs. 120,000 due in 5 years. Return available 9%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 77,992 (B) Rs. 93,590

(C) Rs. 62,393 (D) Rs. 116,988

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q64. Delta Motors plans to set aside funds for a payment of Rs. 180,000 due in 3 years. Return available 11%. Nearest present value is:

Type: Case | Topic: TVM | Difficulty: Moderate | Trend: Medium

(A) Rs. 131,614 (B) Rs. 157,936

(C) Rs. 105,291 (D) Rs. 197,421

Answer: (A) **Hint:** PV = FV/(1+k)^n.

Q65. Lunar Ceramics evaluates a project with β=1.2 when Rf=6% and Rm=12%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 13.2% (B) 6.0%

(C) 12.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q66. Indus Breweries evaluates a project with β=0.8 when Rf=7% and Rm=13%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 11.8% (B) 7.0%

(C) 13.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q67. Helios Electronics evaluates a project with β=1.5 when Rf=5% and Rm=11%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 14.0% (B) 5.0%

(C) 11.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q68. Jupiter Tools evaluates a project with β=1.1 when Rf=6% and Rm=10%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 10.4% (B) 6.0%

(C) 10.0% (D) 4.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q69. Lunar Ceramics evaluates a project with β=0.9 when Rf=5% and Rm=12%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 11.3% (B) 5.0%

(C) 12.0% (D) 7.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q70. Indus Breweries evaluates a project with β=1.2 when Rf=6% and Rm=12%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 13.2% (B) 6.0%

(C) 12.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q71. Beta Foods Pvt. Ltd. evaluates a project with β=0.8 when Rf=7% and Rm=13%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 11.8% (B) 7.0%

(C) 13.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q72. Beta Foods Pvt. Ltd. evaluates a project with β=1.5 when Rf=5% and Rm=11%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 14.0% (B) 5.0%

(C) 11.0% (D) 6.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q73. Lunar Ceramics evaluates a project with β=1.1 when Rf=6% and Rm=10%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 10.4% (B) 6.0%

(C) 10.0% (D) 4.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

Q74. Lunar Ceramics evaluates a project with β=0.9 when Rf=5% and Rm=12%. Required return ke is approximately:

Type: Case | Topic: CAPM | Difficulty: Moderate | Trend: High

(A) 11.3%
(B) 5.0%
(C) 12.0%
(D) 7.0%

Answer: (A) **Hint:** ke = Rf + β(Rm–Rf).

CA Dreamers

Ch-2 Types of Financing — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Rights issue: P0=100; 1 right per 4 held at Ps=80. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=96.0, Right=4.0 (B) TERP=100, Right=0

(C) TERP=90.0, Right≈10.0 (D) TERP=80, Right=20

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q2. Rights issue: P0=120; 1 right per 5 held at Ps=90. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=115.0, Right=5.0 (B) TERP=120, Right=0

(C) TERP=105.0, Right≈15.0 (D) TERP=90, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q3. Rights issue: P0=90; 1 right per 3 held at Ps=70. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=85.0, Right=5.0 (B) TERP=90, Right=0

(C) TERP=80.0, Right≈10.0 (D) TERP=70, Right=20

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q4. Rights issue: P0=150; 1 right per 5 held at Ps=120. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=145.0, Right=5.0 (B) TERP=150, Right=0

(C) TERP=135.0, Right≈15.0 (D) TERP=120, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q5. Rights issue: P0=110; 1 right per 4 held at Ps=88. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=105.6, Right=4.4 (B) TERP=110, Right=0

(C) TERP=99.0, Right≈11.0 (D) TERP=88, Right=22

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q6. Rights issue: P0=130; 1 right per 4 held at Ps=100. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=124.0, Right=6.0 (B) TERP=130, Right=0

(C) TERP=115.0, Right≈15.0 (D) TERP=100, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0–TERP.

Q7. Rights issue: P0=100; 1 right per 4 held at Ps=80. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=96.0, Right=4.0
(B) TERP=100, Right=0
(C) TERP=90.0, Right≈10.0
(D) TERP=80, Right=20

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q8. Rights issue: P0=120; 1 right per 5 held at Ps=90. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=115.0, Right=5.0
(B) TERP=120, Right=0
(C) TERP=105.0, Right≈15.0
(D) TERP=90, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q9. Rights issue: P0=90; 1 right per 3 held at Ps=70. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=85.0, Right=5.0
(B) TERP=90, Right=0
(C) TERP=80.0, Right≈10.0
(D) TERP=70, Right=20

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q10. Rights issue: P0=150; 1 right per 5 held at Ps=120. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=145.0, Right=5.0
(B) TERP=150, Right=0
(C) TERP=135.0, Right≈15.0
(D) TERP=120, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q11. Rights issue: P0=110; 1 right per 4 held at Ps=88. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=105.6, Right=4.4
(B) TERP=110, Right=0
(C) TERP=99.0, Right≈11.0
(D) TERP=88, Right=22

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q12. Rights issue: P0=130; 1 right per 4 held at Ps=100. Compute TERP and value of a right.

Type: Normal | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) TERP=124.0, Right=6.0
(B) TERP=130, Right=0
(C) TERP=115.0, Right≈15.0
(D) TERP=100, Right=30

Answer: (A) **Hint:** TERP=(nP0+mPs)/(n+m); Right=P0−TERP.

Q13. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value
(B) Both reduce EPS/price proportionately (theory)
(C) Bonus changes face value
(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q14. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q15. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q16. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q17. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q18. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q19. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q20. Bonus vs Stock Split — pick the correct pair.

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) Bonus capitalises reserves; split changes face value

(B) Both reduce EPS/price proportionately (theory)

(C) Bonus changes face value

(D) Split capitalises reserves

Answer: (A) **Hint:** Bonus uses reserves; split alters face value.

Q21. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium

(B) Debt-equity must remain within limits

(C) Extinguish shares within specified timeline

(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q22. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium

(B) Debt-equity must remain within limits

(C) Extinguish shares within specified timeline

(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q23. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium

(B) Debt-equity must remain within limits

(C) Extinguish shares within specified timeline

(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q24. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium

(B) Debt-equity must remain within limits

(C) Extinguish shares within specified timeline

(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q25. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium

(B) Debt-equity must remain within limits

(C) Extinguish shares within specified timeline

(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q26. Buyback conditions — choose the correct statement.

Type: Normal | Topic: Buyback | Difficulty: Easy | Trend: Medium

(A) Sources include free reserves/securities premium
(B) Debt-equity must remain within limits
(C) Extinguish shares within specified timeline
(D) Proceeds of same kind issue allowed

Answer: (A) **Hint:** General conditions; proceeds of same kind generally restricted.

Q27. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q28. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q29. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q30. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q31. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q32. Hybrid instruments — which is correct?

Type: Normal | Topic: Hybrids | Difficulty: Easy | Trend: Low

(A) CCD/CCPS convert to equity later
(B) Warrants give right to subscribe
(C) Redeemable preference carries fixed dividend
(D) All of the above

Answer: (D) **Hint:** All statements are correct.

Q33. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV
(B) Compare gross cash flows only
(C) Ignore tax shields
(D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q34. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV
(B) Compare gross cash flows only
(C) Ignore tax shields
(D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q35. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV
(B) Compare gross cash flows only
(C) Ignore tax shields
(D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q36. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV
(B) Compare gross cash flows only
(C) Ignore tax shields
(D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q37. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV
(B) Compare gross cash flows only
(C) Ignore tax shields
(D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q38. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV (B) Compare gross cash flows only

(C) Ignore tax shields (D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q39. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV (B) Compare gross cash flows only

(C) Ignore tax shields (D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q40. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV (B) Compare gross cash flows only

(C) Ignore tax shields (D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q41. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV (B) Compare gross cash flows only

(C) Ignore tax shields (D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q42. Lease vs Buy — decision basis is:

Type: Normal | Topic: Lease vs Buy | Difficulty: Moderate | Trend: Medium

(A) Compare PV(costs) after tax; choose lower PV (B) Compare gross cash flows only

(C) Ignore tax shields (D) Use book values for NPV

Answer: (A) **Hint:** Use after-tax PV of cash outflows including tax shields.

Q43. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q44. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q45. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q46. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q47. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q48. IPO paths — pick the correct statement.

Type: Normal | Topic: IPO | Difficulty: Easy | Trend: Medium

(A) Fixed price announces price upfront (B) Book-building discovers price via bids

(C) Both exist in practice (D) None of the above

Answer: (C) **Hint:** Both modes are used.

Q49. Right value uses:

Type: Twist | Topic: Rights | Difficulty: Moderate | Trend: High

(A) Cum-rights price P0 (B) Ex-rights price

(C) Face value (D) NPV of project

Answer: (A) **Hint:** Use P0 (cum-rights).

Q50. Split primarily changes:

Type: Twist | Topic: Bonus/Split | Difficulty: Moderate | Trend: High

(A) Face value (B) Reserves

(C) P/E (D) Authorised capital

Answer: (A) **Hint:** Face value only.

Q51. Debt-equity after buyback should:

Type: Twist | Topic: Buyback | Difficulty: Moderate | Trend: High

(A) Be within limit (B) Exceed heavily

(C) Be ignored (D) Double

Answer: (A) **Hint:** Leverage cap applies.

Q52. CCD initially recorded as:

Type: Twist | Topic: Hybrids | Difficulty: Moderate | Trend: High

(A) Debt (B) Equity

(C) Reserve (D) Revenue

Answer: (A) **Hint:** Debt until conversion.

Q53. Tax shields arise from:

Type: Twist | Topic: Lease | Difficulty: Moderate | Trend: High

(A) Depreciation and interest (B) Dividends

(C) Face value (D) Share premium

Answer: (A) **Hint:** AT cash flows matter.

Q54. Book-building price is:

Type: Twist | Topic: IPO | Difficulty: Moderate | Trend: High

(A) Discovered via bids (B) Face value

(C) Always fixed (D) Always premium

Answer: (A) **Hint:** Price discovery.

Q55. TERP stands for:

Type: Twist | Topic: Rights | Difficulty: Moderate | Trend: High

(A) Theoretical ex-rights price (B) Total equity rights price

(C) Transfer ex-rights premium (D) None

Answer: (A) **Hint:** Definition.

Q56. Warrants give:

Type: Twist | Topic: Warrants | Difficulty: Moderate | Trend: High

(A) Right but not obligation (B) Obligation to buy

(C) Dividend rights (D) Voting rights

Answer: (A) **Hint:** Right to subscribe.

Q57. Proceeds of same kind issue:

Type: Twist | Topic: Buyback | Difficulty: Moderate | Trend: High

(A) Generally cannot be used (B) Must be used

(C) Irrelevant (D) Always allowed

Answer: (A) **Hint:** Regulatory restriction.

Q58. Buy option chosen when:

Type: Twist | Topic: Lease | Difficulty: Moderate | Trend: High

(A) PV(Buy) < PV(Lease)
(B) PV(Buy) > PV(Lease)
(C) NPV equal
(D) Tax rate zero

Answer: (A) **Hint:** Choose lower PV cost.

Q59. Delta Motors plans a rights issue: 1 for 4 at Rs.80 when market price is Rs.100. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.96.0, Rs.4.0)
(B) (Rs.100, Rs.0)
(C) (Rs.90.00, Rs.10.00)
(D) (Rs.80, Rs.20)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q60. Lunar Ceramics plans a rights issue: 1 for 5 at Rs.90 when market price is Rs.120. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.115.0, Rs.5.0)
(B) (Rs.120, Rs.0)
(C) (Rs.105.00, Rs.15.00)
(D) (Rs.90, Rs.30)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q61. Falcon Steel plans a rights issue: 1 for 3 at Rs.70 when market price is Rs.90. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.85.0, Rs.5.0)
(B) (Rs.90, Rs.0)
(C) (Rs.80.00, Rs.10.00)
(D) (Rs.70, Rs.20)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q62. Beta Foods Pvt. Ltd. plans a rights issue: 1 for 5 at Rs.120 when market price is Rs.150. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.145.0, Rs.5.0)
(B) (Rs.150, Rs.0)
(C) (Rs.135.00, Rs.15.00)
(D) (Rs.120, Rs.30)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q63. Beta Foods Pvt. Ltd. plans a rights issue: 1 for 4 at Rs.88 when market price is Rs.110. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.105.6, Rs.4.4)
(B) (Rs.110, Rs.0)
(C) (Rs.99.00, Rs.11.00)
(D) (Rs.88, Rs.22)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q64. Jupiter Tools plans a rights issue: 1 for 4 at Rs.80 when market price is Rs.100. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.96.0, Rs.4.0) (B) (Rs.100, Rs.0)

(C) (Rs.90.00, Rs.10.00) (D) (Rs.80, Rs.20)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q65. Helios Electronics plans a rights issue: 1 for 5 at Rs.90 when market price is Rs.120. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.115.0, Rs.5.0) (B) (Rs.120, Rs.0)

(C) (Rs.105.00, Rs.15.00) (D) (Rs.90, Rs.30)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q66. Beta Foods Pvt. Ltd. plans a rights issue: 1 for 3 at Rs.70 when market price is Rs.90. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.85.0, Rs.5.0) (B) (Rs.90, Rs.0)

(C) (Rs.80.00, Rs.10.00) (D) (Rs.70, Rs.20)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q67. Indus Breweries plans a rights issue: 1 for 5 at Rs.120 when market price is Rs.150. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.145.0, Rs.5.0) (B) (Rs.150, Rs.0)

(C) (Rs.135.00, Rs.15.00) (D) (Rs.120, Rs.30)

Answer: (A) **Hint:** TERP & Right via weighted avg.

Q68. Beta Foods Pvt. Ltd. plans a rights issue: 1 for 4 at Rs.88 when market price is Rs.110. Choose the correct pair (TERP, Right value):

Type: Case | Topic: Rights/TERP | Difficulty: Moderate | Trend: High

(A) (Rs.105.6, Rs.4.4) (B) (Rs.110, Rs.0)

(C) (Rs.99.00, Rs.11.00) (D) (Rs.88, Rs.22)

Answer: (A) **Hint:** TERP & Right via weighted avg.

CA Dreamers

Ch-3 Financial Analysis & Planning — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Compute Current Ratio and Quick Ratio given CA=Rs. 1,200,000, Inventory=Rs. 400,000, CL=Rs. 600,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.33 (B) CR=1.33, Quick=2.0

(C) CR=1.33, Quick=2.0 (D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q2. Compute Current Ratio and Quick Ratio given CA=Rs. 1,400,000, Inventory=Rs. 500,000, CL=Rs. 700,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.29 (B) CR=1.29, Quick=2.0

(C) CR=1.29, Quick=2.0 (D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q3. Compute Current Ratio and Quick Ratio given CA=Rs. 1,000,000, Inventory=Rs. 200,000, CL=Rs. 500,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.6 (B) CR=1.6, Quick=2.0

(C) CR=1.6, Quick=2.0 (D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q4. Compute Current Ratio and Quick Ratio given CA=Rs. 1,800,000, Inventory=Rs. 600,000, CL=Rs. 900,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.33 (B) CR=1.33, Quick=2.0

(C) CR=1.33, Quick=2.0 (D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q5. Compute Current Ratio and Quick Ratio given CA=Rs. 1,600,000, Inventory=Rs. 300,000, CL=Rs. 800,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.62 (B) CR=1.62, Quick=2.0

(C) CR=1.62, Quick=2.0 (D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q6. Compute Current Ratio and Quick Ratio given CA=Rs. 2,000,000, Inventory=Rs. 700,000, CL=Rs. 1,000,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.3
(B) CR=1.3, Quick=2.0
(C) CR=1.3, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q7. Compute Current Ratio and Quick Ratio given CA=Rs. 1,200,000, Inventory=Rs. 400,000, CL=Rs. 600,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.33
(B) CR=1.33, Quick=2.0
(C) CR=1.33, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q8. Compute Current Ratio and Quick Ratio given CA=Rs. 1,400,000, Inventory=Rs. 500,000, CL=Rs. 700,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.29
(B) CR=1.29, Quick=2.0
(C) CR=1.29, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q9. Compute Current Ratio and Quick Ratio given CA=Rs. 1,000,000, Inventory=Rs. 200,000, CL=Rs. 500,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.6
(B) CR=1.6, Quick=2.0
(C) CR=1.6, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q10. Compute Current Ratio and Quick Ratio given CA=Rs. 1,800,000, Inventory=Rs. 600,000, CL=Rs. 900,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.33
(B) CR=1.33, Quick=2.0
(C) CR=1.33, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q11. Compute Current Ratio and Quick Ratio given CA=Rs. 1,600,000, Inventory=Rs. 300,000, CL=Rs. 800,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.62
(B) CR=1.62, Quick=2.0
(C) CR=1.62, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q12. Compute Current Ratio and Quick Ratio given CA=Rs. 2,000,000, Inventory=Rs. 700,000, CL=Rs. 1,000,000.

Type: Normal | Topic: Liquidity | Difficulty: Easy | Trend: High

(A) CR=2.0, Quick=1.3
(B) CR=1.3, Quick=2.0
(C) CR=1.3, Quick=2.0
(D) Insufficient data

Answer: (A) **Hint:** CR=CA/CL; Quick=(CA–Inv)/CL.

Q13. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 2,400,000, Avg Inv=Rs. 400,000, Credit Sales=Rs. 3,000,000, Avg Debtors=Rs. 500,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0
(B) ITR=0.17, DTR=0.17
(C) Only ITR possible
(D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q14. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 3,600,000, Avg Inv=Rs. 600,000, Credit Sales=Rs. 4,800,000, Avg Debtors=Rs. 600,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=8.0
(B) ITR=0.17, DTR=0.12
(C) Only ITR possible
(D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q15. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 1,800,000, Avg Inv=Rs. 300,000, Credit Sales=Rs. 2,400,000, Avg Debtors=Rs. 400,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0
(B) ITR=0.17, DTR=0.17
(C) Only ITR possible
(D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q16. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 3,000,000, Avg Inv=Rs. 500,000, Credit Sales=Rs. 3,600,000, Avg Debtors=Rs. 600,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0
(B) ITR=0.17, DTR=0.17
(C) Only ITR possible
(D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q17. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 4,200,000, Avg Inv=Rs. 700,000, Credit Sales=Rs. 6,000,000, Avg Debtors=Rs. 800,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=7.5
(B) ITR=0.17, DTR=0.13
(C) Only ITR possible
(D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q18. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 2,400,000, Avg Inv=Rs. 400,000, Credit Sales=Rs. 3,000,000, Avg Debtors=Rs. 500,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0 (B) ITR=0.17, DTR=0.17

(C) Only ITR possible (D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q19. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 3,600,000, Avg Inv=Rs. 600,000, Credit Sales=Rs. 4,800,000, Avg Debtors=Rs. 600,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=8.0 (B) ITR=0.17, DTR=0.12

(C) Only ITR possible (D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q20. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 1,800,000, Avg Inv=Rs. 300,000, Credit Sales=Rs. 2,400,000, Avg Debtors=Rs. 400,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0 (B) ITR=0.17, DTR=0.17

(C) Only ITR possible (D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q21. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 3,000,000, Avg Inv=Rs. 500,000, Credit Sales=Rs. 3,600,000, Avg Debtors=Rs. 600,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=6.0 (B) ITR=0.17, DTR=0.17

(C) Only ITR possible (D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q22. Compute Inventory Turnover and Debtors Turnover from COGS=Rs. 4,200,000, Avg Inv=Rs. 700,000, Credit Sales=Rs. 6,000,000, Avg Debtors=Rs. 800,000.

Type: Normal | Topic: Activity | Difficulty: Moderate | Trend: High

(A) ITR=6.0, DTR=7.5 (B) ITR=0.17, DTR=0.13

(C) Only ITR possible (D) Only DTR possible

Answer: (A) **Hint:** ITR=COGS/AvgInv; DTR=Credit sales/Avg debtors.

Q23. Compute D/E and Interest Coverage from Debt=Rs. 3,000,000, Equity=Rs. 2,000,000, EBIT=Rs. 1,000,000, Interest=Rs. 300,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.5, ICR=3.33 (B) D/E=0.67, ICR=0.3

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q24. Compute D/E and Interest Coverage from Debt=Rs. 4,000,000, Equity=Rs. 2,500,000, EBIT=Rs. 1,200,000, Interest=Rs. 400,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.6, ICR=3.0 (B) D/E=0.62, ICR=0.33

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q25. Compute D/E and Interest Coverage from Debt=Rs. 5,000,000, Equity=Rs. 3,000,000, EBIT=Rs. 1,500,000, Interest=Rs. 500,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.67, ICR=3.0 (B) D/E=0.6, ICR=0.33

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q26. Compute D/E and Interest Coverage from Debt=Rs. 3,000,000, Equity=Rs. 2,000,000, EBIT=Rs. 1,000,000, Interest=Rs. 300,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.5, ICR=3.33 (B) D/E=0.67, ICR=0.3

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q27. Compute D/E and Interest Coverage from Debt=Rs. 4,000,000, Equity=Rs. 2,500,000, EBIT=Rs. 1,200,000, Interest=Rs. 400,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.6, ICR=3.0 (B) D/E=0.62, ICR=0.33

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q28. Compute D/E and Interest Coverage from Debt=Rs. 5,000,000, Equity=Rs. 3,000,000, EBIT=Rs. 1,500,000, Interest=Rs. 500,000.

Type: Normal | Topic: Solvency | Difficulty: Easy | Trend: High

(A) D/E=1.67, ICR=3.0 (B) D/E=0.6, ICR=0.33

(C) Only D/E possible (D) Only ICR possible

Answer: (A) **Hint:** D/E=Debt/Equity; ICR=EBIT/Interest.

Q29. Compute margins from Sales=Rs. 5,000,000, GP=Rs. 1,500,000, NP=Rs. 600,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0% (B) GPM=12.0%, NPM=30.0%

(C) GPM only (D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q30. Compute margins from Sales=Rs. 6,000,000, GP=Rs. 1,800,000, NP=Rs. 720,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0%
(B) GPM=12.0%, NPM=30.0%
(C) GPM only
(D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q31. Compute margins from Sales=Rs. 4,000,000, GP=Rs. 1,200,000, NP=Rs. 480,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0%
(B) GPM=12.0%, NPM=30.0%
(C) GPM only
(D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q32. Compute margins from Sales=Rs. 5,000,000, GP=Rs. 1,500,000, NP=Rs. 600,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0%
(B) GPM=12.0%, NPM=30.0%
(C) GPM only
(D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q33. Compute margins from Sales=Rs. 6,000,000, GP=Rs. 1,800,000, NP=Rs. 720,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0%
(B) GPM=12.0%, NPM=30.0%
(C) GPM only
(D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q34. Compute margins from Sales=Rs. 4,000,000, GP=Rs. 1,200,000, NP=Rs. 480,000.

Type: Normal | Topic: Profitability | Difficulty: Easy | Trend: High

(A) GPM=30.0%, NPM=12.0%
(B) GPM=12.0%, NPM=30.0%
(C) GPM only
(D) NPM only

Answer: (A) **Hint:** GPM=GP/Sales; NPM=NP/Sales.

Q35. DuPont: NPM=12%, AT=1.5, EM=2.0. Compute ROE.

Type: Normal | Topic: DuPont | Difficulty: Easy | Trend: High

(A) ROE≈36.0%
(B) ROE≈12%
(C) ROE≈150.0%
(D) ROE≈20.0%

Answer: (A) **Hint:** ROE=NPM×AT×EM.

Q36. DuPont: NPM=10%, AT=1.2, EM=2.2. Compute ROE.

Type: Normal | Topic: DuPont | Difficulty: Easy | Trend: High

(A) ROE≈26.4%
(B) ROE≈10%
(C) ROE≈120.0%
(D) ROE≈22.0%

Answer: (A) **Hint:** ROE=NPM×AT×EM.

Q37. DuPont: NPM=15%, AT=1.4, EM=1.8. Compute ROE.

Type: Normal | Topic: DuPont | Difficulty: Easy | Trend: High

(A) ROE≈37.8%
(B) ROE≈15%
(C) ROE≈140.0%
(D) ROE≈18.0%

Answer: (A) **Hint:** ROE=NPM×AT×EM.

Q38. DuPont: NPM=8%, AT=1.6, EM=2.5. Compute ROE.

Type: Normal | Topic: DuPont | Difficulty: Easy | Trend: High

(A) ROE≈32.0%
(B) ROE≈8%
(C) ROE≈160.0%
(D) ROE≈25.0%

Answer: (A) **Hint:** ROE=NPM×AT×EM.

Q39. Common-size expresses each item as % of:

Type: Twist | Topic: Common-size | Difficulty: Moderate | Trend: Medium

(A) Sales
(B) Assets
(C) Equity
(D) COGS

Answer: (A) **Hint:** Income statement common-size uses sales.

Q40. Trend analysis base year is set to:

Type: Twist | Topic: Trend | Difficulty: Moderate | Trend: Medium

(A) 100
(B) 0
(C) Actual value
(D) Median

Answer: (A) **Hint:** Base=100.

Q41. Stretching payables tends to:

Type: Twist | Topic: Window dressing | Difficulty: Moderate | Trend: Medium

(A) Improve year-end cash
(B) Improve real profitability
(C) Lower risk
(D) Raise intrinsic value

Answer: (A) **Hint:** Temporary cosmetic effect.

Q42. Spontaneous liabilities rise with:

Type: Twist | Topic: % of sales | Difficulty: Moderate | Trend: Medium

(A) Sales
(B) Equity
(C) Fixed assets
(D) Cash only

Answer: (A) **Hint:** Creditors/Accruals scale with sales.

Q43. High ITR implies:

Type: Twist | Topic: Interpretation | Difficulty: Moderate | Trend: Medium

(A) Lower DIO
(B) Higher DIO
(C) No effect
(D) Higher DTR

Answer: (A) **Hint:** DIO=365/ITR.

Q44. Common-size expresses each item as % of:

Type: Twist | Topic: Common-size | Difficulty: Moderate | Trend: Medium

(A) Sales (B) Assets

(C) Equity (D) COGS

Answer: (A) **Hint:** Income statement common-size uses sales.

Q45. Trend analysis base year is set to:

Type: Twist | Topic: Trend | Difficulty: Moderate | Trend: Medium

(A) 100 (B) 0

(C) Actual value (D) Median

Answer: (A) **Hint:** Base=100.

Q46. Stretching payables tends to:

Type: Twist | Topic: Window dressing | Difficulty: Moderate | Trend: Medium

(A) Improve year-end cash (B) Improve real profitability

(C) Lower risk (D) Raise intrinsic value

Answer: (A) **Hint:** Temporary cosmetic effect.

Q47. Spontaneous liabilities rise with:

Type: Twist | Topic: % of sales | Difficulty: Moderate | Trend: Medium

(A) Sales (B) Equity

(C) Fixed assets (D) Cash only

Answer: (A) **Hint:** Creditors/Accruals scale with sales.

Q48. High ITR implies:

Type: Twist | Topic: Interpretation | Difficulty: Moderate | Trend: Medium

(A) Lower DIO (B) Higher DIO

(C) No effect (D) Higher DTR

Answer: (A) **Hint:** DIO=365/ITR.

Q49. Common-size expresses each item as % of:

Type: Twist | Topic: Common-size | Difficulty: Moderate | Trend: Medium

(A) Sales (B) Assets

(C) Equity (D) COGS

Answer: (A) **Hint:** Income statement common-size uses sales.

Q50. Trend analysis base year is set to:

Type: Twist | Topic: Trend | Difficulty: Moderate | Trend: Medium

(A) 100 (B) 0

(C) Actual value (D) Median

Answer: (A) **Hint:** Base=100.

Q51. Stretching payables tends to:

Type: Twist | Topic: Window dressing | Difficulty: Moderate | Trend: Medium

(A) Improve year-end cash
(B) Improve real profitability
(C) Lower risk
(D) Raise intrinsic value

Answer: (A) **Hint:** Temporary cosmetic effect.

Q52. Spontaneous liabilities rise with:

Type: Twist | Topic: % of sales | Difficulty: Moderate | Trend: Medium

(A) Sales
(B) Equity
(C) Fixed assets
(D) Cash only

Answer: (A) **Hint:** Creditors/Accruals scale with sales.

Q53. High ITR implies:

Type: Twist | Topic: Interpretation | Difficulty: Moderate | Trend: Medium

(A) Lower DIO
(B) Higher DIO
(C) No effect
(D) Higher DTR

Answer: (A) **Hint:** DIO=365/ITR.

Q54. Common-size expresses each item as % of:

Type: Twist | Topic: Common-size | Difficulty: Moderate | Trend: Medium

(A) Sales
(B) Assets
(C) Equity
(D) COGS

Answer: (A) **Hint:** Income statement common-size uses sales.

Q55. Trend analysis base year is set to:

Type: Twist | Topic: Trend | Difficulty: Moderate | Trend: Medium

(A) 100
(B) 0
(C) Actual value
(D) Median

Answer: (A) **Hint:** Base=100.

Q56. Stretching payables tends to:

Type: Twist | Topic: Window dressing | Difficulty: Moderate | Trend: Medium

(A) Improve year-end cash
(B) Improve real profitability
(C) Lower risk
(D) Raise intrinsic value

Answer: (A) **Hint:** Temporary cosmetic effect.

Q57. Spontaneous liabilities rise with:

Type: Twist | Topic: % of sales | Difficulty: Moderate | Trend: Medium

(A) Sales
(B) Equity
(C) Fixed assets
(D) Cash only

Answer: (A) **Hint:** Creditors/Accruals scale with sales.

Q58. High ITR implies:

Type: Twist | Topic: Interpretation | Difficulty: Moderate | Trend: Medium

(A) Lower DIO (B) Higher DIO

(C) No effect (D) Higher DTR

Answer: (A) **Hint:** DIO=365/ITR.

Q59. Epsilon Pharma shows ITR=6×, Debtors Turnover=8×, Payables Turnover=10×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 71 days (B) 81 days

(C) 61 days (D) 91 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q60. Helios Electronics shows ITR=7×, Debtors Turnover=9×, Payables Turnover=11×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 60 days (B) 70 days

(C) 50 days (D) 80 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q61. Krypton Plastics shows ITR=5×, Debtors Turnover=7×, Payables Turnover=9×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 84 days (B) 94 days

(C) 74 days (D) 104 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q62. Indus Breweries shows ITR=8×, Debtors Turnover=10×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 52 days (B) 62 days

(C) 42 days (D) 72 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q63. Beta Foods Pvt. Ltd. shows ITR=6×, Debtors Turnover=9×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 72 days (B) 82 days

(C) 62 days (D) 92 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q64. Falcon Steel shows ITR=6×, Debtors Turnover=8×, Payables Turnover=10×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 71 days (B) 81 days

(C) 61 days (D) 91 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q65. Indus Breweries shows ITR=7×, Debtors Turnover=9×, Payables Turnover=11×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 60 days (B) 70 days

(C) 50 days (D) 80 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q66. Alpha Ltd. shows ITR=5×, Debtors Turnover=7×, Payables Turnover=9×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 84 days (B) 94 days

(C) 74 days (D) 104 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q67. Gemini Retail shows ITR=8×, Debtors Turnover=10×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 52 days (B) 62 days

(C) 42 days (D) 72 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q68. Jupiter Tools shows ITR=6×, Debtors Turnover=9×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 72 days (B) 82 days

(C) 62 days (D) 92 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q69. Jupiter Tools shows ITR=6×, Debtors Turnover=8×, Payables Turnover=10×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 71 days (B) 81 days

(C) 61 days (D) 91 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q70. Indus Breweries shows ITR=7×, Debtors Turnover=9×, Payables Turnover=11×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 60 days (B) 70 days

(C) 50 days (D) 80 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q71. Delta Motors shows ITR=5×, Debtors Turnover=7×, Payables Turnover=9×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 84 days (B) 94 days

(C) 74 days (D) 104 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q72. Delta Motors shows ITR=8×, Debtors Turnover=10×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 52 days (B) 62 days

(C) 42 days (D) 72 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q73. Jupiter Tools shows ITR=6×, Debtors Turnover=9×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 72 days (B) 82 days

(C) 62 days (D) 92 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q74. Helios Electronics shows ITR=6×, Debtors Turnover=8×, Payables Turnover=10×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 71 days (B) 81 days

(C) 61 days (D) 91 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q75. Gemini Retail shows ITR=7×, Debtors Turnover=9×, Payables Turnover=11×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 60 days (B) 70 days

(C) 50 days (D) 80 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q76. Lunar Ceramics shows ITR=5×, Debtors Turnover=7×, Payables Turnover=9×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 84 days (B) 94 days

(C) 74 days (D) 104 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q77. Cosmo Textiles shows ITR=8×, Debtors Turnover=10×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 52 days (B) 62 days

(C) 42 days (D) 72 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

Q78. Gemini Retail shows ITR=6×, Debtors Turnover=9×, Payables Turnover=12×. Approximate CCC equals:

Type: Case | Topic: Operating Cycle | Difficulty: Moderate | Trend: High

(A) 72 days (B) 82 days

(C) 62 days (D) 92 days

Answer: (A) **Hint:** DIO=365/ITR; RCP=365/DTR; PDP=365/DPR.

CA Dreamers

Ch-4 Cost of Capital — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Compute kd(after tax) for 10% debenture, RV=100, NP=96, life=5 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 7.96% (B) 10%

(C) 700.00% (D) 0.82%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q2. Compute kd(after tax) for 12% debenture, RV=100, NP=94, life=6 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 9.69% (B) 12%

(C) 840.00% (D) 1.03%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q3. Compute kd(after tax) for 9% debenture, RV=100, NP=97, life=4 yrs, tax=25%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 7.61% (B) 9%

(C) 675.00% (D) 0.76%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q4. Compute kd(after tax) for 11% debenture, RV=100, NP=95, life=5 yrs, tax=35%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 8.36% (B) 11%

(C) 715.00% (D) 1.03%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q5. Compute kd(after tax) for 10% debenture, RV=100, NP=96, life=4 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 8.16% (B) 10%

(C) 700.00% (D) 1.02%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q6. Compute kd(after tax) for 8% debenture, RV=100, NP=98, life=3 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 6.33%
(B) 8%
(C) 560.00%
(D) 0.67%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q7. Compute kd(after tax) for 10% debenture, RV=100, NP=96, life=5 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 7.96%
(B) 10%
(C) 700.00%
(D) 0.82%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q8. Compute kd(after tax) for 12% debenture, RV=100, NP=94, life=6 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 9.69%
(B) 12%
(C) 840.00%
(D) 1.03%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q9. Compute kd(after tax) for 9% debenture, RV=100, NP=97, life=4 yrs, tax=25%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 7.61%
(B) 9%
(C) 675.00%
(D) 0.76%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q10. Compute kd(after tax) for 11% debenture, RV=100, NP=95, life=5 yrs, tax=35%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 8.36%
(B) 11%
(C) 715.00%
(D) 1.03%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q11. Compute kd(after tax) for 10% debenture, RV=100, NP=96, life=4 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 8.16%
(B) 10%
(C) 700.00%
(D) 1.02%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q12. Compute kd(after tax) for 8% debenture, RV=100, NP=98, life=3 yrs, tax=30%. (Approx. YTM formula)

Type: Normal | Topic: kd | Difficulty: Moderate | Trend: High

(A) 6.33% (B) 8%

(C) 560.00% (D) 0.67%

Answer: (A) **Hint:** kd(at)≈[I(1–t)+(RV–NP)/n]/[(RV+NP)/2].

Q13. Compute kp(redeemable) for 8% preference, RV=100, NP=95, life=10 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 8.72% (B) 8%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q14. Compute kp(redeemable) for 9% preference, RV=100, NP=96, life=8 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 9.69% (B) 9%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q15. Compute kp(redeemable) for 7% preference, RV=100, NP=97, life=6 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 7.61% (B) 7%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q16. Compute kp(redeemable) for 8% preference, RV=100, NP=95, life=10 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 8.72% (B) 8%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q17. Compute kp(redeemable) for 9% preference, RV=100, NP=96, life=8 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 9.69% (B) 9%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q18. Compute kp(redeemable) for 7% preference, RV=100, NP=97, life=6 yrs.

Type: Normal | Topic: kp | Difficulty: Easy | Trend: High

(A) 7.61% (B) 7%

(C) 0.51% (D) Cannot compute

Answer: (A) **Hint:** kp≈[D+(RV–NP)/n]/[(RV+NP)/2].

Q19. Compute ke (DGM) with flotation f=4% when P0=120, D0=10, g=6%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 15.20% (B) 14.33%

(C) 14.83% (D) 14.68%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q20. Compute ke (DGM) with flotation f=5% when P0=150, D0=12, g=5%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 13.84% (B) 13.00%

(C) 13.40% (D) 13.42%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q21. Compute ke (DGM) with flotation f=3% when P0=100, D0=8, g=7%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 15.82% (B) 15.00%

(C) 15.56% (D) 15.25%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q22. Compute ke (DGM) with flotation f=4% when P0=140, D0=9, g=6%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 13.10% (B) 12.43%

(C) 12.81% (D) 12.70%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q23. Compute ke (DGM) with flotation f=4% when P0=120, D0=10, g=6%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 15.20% (B) 14.33%

(C) 14.83% (D) 14.68%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q24. Compute ke (DGM) with flotation f=5% when P0=150, D0=12, g=5%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 13.84% (B) 13.00%

(C) 13.40% (D) 13.42%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q25. Compute ke (DGM) with flotation f=3% when P0=100, D0=8, g=7%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 15.82% (B) 15.00%

(C) 15.56% (D) 15.25%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q26. Compute ke (DGM) with flotation f=4% when P0=140, D0=9, g=6%.

Type: Normal | Topic: ke (DGM) | Difficulty: Moderate | Trend: High

(A) 13.10%
(B) 12.43%
(C) 12.81%
(D) 12.70%

Answer: (A) **Hint:** Use net proceeds NP=P0(1–f); ke=D1/NP+g.

Q27. Compute ke via CAPM: Rf=6%, Rm=12%, β=1.2.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 13.2%
(B) 6.0%
(C) 6.0%
(D) 12.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q28. Compute ke via CAPM: Rf=7%, Rm=13%, β=0.8.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 11.8%
(B) 7.0%
(C) 6.0%
(D) 13.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q29. Compute ke via CAPM: Rf=5%, Rm=11%, β=1.5.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 14.0%
(B) 5.0%
(C) 6.0%
(D) 11.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q30. Compute ke via CAPM: Rf=6%, Rm=12%, β=1.2.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 13.2%
(B) 6.0%
(C) 6.0%
(D) 12.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q31. Compute ke via CAPM: Rf=7%, Rm=13%, β=0.8.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 11.8%
(B) 7.0%
(C) 6.0%
(D) 13.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q32. Compute ke via CAPM: Rf=5%, Rm=11%, β=1.5.

Type: Normal | Topic: ke (CAPM) | Difficulty: Easy | Trend: High

(A) 14.0%
(B) 5.0%
(C) 6.0%
(D) 11.0%

Answer: (A) **Hint:** ke=Rf+β(Rm–Rf).

Q33. WACC with market weights E:60%, D:30%, P:10%; ke=14%, kd(at)=8%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 11.80%
(B) 14.00%
(C) 8.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q34. WACC with market weights E:50%, D:40%, P:10%; ke=15%, kd(at)=9%, kp=11%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 12.20%
(B) 15.00%
(C) 9.00%
(D) 11.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q35. WACC with market weights E:70%, D:20%, P:10%; ke=13%, kd(at)=7%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 11.50%
(B) 13.00%
(C) 7.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q36. WACC with market weights E:65%, D:25%, P:10%; ke=14%, kd(at)=8%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 12.10%
(B) 14.00%
(C) 8.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q37. WACC with market weights E:60%, D:30%, P:10%; ke=14%, kd(at)=8%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 11.80%
(B) 14.00%
(C) 8.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q38. WACC with market weights E:50%, D:40%, P:10%; ke=15%, kd(at)=9%, kp=11%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 12.20%
(B) 15.00%
(C) 9.00%
(D) 11.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q39. WACC with market weights E:70%, D:20%, P:10%; ke=13%, kd(at)=7%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 11.50%
(B) 13.00%
(C) 7.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q40. WACC with market weights E:65%, D:25%, P:10%; ke=14%, kd(at)=8%, kp=10%.

Type: Normal | Topic: WACC | Difficulty: Moderate | Trend: High

(A) 12.10%
(B) 14.00%
(C) 8.00%
(D) 10.00%

Answer: (A) **Hint:** WACC=Σ weight×cost.

Q41. First breakpoint occurs when:

Type: Twist | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Retained earnings exhausted in target mix
(B) Debt limit reached
(C) Tax rate changes
(D) CAPM β changes

Answer: (A) **Hint:** BP=RE / target equity fraction.

Q42. Flotation increases cost because:

Type: Twist | Topic: Flotation | Difficulty: Moderate | Trend: High

(A) Net proceeds ↓
(B) Dividends ↓
(C) Growth g ↓
(D) β ↑

Answer: (A) **Hint:** NP lower → higher rate.

Q43. βL relates to βU via:

Type: Twist | Topic: Hamada | Difficulty: Moderate | Trend: High

(A) $\beta L=\beta U[1+(1-t)D/E]$
(B) $\beta L=\beta U(1-D/E)$
(C) $\beta L=\beta U+t$
(D) $\beta L=\beta U/D$

Answer: (A) **Hint:** Re-levering formula.

Q44. Project-specific ke uses:

Type: Twist | Topic: Choice | Difficulty: Moderate | Trend: High

(A) Industry βU re-levered
(B) Company's book β
(C) Face value
(D) Coupon rate

Answer: (A) **Hint:** Use comparable βU.

Q45. Accept projects while:

Type: Twist | Topic: Rule | Difficulty: Moderate | Trend: High

(A) IRR ≥ MCC
(B) IRR ≤ MCC
(C) NPV ≤ 0
(D) PI ≤ 1

Answer: (A) **Hint:** IRR threshold vs MCC.

Q46. First breakpoint occurs when:

Type: Twist | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Retained earnings exhausted in target mix
(B) Debt limit reached
(C) Tax rate changes
(D) CAPM β changes

Answer: (A) **Hint:** BP=RE / target equity fraction.

Q47. Flotation increases cost because:

Type: Twist | Topic: Flotation | Difficulty: Moderate | Trend: High

(A) Net proceeds ↓ (B) Dividends ↓

(C) Growth g ↓ (D) β ↑

Answer: (A) **Hint:** NP lower → higher rate.

Q48. βL relates to βU via:

Type: Twist | Topic: Hamada | Difficulty: Moderate | Trend: High

(A) $\beta L=\beta U[1+(1-t)D/E]$ (B) $\beta L=\beta U(1-D/E)$

(C) $\beta L=\beta U+t$ (D) $\beta L=\beta U/D$

Answer: (A) **Hint:** Re-levering formula.

Q49. Project-specific ke uses:

Type: Twist | Topic: Choice | Difficulty: Moderate | Trend: High

(A) Industry βU re-levered (B) Company's book β

(C) Face value (D) Coupon rate

Answer: (A) **Hint:** Use comparable βU.

Q50. Accept projects while:

Type: Twist | Topic: Rule | Difficulty: Moderate | Trend: High

(A) IRR ≥ MCC (B) IRR ≤ MCC

(C) NPV ≤ 0 (D) PI ≤ 1

Answer: (A) **Hint:** IRR threshold vs MCC.

Q51. First breakpoint occurs when:

Type: Twist | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Retained earnings exhausted in target mix (B) Debt limit reached

(C) Tax rate changes (D) CAPM β changes

Answer: (A) **Hint:** BP=RE / target equity fraction.

Q52. Flotation increases cost because:

Type: Twist | Topic: Flotation | Difficulty: Moderate | Trend: High

(A) Net proceeds ↓ (B) Dividends ↓

(C) Growth g ↓ (D) β ↑

Answer: (A) **Hint:** NP lower → higher rate.

Q53. βL relates to βU via:

Type: Twist | Topic: Hamada | Difficulty: Moderate | Trend: High

(A) $\beta L=\beta U[1+(1-t)D/E]$ (B) $\beta L=\beta U(1-D/E)$

(C) $\beta L=\beta U+t$ (D) $\beta L=\beta U/D$

Answer: (A) **Hint:** Re-levering formula.

Q54. Project-specific ke uses:

Type: Twist | Topic: Choice | Difficulty: Moderate | Trend: High

(A) Industry βU re-levered (B) Company's book β

(C) Face value (D) Coupon rate

Answer: (A) **Hint:** Use comparable βU.

Q55. Accept projects while:

Type: Twist | Topic: Rule | Difficulty: Moderate | Trend: High

(A) IRR ≥ MCC (B) IRR ≤ MCC

(C) NPV ≤ 0 (D) PI ≤ 1

Answer: (A) **Hint:** IRR threshold vs MCC.

Q56. First breakpoint occurs when:

Type: Twist | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Retained earnings exhausted in target mix (B) Debt limit reached

(C) Tax rate changes (D) CAPM β changes

Answer: (A) **Hint:** BP=RE / target equity fraction.

Q57. Flotation increases cost because:

Type: Twist | Topic: Flotation | Difficulty: Moderate | Trend: High

(A) Net proceeds ↓ (B) Dividends ↓

(C) Growth g ↓ (D) β ↑

Answer: (A) **Hint:** NP lower → higher rate.

Q58. βL relates to βU via:

Type: Twist | Topic: Hamada | Difficulty: Moderate | Trend: High

(A) $\beta L=\beta U[1+(1-t)D/E]$ (B) $\beta L=\beta U(1-D/E)$

(C) $\beta L=\beta U+t$ (D) $\beta L=\beta U/D$

Answer: (A) **Hint:** Re-levering formula.

Q59. Project-specific ke uses:

Type: Twist | Topic: Choice | Difficulty: Moderate | Trend: High

(A) Industry βU re-levered (B) Company's book β

(C) Face value (D) Coupon rate

Answer: (A) **Hint:** Use comparable βU.

Q60. Accept projects while:

Type: Twist | Topic: Rule | Difficulty: Moderate | Trend: High

(A) IRR ≥ MCC (B) IRR ≤ MCC

(C) NPV ≤ 0 (D) PI ≤ 1

Answer: (A) **Hint:** IRR threshold vs MCC.

Q61. Alpha Ltd. has retained earnings Rs. 1,200,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q62. Alpha Ltd. has retained earnings Rs. 1,000,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q63. Alpha Ltd. has retained earnings Rs. 1,500,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,500,000 (B) Rs. 3,000,000

(C) Rs. 2,000,000 (D) Rs. 3,750,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q64. Helios Electronics has retained earnings Rs. 800,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 1,600,000 (B) Rs. 1,920,000

(C) Rs. 1,280,000 (D) Rs. 2,400,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q65. Krypton Plastics has retained earnings Rs. 2,000,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 3,333,333 (B) Rs. 3,999,999

(C) Rs. 2,666,666 (D) Rs. 4,999,999

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q66. Alpha Ltd. has retained earnings Rs. 1,200,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q67. Lunar Ceramics has retained earnings Rs. 1,000,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q68. Falcon Steel has retained earnings Rs. 1,500,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,500,000 (B) Rs. 3,000,000

(C) Rs. 2,000,000 (D) Rs. 3,750,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q69. Gemini Retail has retained earnings Rs. 800,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 1,600,000 (B) Rs. 1,920,000

(C) Rs. 1,280,000 (D) Rs. 2,400,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q70. Beta Foods Pvt. Ltd. has retained earnings Rs. 2,000,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 3,333,333 (B) Rs. 3,999,999

(C) Rs. 2,666,666 (D) Rs. 4,999,999

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q71. Epsilon Pharma has retained earnings Rs. 1,200,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q72. Indus Breweries has retained earnings Rs. 1,000,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q73. Jupiter Tools has retained earnings Rs. 1,500,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,500,000 (B) Rs. 3,000,000

(C) Rs. 2,000,000 (D) Rs. 3,750,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q74. Lunar Ceramics has retained earnings Rs. 800,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 1,600,000 (B) Rs. 1,920,000

(C) Rs. 1,280,000 (D) Rs. 2,400,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q75. Helios Electronics has retained earnings Rs. 2,000,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 3,333,333 (B) Rs. 3,999,999

(C) Rs. 2,666,666 (D) Rs. 4,999,999

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q76. Alpha Ltd. has retained earnings Rs. 1,200,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q77. Krypton Plastics has retained earnings Rs. 1,000,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,000,000 (B) Rs. 2,400,000

(C) Rs. 1,600,000 (D) Rs. 3,000,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q78. Helios Electronics has retained earnings Rs. 1,500,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 2,500,000 (B) Rs. 3,000,000

(C) Rs. 2,000,000 (D) Rs. 3,750,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q79. Lunar Ceramics has retained earnings Rs. 800,000 and target equity weight 50%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 1,600,000 (B) Rs. 1,920,000

(C) Rs. 1,280,000 (D) Rs. 2,400,000

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

Q80. Krypton Plastics has retained earnings Rs. 2,000,000 and target equity weight 60%. First breakpoint in investment schedule is approximately:

Type: Case | Topic: MCC | Difficulty: Moderate | Trend: High

(A) Rs. 3,333,333 (B) Rs. 3,999,999

(C) Rs. 2,666,666 (D) Rs. 4,999,999

Answer: (A) **Hint:** Breakpoint=RE/target equity fraction.

CA Dreamers

Ch-5 Capital Structure & Leverages — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Operating Leverage given Sales=Rs. 1,000, VC=Rs. 600, FC=Rs. 200 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q2. Operating Leverage given Sales=Rs. 1,200, VC=Rs. 720, FC=Rs. 240 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q3. Operating Leverage given Sales=Rs. 1,500, VC=Rs. 900, FC=Rs. 300 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q4. Operating Leverage given Sales=Rs. 1,800, VC=Rs. 1,080, FC=Rs. 360 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q5. Operating Leverage given Sales=Rs. 2,000, VC=Rs. 1,200, FC=Rs. 400 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q6. Operating Leverage given Sales=Rs. 1,000, VC=Rs. 600, FC=Rs. 200 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q7. Operating Leverage given Sales=Rs. 1,200, VC=Rs. 720, FC=Rs. 240 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q8. Operating Leverage given Sales=Rs. 1,500, VC=Rs. 900, FC=Rs. 300 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q9. Operating Leverage given Sales=Rs. 1,800, VC=Rs. 1,080, FC=Rs. 360 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q10. Operating Leverage given Sales=Rs. 2,000, VC=Rs. 1,200, FC=Rs. 400 (assume proportional costs).

Type: Normal | Topic: OL | Difficulty: Moderate | Trend: High

(A) OL≈2.0x (B) OL≈1.67x

(C) OL≈5.0x (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC).

Q11. Financial Leverage with EBIT=Rs. 400 and Interest=Rs. 100.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.33x (B) 300

(C) 100 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q12. Financial Leverage with EBIT=Rs. 500 and Interest=Rs. 150.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.43x (B) 350

(C) 150 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q13. Financial Leverage with EBIT=Rs. 600 and Interest=Rs. 200.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.5x (B) 400

(C) 200 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q14. Financial Leverage with EBIT=Rs. 700 and Interest=Rs. 250.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.56x (B) 450

(C) 250 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q15. Financial Leverage with EBIT=Rs. 800 and Interest=Rs. 300.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.6x (B) 500

(C) 300 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q16. Financial Leverage with EBIT=Rs. 400 and Interest=Rs. 100.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.33x (B) 300

(C) 100 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q17. Financial Leverage with EBIT=Rs. 500 and Interest=Rs. 150.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.43x (B) 350

(C) 150 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q18. Financial Leverage with EBIT=Rs. 600 and Interest=Rs. 200.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.5x (B) 400

(C) 200 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q19. Financial Leverage with EBIT=Rs. 700 and Interest=Rs. 250.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.56x (B) 450

(C) 250 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT–I).

Q20. Financial Leverage with EBIT=Rs. 800 and Interest=Rs. 300.

Type: Normal | Topic: FL | Difficulty: Moderate | Trend: High

(A) FL≈1.6x (B) 500

(C) 300 (D) Insufficient data

Answer: (A) **Hint:** FL=EBIT/(EBIT−I).

Q21. Combined Leverage if OL=2.0 and FL=1.5.

Type: Normal | Topic: CL | Difficulty: Easy | Trend: Medium

(A) CL≈3.0x (B) 3.5

(C) 1.3333333333333333 (D) Cannot compute

Answer: (A) **Hint:** CL=OL×FL.

Q22. Combined Leverage if OL=1.8 and FL=1.6.

Type: Normal | Topic: CL | Difficulty: Easy | Trend: Medium

(A) CL≈2.88x (B) 3.4000000000000004

(C) 1.125 (D) Cannot compute

Answer: (A) **Hint:** CL=OL×FL.

Q23. Combined Leverage if OL=2.2 and FL=1.4.

Type: Normal | Topic: CL | Difficulty: Easy | Trend: Medium

(A) CL≈3.08x (B) 3.6

(C) 1.5714285714285716 (D) Cannot compute

Answer: (A) **Hint:** CL=OL×FL.

Q24. Combined Leverage if OL=2.5 and FL=1.3.

Type: Normal | Topic: CL | Difficulty: Easy | Trend: Medium

(A) CL≈3.25x (B) 3.8

(C) 1.923076923076923 (D) Cannot compute

Answer: (A) **Hint:** CL=OL×FL.

Q25. Combined Leverage if OL=2.0 and FL=1.4.

Type: Normal | Topic: CL | Difficulty: Easy | Trend: Medium

(A) CL≈2.8x (B) 3.4

(C) 1.4285714285714286 (D) Cannot compute

Answer: (A) **Hint:** CL=OL×FL.

Q26. EPS under two financing plans: (Plan1) Interest=Rs. 50, Shares=100 lakh; (Plan2) Interest=Rs. 120, Shares=120 lakh; EBIT=Rs. 600, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT−I)(1−t)/Shares.

Q27. EPS under two financing plans: (Plan1) Interest=Rs. 80, Shares=100 lakh; (Plan2) Interest=Rs. 150, Shares=130 lakh; EBIT=Rs. 700, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q28. EPS under two financing plans: (Plan1) Interest=Rs. 100, Shares=100 lakh; (Plan2) Interest=Rs. 160, Shares=140 lakh; EBIT=Rs. 800, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q29. EPS under two financing plans: (Plan1) Interest=Rs. 120, Shares=100 lakh; (Plan2) Interest=Rs. 180, Shares=150 lakh; EBIT=Rs. 900, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q30. EPS under two financing plans: (Plan1) Interest=Rs. 150, Shares=100 lakh; (Plan2) Interest=Rs. 220, Shares=160 lakh; EBIT=Rs. 1,000, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q31. EPS under two financing plans: (Plan1) Interest=Rs. 50, Shares=100 lakh; (Plan2) Interest=Rs. 120, Shares=120 lakh; EBIT=Rs. 600, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q32. EPS under two financing plans: (Plan1) Interest=Rs. 80, Shares=100 lakh; (Plan2) Interest=Rs. 150, Shares=130 lakh; EBIT=Rs. 700, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q33. EPS under two financing plans: (Plan1) Interest=Rs. 100, Shares=100 lakh; (Plan2) Interest=Rs. 160, Shares=140 lakh; EBIT=Rs. 800, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q34. EPS under two financing plans: (Plan1) Interest=Rs. 120, Shares=100 lakh; (Plan2) Interest=Rs. 180, Shares=150 lakh; EBIT=Rs. 900, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q35. EPS under two financing plans: (Plan1) Interest=Rs. 150, Shares=100 lakh; (Plan2) Interest=Rs. 220, Shares=160 lakh; EBIT=Rs. 1,000, tax=30%. Choose better EPS.

Type: Normal | Topic: EPS Plan | Difficulty: Moderate | Trend: High

(A) Plan 1 (B) Both same

(C) Cannot decide (D) EPS comparison not valid

Answer: (A) **Hint:** Compute EPS=(EBIT–I)(1–t)/Shares.

Q36. Find indifference EBIT for Plan1 (I=Rs. 50, Sh=100 lakh) vs Plan2 (I=Rs. 120, Sh=120 lakh) with tax 30%.

Type: Normal | Topic: Indifference EBIT | Difficulty: Hard | Trend: High

(A) Rs. 60,000 (B) Rs. 60,100

(C) Rs. 59,900 (D) Not computable

Answer: (A) **Hint:** Set EPS1=EPS2 and solve for EBIT.

Q37. Find indifference EBIT for Plan1 (I=Rs. 80, Sh=100 lakh) vs Plan2 (I=Rs. 150, Sh=130 lakh) with tax 30%.

Type: Normal | Topic: Indifference EBIT | Difficulty: Hard | Trend: High

(A) Rs. 43,333 (B) Rs. 43,433

(C) Rs. 43,233 (D) Not computable

Answer: (A) **Hint:** Set EPS1=EPS2 and solve for EBIT.

Q38. Find indifference EBIT for Plan1 (I=Rs. 100, Sh=100 lakh) vs Plan2 (I=Rs. 160, Sh=140 lakh) with tax 30%.

Type: Normal | Topic: Indifference EBIT | Difficulty: Hard | Trend: High

(A) Rs. 30,000 (B) Rs. 30,100

(C) Rs. 29,900 (D) Not computable

Answer: (A) **Hint:** Set EPS1=EPS2 and solve for EBIT.

Q39. Find indifference EBIT for Plan1 (I=Rs. 120, Sh=100 lakh) vs Plan2 (I=Rs. 180, Sh=150 lakh) with tax 30%.

Type: Normal | Topic: Indifference EBIT | Difficulty: Hard | Trend: High

(A) Rs. 25,714 (B) Rs. 25,814

(C) Rs. 25,614 (D) Not computable

Answer: (A) **Hint:** Set EPS1=EPS2 and solve for EBIT.

Q40. Find indifference EBIT for Plan1 (I=Rs. 150, Sh=100 lakh) vs Plan2 (I=Rs. 220, Sh=160 lakh) with tax 30%.

Type: Normal | Topic: Indifference EBIT | Difficulty: Hard | Trend: High

(A) Rs. 26,667 (B) Rs. 26,767

(C) Rs. 26,567 (D) Not computable

Answer: (A) **Hint:** Set EPS1=EPS2 and solve for EBIT.

Q41. Value rises with debt due to:

Type: Twist | Topic: MM with taxes | Difficulty: Moderate | Trend: High

(A) Interest tax shield (B) Higher dividends

(C) Face value premium (D) Inventory turnover

Answer: (A) **Hint:** Tax shield adds value.

Q42. With more debt, DFL:

Type: Twist | Topic: Risk | Difficulty: Moderate | Trend: High

(A) Rises (B) Falls

(C) Unchanged (D) Becomes zero

Answer: (A) **Hint:** Leverage ↑ → DFL ↑.

Q43. At low leverage, WACC usually:

Type: Twist | Topic: WACC | Difficulty: Moderate | Trend: High

(A) Falls then rises (B) Always falls

(C) Always rises (D) Unaffected

Answer: (A) **Hint:** Typical U-shape.

Q44. EPS is more volatile when:

Type: Twist | Topic: EPS | Difficulty: Moderate | Trend: High

(A) FL high (B) FL low

(C) No interest (D) All equity

Answer: (A) **Hint:** High FL amplifies EPS.

Q45. Value rises with debt due to:

Type: Twist | Topic: MM with taxes | Difficulty: Moderate | Trend: High

(A) Interest tax shield (B) Higher dividends

(C) Face value premium (D) Inventory turnover

Answer: (A) **Hint:** Tax shield adds value.

Q46. With more debt, DFL:

Type: Twist | Topic: Risk | Difficulty: Moderate | Trend: High

(A) Rises (B) Falls

(C) Unchanged (D) Becomes zero

Answer: (A) **Hint:** Leverage ↑ → DFL ↑.

Q47. At low leverage, WACC usually:

Type: Twist | Topic: WACC | Difficulty: Moderate | Trend: High

(A) Falls then rises (B) Always falls

(C) Always rises (D) Unaffected

Answer: (A) **Hint:** Typical U-shape.

Q48. EPS is more volatile when:

Type: Twist | Topic: EPS | Difficulty: Moderate | Trend: High

(A) FL high (B) FL low

(C) No interest (D) All equity

Answer: (A) **Hint:** High FL amplifies EPS.

Q49. Value rises with debt due to:

Type: Twist | Topic: MM with taxes | Difficulty: Moderate | Trend: High

(A) Interest tax shield (B) Higher dividends

(C) Face value premium (D) Inventory turnover

Answer: (A) **Hint:** Tax shield adds value.

Q50. With more debt, DFL:

Type: Twist | Topic: Risk | Difficulty: Moderate | Trend: High

(A) Rises (B) Falls

(C) Unchanged (D) Becomes zero

Answer: (A) **Hint:** Leverage ↑ → DFL ↑.

Q51. At low leverage, WACC usually:

Type: Twist | Topic: WACC | Difficulty: Moderate | Trend: High

(A) Falls then rises (B) Always falls

(C) Always rises (D) Unaffected

Answer: (A) **Hint:** Typical U-shape.

Q52. EPS is more volatile when:

Type: Twist | Topic: EPS | Difficulty: Moderate | Trend: High

(A) FL high (B) FL low

(C) No interest (D) All equity

Answer: (A) **Hint:** High FL amplifies EPS.

Q53. Value rises with debt due to:

Type: Twist | Topic: MM with taxes | Difficulty: Moderate | Trend: High

(A) Interest tax shield (B) Higher dividends

(C) Face value premium (D) Inventory turnover

Answer: (A) **Hint:** Tax shield adds value.

Q54. With more debt, DFL:

Type: Twist | Topic: Risk | Difficulty: Moderate | Trend: High

(A) Rises (B) Falls

(C) Unchanged (D) Becomes zero

Answer: (A) **Hint:** Leverage ↑ → DFL ↑.

Q55. At low leverage, WACC usually:

Type: Twist | Topic: WACC | Difficulty: Moderate | Trend: High

(A) Falls then rises (B) Always falls

(C) Always rises (D) Unaffected

Answer: (A) **Hint:** Typical U-shape.

Q56. EPS is more volatile when:

Type: Twist | Topic: EPS | Difficulty: Moderate | Trend: High

(A) FL high (B) FL low

(C) No interest (D) All equity

Answer: (A) **Hint:** High FL amplifies EPS.

Q57. Value rises with debt due to:

Type: Twist | Topic: MM with taxes | Difficulty: Moderate | Trend: High

(A) Interest tax shield (B) Higher dividends

(C) Face value premium (D) Inventory turnover

Answer: (A) **Hint:** Tax shield adds value.

Q58. With more debt, DFL:

Type: Twist | Topic: Risk | Difficulty: Moderate | Trend: High

(A) Rises (B) Falls

(C) Unchanged (D) Becomes zero

Answer: (A) **Hint:** Leverage ↑ → DFL ↑.

Q59. At low leverage, WACC usually:

Type: Twist | Topic: WACC | Difficulty: Moderate | Trend: High

(A) Falls then rises (B) Always falls

(C) Always rises (D) Unaffected

Answer: (A) **Hint:** Typical U-shape.

Q60. EPS is more volatile when:

Type: Twist | Topic: EPS | Difficulty: Moderate | Trend: High

(A) FL high (B) FL low

(C) No interest (D) All equity

Answer: (A) **Hint:** High FL amplifies EPS.

Q61. Beta Foods Pvt. Ltd. reports EBIT=Rs. 800, Fixed cost=Rs. 300, Interest=Rs. 100. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.38x, 1.14x) (B) (1.14x, 1.38x)

(C) (2.5199999999999996x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q62. Cosmo Textiles reports EBIT=Rs. 900, Fixed cost=Rs. 320, Interest=Rs. 150. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.36x, 1.2x) (B) (1.2x, 1.36x)

(C) (2.56x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q63. Epsilon Pharma reports EBIT=Rs. 1,000, Fixed cost=Rs. 350, Interest=Rs. 160. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.35x, 1.19x) (B) (1.19x, 1.35x)

(C) (2.54x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q64. Indus Breweries reports EBIT=Rs. 1,100, Fixed cost=Rs. 360, Interest=Rs. 180. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q65. Beta Foods Pvt. Ltd. reports EBIT=Rs. 1,200, Fixed cost=Rs. 400, Interest=Rs. 200. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q66. Alpha Ltd. reports EBIT=Rs. 800, Fixed cost=Rs. 300, Interest=Rs. 100. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.38x, 1.14x) (B) (1.14x, 1.38x)

(C) (2.5199999999999996x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q67. Helios Electronics reports EBIT=Rs. 900, Fixed cost=Rs. 320, Interest=Rs. 150. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.36x, 1.2x) (B) (1.2x, 1.36x)

(C) (2.56x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q68. Falcon Steel reports EBIT=Rs. 1,000, Fixed cost=Rs. 350, Interest=Rs. 160. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.35x, 1.19x) (B) (1.19x, 1.35x)

(C) (2.54x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q69. Gemini Retail reports EBIT=Rs. 1,100, Fixed cost=Rs. 360, Interest=Rs. 180. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q70. Jupiter Tools reports EBIT=Rs. 1,200, Fixed cost=Rs. 400, Interest=Rs. 200. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q71. Alpha Ltd. reports EBIT=Rs. 800, Fixed cost=Rs. 300, Interest=Rs. 100. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.38x, 1.14x)
(B) (1.14x, 1.38x)
(C) (2.5199999999999996x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q72. Alpha Ltd. reports EBIT=Rs. 900, Fixed cost=Rs. 320, Interest=Rs. 150. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.36x, 1.2x)
(B) (1.2x, 1.36x)
(C) (2.56x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q73. Helios Electronics reports EBIT=Rs. 1,000, Fixed cost=Rs. 350, Interest=Rs. 160. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.35x, 1.19x)
(B) (1.19x, 1.35x)
(C) (2.54x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q74. Cosmo Textiles reports EBIT=Rs. 1,100, Fixed cost=Rs. 360, Interest=Rs. 180. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x)
(B) (1.2x, 1.33x)
(C) (2.5300000000000002x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q75. Alpha Ltd. reports EBIT=Rs. 1,200, Fixed cost=Rs. 400, Interest=Rs. 200. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x)
(B) (1.2x, 1.33x)
(C) (2.5300000000000002x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q76. Lunar Ceramics reports EBIT=Rs. 800, Fixed cost=Rs. 300, Interest=Rs. 100. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.38x, 1.14x)
(B) (1.14x, 1.38x)
(C) (2.5199999999999996x, 1x)
(D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q77. Alpha Ltd. reports EBIT=Rs. 900, Fixed cost=Rs. 320, Interest=Rs. 150. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.36x, 1.2x) (B) (1.2x, 1.36x)

(C) (2.56x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q78. Delta Motors reports EBIT=Rs. 1,000, Fixed cost=Rs. 350, Interest=Rs. 160. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.35x, 1.19x) (B) (1.19x, 1.35x)

(C) (2.54x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q79. Beta Foods Pvt. Ltd. reports EBIT=Rs. 1,100, Fixed cost=Rs. 360, Interest=Rs. 180. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Q80. Krypton Plastics reports EBIT=Rs. 1,200, Fixed cost=Rs. 400, Interest=Rs. 200. Pick the correct pair (OL, FL):

Type: Case | Topic: Leverages | Difficulty: Moderate | Trend: High

(A) (1.33x, 1.2x) (B) (1.2x, 1.33x)

(C) (2.5300000000000002x, 1x) (D) Cannot compute

Answer: (A) **Hint:** OL=CM/(CM–FC); FL=EBIT/(EBIT–I).

Ch-6 Investment Decisions (Capital Budgeting) — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. NPV decision at k=12% for outlay Rs. 1,000 and inflows Rs. 450, Rs. 450, Rs. 450.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q2. NPV decision at k=10% for outlay Rs. 1,200 and inflows Rs. 500, Rs. 500, Rs. 500.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q3. NPV decision at k=15% for outlay Rs. 1,500 and inflows Rs. 600, Rs. 600, Rs. 600.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Reject (B) Accept

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q4. NPV decision at k=12% for outlay Rs. 1,000 and inflows Rs. 600, Rs. 400, Rs. 300.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q5. NPV decision at k=10% for outlay Rs. 1,400 and inflows Rs. 500, Rs. 500, Rs. 700.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Reject (B) Accept

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q6. NPV decision at k=14% for outlay Rs. 1,300 and inflows Rs. 600, Rs. 500, Rs. 600.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q7. NPV decision at k=12% for outlay Rs. 1,000 and inflows Rs. 450, Rs. 450, Rs. 450.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q8. NPV decision at k=10% for outlay Rs. 1,200 and inflows Rs. 500, Rs. 500, Rs. 500.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q9. NPV decision at k=15% for outlay Rs. 1,500 and inflows Rs. 600, Rs. 600, Rs. 600.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Reject (B) Accept

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q10. NPV decision at k=12% for outlay Rs. 1,000 and inflows Rs. 600, Rs. 400, Rs. 300.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q11. NPV decision at k=10% for outlay Rs. 1,400 and inflows Rs. 500, Rs. 500, Rs. 700.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Reject (B) Accept

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q12. NPV decision at k=14% for outlay Rs. 1,300 and inflows Rs. 600, Rs. 500, Rs. 600.

Type: Normal | Topic: NPV | Difficulty: Moderate | Trend: High

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if NPV>0.

Q13. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k (B) Always higher IRR

(C) Always shorter payback (D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q14. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q15. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q16. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q17. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q18. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q19. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k

(B) Always higher IRR

(C) Always shorter payback

(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q20. Ranking conflict: If IRR and NPV disagree due to scale/timing, the correct rule is to:

Type: Normal | Topic: NPV vs IRR | Difficulty: Easy | Trend: High

(A) Choose project with higher NPV at relevant k
(B) Always higher IRR
(C) Always shorter payback
(D) Always lower outlay

Answer: (A) **Hint:** NPV maximizes wealth.

Q21. Payback (rough): Outlay Rs. 1,000; inflows Rs. 400, Rs. 400, Rs. 400.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q22. Payback (rough): Outlay Rs. 1,200; inflows Rs. 300, Rs. 500, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q23. Payback (rough): Outlay Rs. 1,500; inflows Rs. 600, Rs. 500, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q24. Payback (rough): Outlay Rs. 1,300; inflows Rs. 500, Rs. 400, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q25. Payback (rough): Outlay Rs. 1,100; inflows Rs. 350, Rs. 400, Rs. 500.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q26. Payback (rough): Outlay Rs. 1,000; inflows Rs. 400, Rs. 400, Rs. 400.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs
(B) ≈ 1 year
(C) ≈ 4–5 years
(D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q27. Payback (rough): Outlay Rs. 1,200; inflows Rs. 300, Rs. 500, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs (B) ≈ 1 year

(C) ≈ 4–5 years (D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q28. Payback (rough): Outlay Rs. 1,500; inflows Rs. 600, Rs. 500, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs (B) ≈ 1 year

(C) ≈ 4–5 years (D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q29. Payback (rough): Outlay Rs. 1,300; inflows Rs. 500, Rs. 400, Rs. 600.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs (B) ≈ 1 year

(C) ≈ 4–5 years (D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q30. Payback (rough): Outlay Rs. 1,100; inflows Rs. 350, Rs. 400, Rs. 500.

Type: Normal | Topic: Payback | Difficulty: Easy | Trend: Medium

(A) ≈ 2.5–3 yrs (B) ≈ 1 year

(C) ≈ 4–5 years (D) Cannot be computed

Answer: (A) **Hint:** Sum inflows till cover outlay (rough).

Q31. Profitability Index with PV inflows=Rs. 1,200 and outlay=Rs. 1,000.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q32. Profitability Index with PV inflows=Rs. 1,500 and outlay=Rs. 1,200.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q33. Profitability Index with PV inflows=Rs. 920 and outlay=Rs. 800.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q34. Profitability Index with PV inflows=Rs. 1,200 and outlay=Rs. 1,000.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q35. Profitability Index with PV inflows=Rs. 1,500 and outlay=Rs. 1,200.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q36. Profitability Index with PV inflows=Rs. 920 and outlay=Rs. 800.

Type: Normal | Topic: PI | Difficulty: Easy | Trend: Medium

(A) Accept (B) Reject

(C) Indifferent (D) Cannot say

Answer: (A) **Hint:** Accept if PI>1.

Q37. Multiple sign changes can cause:

Type: Twist | Topic: IRR | Difficulty: Moderate | Trend: High

(A) Multiple IRRs (B) Single IRR always

(C) No IRR ever (D) Infinite IRR

Answer: (A) **Hint:** Non-conventional cash flows issue.

Q38. To refine IRR, use:

Type: Twist | Topic: Interpolation | Difficulty: Moderate | Trend: High

(A) Linear interpolation between NPVs of opposite sign (B) CAPM

(C) DGM (D) P/E

Answer: (A) **Hint:** Standard method.

Q39. Discounted payback considers:

Type: Twist | Topic: DPP | Difficulty: Moderate | Trend: High

(A) Time value (B) No time value

(C) Only accounting profits (D) Tax only

Answer: (A) **Hint:** DPP discounts cash flows.

Q40. Match:

Type: Twist | Topic: Inflation | Difficulty: Moderate | Trend: High

(A) Nominal CF with nominal k (B) Real CF with nominal k

(C) Nominal CF with real k (D) Any mix

Answer: (A) **Hint:** Consistency rule.

Q41. Use EAC when:

Type: Twist | Topic: EAC | Difficulty: Moderate | Trend: High

(A) Lives differ across options (B) Equal lives

(C) No replacement (D) Equity financing

Answer: (A) **Hint:** Compare annualized cost.

Q42. Multiple sign changes can cause:

Type: Twist | Topic: IRR | Difficulty: Moderate | Trend: High

(A) Multiple IRRs (B) Single IRR always

(C) No IRR ever (D) Infinite IRR

Answer: (A) **Hint:** Non-conventional cash flows issue.

Q43. To refine IRR, use:

Type: Twist | Topic: Interpolation | Difficulty: Moderate | Trend: High

(A) Linear interpolation between NPVs of opposite sign (B) CAPM

(C) DGM (D) P/E

Answer: (A) **Hint:** Standard method.

Q44. Discounted payback considers:

Type: Twist | Topic: DPP | Difficulty: Moderate | Trend: High

(A) Time value (B) No time value

(C) Only accounting profits (D) Tax only

Answer: (A) **Hint:** DPP discounts cash flows.

Q45. Match:

Type: Twist | Topic: Inflation | Difficulty: Moderate | Trend: High

(A) Nominal CF with nominal k (B) Real CF with nominal k

(C) Nominal CF with real k (D) Any mix

Answer: (A) **Hint:** Consistency rule.

Q46. Use EAC when:

Type: Twist | Topic: EAC | Difficulty: Moderate | Trend: High

(A) Lives differ across options (B) Equal lives

(C) No replacement (D) Equity financing

Answer: (A) **Hint:** Compare annualized cost.

Q47. Multiple sign changes can cause:

Type: Twist | Topic: IRR | Difficulty: Moderate | Trend: High

(A) Multiple IRRs (B) Single IRR always

(C) No IRR ever (D) Infinite IRR

Answer: (A) **Hint:** Non-conventional cash flows issue.

Q48. To refine IRR, use:

Type: Twist | Topic: Interpolation | Difficulty: Moderate | Trend: High

(A) Linear interpolation between NPVs of opposite sign (B) CAPM

(C) DGM (D) P/E

Answer: (A) **Hint:** Standard method.

Q49. Discounted payback considers:

Type: Twist | Topic: DPP | Difficulty: Moderate | Trend: High

(A) Time value (B) No time value

(C) Only accounting profits (D) Tax only

Answer: (A) **Hint:** DPP discounts cash flows.

Q50. Match:

Type: Twist | Topic: Inflation | Difficulty: Moderate | Trend: High

(A) Nominal CF with nominal k (B) Real CF with nominal k

(C) Nominal CF with real k (D) Any mix

Answer: (A) **Hint:** Consistency rule.

Q51. Use EAC when:

Type: Twist | Topic: EAC | Difficulty: Moderate | Trend: High

(A) Lives differ across options (B) Equal lives

(C) No replacement (D) Equity financing

Answer: (A) **Hint:** Compare annualized cost.

Q52. Multiple sign changes can cause:

Type: Twist | Topic: IRR | Difficulty: Moderate | Trend: High

(A) Multiple IRRs (B) Single IRR always

(C) No IRR ever (D) Infinite IRR

Answer: (A) **Hint:** Non-conventional cash flows issue.

Q53. To refine IRR, use:

Type: Twist | Topic: Interpolation | Difficulty: Moderate | Trend: High

(A) Linear interpolation between NPVs of opposite sign (B) CAPM

(C) DGM (D) P/E

Answer: (A) **Hint:** Standard method.

Q54. Discounted payback considers:

Type: Twist | Topic: DPP | Difficulty: Moderate | Trend: High

(A) Time value (B) No time value

(C) Only accounting profits (D) Tax only

Answer: (A) **Hint:** DPP discounts cash flows.

Q55. Match:

Type: Twist | Topic: Inflation | Difficulty: Moderate | Trend: High

(A) Nominal CF with nominal k (B) Real CF with nominal k

(C) Nominal CF with real k (D) Any mix

Answer: (A) **Hint:** Consistency rule.

Q56. Use EAC when:

Type: Twist | Topic: EAC | Difficulty: Moderate | Trend: High

(A) Lives differ across options (B) Equal lives

(C) No replacement (D) Equity financing

Answer: (A) **Hint:** Compare annualized cost.

Q57. Helios Electronics considers a machine: price Rs. 1,000,000, life 3 yrs, opex Rs. 250,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 666,300 (B) Rs. 716,300

(C) Rs. 616,300 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q58. Beta Foods Pvt. Ltd. considers a machine: price Rs. 1,300,000, life 4 yrs, opex Rs. 210,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 638,000 (B) Rs. 688,000

(C) Rs. 588,000 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q59. Gemini Retail considers a machine: price Rs. 1,000,000, life 3 yrs, opex Rs. 250,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 666,300 (B) Rs. 716,300

(C) Rs. 616,300 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q60. Helios Electronics considers a machine: price Rs. 1,300,000, life 4 yrs, opex Rs. 210,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 638,000 (B) Rs. 688,000

(C) Rs. 588,000 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q61. Beta Foods Pvt. Ltd. considers a machine: price Rs. 1,000,000, life 3 yrs, opex Rs. 250,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 666,300 (B) Rs. 716,300

(C) Rs. 616,300 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q62. Cosmo Textiles considers a machine: price Rs. 1,300,000, life 4 yrs, opex Rs. 210,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 638,000 (B) Rs. 688,000

(C) Rs. 588,000 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q63. Delta Motors considers a machine: price Rs. 1,000,000, life 3 yrs, opex Rs. 250,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 666,300 (B) Rs. 716,300

(C) Rs. 616,300 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q64. Epsilon Pharma considers a machine: price Rs. 1,300,000, life 4 yrs, opex Rs. 210,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 638,000 (B) Rs. 688,000

(C) Rs. 588,000 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q65. Delta Motors considers a machine: price Rs. 1,000,000, life 3 yrs, opex Rs. 250,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 666,300 (B) Rs. 716,300

(C) Rs. 616,300 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

Q66. Beta Foods Pvt. Ltd. considers a machine: price Rs. 1,300,000, life 4 yrs, opex Rs. 210,000 p.a., k=12%. Equivalent Annual Cost (nearest) is:

Type: Case | Topic: EAC | Difficulty: Hard | Trend: Medium

(A) Rs. 638,000 (B) Rs. 688,000

(C) Rs. 588,000 (D) Insufficient data

Answer: (A) **Hint:** EAC=NPV(costs)×CRF(k,n).

CA Dreamers

Ch-7 Dividend Decision — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Walter Model context: r=15%, k=12%, earnings E=10. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q2. Walter Model context: r=16%, k=14%, earnings E=12. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q3. Walter Model context: r=12%, k=10%, earnings E=8. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q4. Walter Model context: r=10%, k=12%, earnings E=10. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q5. Walter Model context: r=15%, k=11%, earnings E=9. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q6. Walter Model context: r=15%, k=12%, earnings E=10. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q7. Walter Model context: r=16%, k=14%, earnings E=12. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q8. Walter Model context: r=12%, k=10%, earnings E=8. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q9. Walter Model context: r=10%, k=12%, earnings E=10. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q10. Walter Model context: r=15%, k=11%, earnings E=9. Choose the correct insight.

Type: Normal | Topic: Walter | Difficulty: Moderate | Trend: High

(A) Price rises with higher retention when r>k (B) Price unaffected by payout when r=k

(C) Price falls with higher payout if r>k (D) All of the above

Answer: (D) **Hint:** Implications of r vs k on payout.

Q11. Gordon: D0=8, g=6%, k=14%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q12. Gordon: D0=10, g=5%, k=13%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q13. Gordon: D0=9, g=6%, k=15%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q14. Gordon: D0=6, g=4%, k=12%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q15. Gordon: D0=7, g=5%, k=14%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 81.67 (B) 77.78

(C) 52.5 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q16. Gordon: D0=8, g=6%, k=14%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q17. Gordon: D0=10, g=5%, k=13%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q18. Gordon: D0=9, g=6%, k=15%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q19. Gordon: D0=6, g=4%, k=12%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q20. Gordon: D0=7, g=5%, k=14%. Compute price P0.

Type: Normal | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 81.67 (B) 77.78

(C) 52.5 (D) Cannot compute

Answer: (A) **Hint:** P0=D1/(k–g).

Q21. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q22. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q23. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q24. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q25. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q26. Dividend theories — choose the correct statement.

Type: Normal | Topic: MM/Residual | Difficulty: Easy | Trend: High

(A) With perfect markets, payout is irrelevant to value (B) Taxes/float/agency break irrelevance

(C) Residual theory aligns investment first (D) All of the above

Answer: (D) **Hint:** MM holds in perfect markets; in practice frictions matter.

Q27. Residual policy: Net Income=Rs. 1,000; Project outlay=Rs. 600; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈64.0%
(B) Payout≈166.7%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q28. Residual policy: Net Income=Rs. 1,200; Project outlay=Rs. 800; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈60.0%
(B) Payout≈150.0%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q29. Residual policy: Net Income=Rs. 900; Project outlay=Rs. 400; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈73.3%
(B) Payout≈225.0%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q30. Residual policy: Net Income=Rs. 1,100; Project outlay=Rs. 700; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈61.8%
(B) Payout≈157.1%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q31. Residual policy: Net Income=Rs. 1,000; Project outlay=Rs. 600; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈64.0%
(B) Payout≈166.7%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q32. Residual policy: Net Income=Rs. 1,200; Project outlay=Rs. 800; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈60.0%
(B) Payout≈150.0%
(C) 60%
(D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q33. Residual policy: Net Income=Rs. 900; Project outlay=Rs. 400; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈73.3% (B) Payout≈225.0%

(C) 60% (D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q34. Residual policy: Net Income=Rs. 1,100; Project outlay=Rs. 700; Target E:D=60: 40. Compute payout %.

Type: Normal | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Payout≈61.8% (B) Payout≈157.1%

(C) 60% (D) Cannot compute

Answer: (A) **Hint:** Retain equity share of capex; remainder paid as dividend.

Q35. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q36. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q37. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q38. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q39. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q40. Bonus/Split — implications:

Type: Normal | Topic: Bonus/Split | Difficulty: Easy | Trend: Medium

(A) In theory wealth unchanged by bonus/split (B) EPS and price adjust proportionately

(C) Signals may affect price (D) All of the above

Answer: (D) **Hint:** Theory neutrality; signalling may differ.

Q41. If b increases with r>k, price:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Undefined

Answer: (A) **Hint:** Higher growth when r>k.

Q42. Parameter b means:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Retention ratio (B) Beta

(C) Bond yield (D) Book value

Answer: (A) **Hint:** b = retention.

Q43. MM irrelevance assumes:

Type: Twist | Topic: MM | Difficulty: Moderate | Trend: High

(A) No taxes/floatation/information asymmetry (B) Taxes present

(C) Bankruptcy costs high (D) Clientele effect strong

Answer: (A) **Hint:** Perfect markets.

Q44. Residual policy prioritizes:

Type: Twist | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Investment (B) Dividends

(C) Buybacks (D) Working capital only

Answer: (A) **Hint:** Invest first; distribute residual.

Q45. If b increases with r>k, price:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Undefined

Answer: (A) **Hint:** Higher growth when r>k.

Q46. Parameter b means:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Retention ratio (B) Beta

(C) Bond yield (D) Book value

Answer: (A) **Hint:** b = retention.

Q47. MM irrelevance assumes:

Type: Twist | Topic: MM | Difficulty: Moderate | Trend: High

(A) No taxes/floatation/information asymmetry (B) Taxes present

(C) Bankruptcy costs high (D) Clientele effect strong

Answer: (A) **Hint:** Perfect markets.

Q48. Residual policy prioritizes:

Type: Twist | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Investment (B) Dividends

(C) Buybacks (D) Working capital only

Answer: (A) **Hint:** Invest first; distribute residual.

Q49. If b increases with r>k, price:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Undefined

Answer: (A) **Hint:** Higher growth when r>k.

Q50. Parameter b means:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Retention ratio (B) Beta

(C) Bond yield (D) Book value

Answer: (A) **Hint:** b = retention.

Q51. MM irrelevance assumes:

Type: Twist | Topic: MM | Difficulty: Moderate | Trend: High

(A) No taxes/floatation/information asymmetry (B) Taxes present

(C) Bankruptcy costs high (D) Clientele effect strong

Answer: (A) **Hint:** Perfect markets.

Q52. Residual policy prioritizes:

Type: Twist | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Investment (B) Dividends

(C) Buybacks (D) Working capital only

Answer: (A) **Hint:** Invest first; distribute residual.

Q53. If b increases with r>k, price:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Undefined

Answer: (A) **Hint:** Higher growth when r>k.

Q54. Parameter b means:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Retention ratio (B) Beta

(C) Bond yield (D) Book value

Answer: (A) **Hint:** b = retention.

Q55. MM irrelevance assumes:

Type: Twist | Topic: MM | Difficulty: Moderate | Trend: High

(A) No taxes/floatation/information asymmetry (B) Taxes present

(C) Bankruptcy costs high (D) Clientele effect strong

Answer: (A) **Hint:** Perfect markets.

Q56. Residual policy prioritizes:

Type: Twist | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Investment (B) Dividends

(C) Buybacks (D) Working capital only

Answer: (A) **Hint:** Invest first; distribute residual.

Q57. If b increases with r>k, price:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Undefined

Answer: (A) **Hint:** Higher growth when r>k.

Q58. Parameter b means:

Type: Twist | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) Retention ratio (B) Beta

(C) Bond yield (D) Book value

Answer: (A) **Hint:** b = retention.

Q59. MM irrelevance assumes:

Type: Twist | Topic: MM | Difficulty: Moderate | Trend: High

(A) No taxes/floatation/information asymmetry (B) Taxes present

(C) Bankruptcy costs high (D) Clientele effect strong

Answer: (A) **Hint:** Perfect markets.

Q60. Residual policy prioritizes:

Type: Twist | Topic: Residual | Difficulty: Moderate | Trend: High

(A) Investment (B) Dividends

(C) Buybacks (D) Working capital only

Answer: (A) **Hint:** Invest first; distribute residual.

Q61. Cosmo Textiles has D0=8, expected growth 6%, required return 14%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q62. Cosmo Textiles has D0=10, expected growth 5%, required return 13%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q63. Cosmo Textiles has D0=9, expected growth 6%, required return 15%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q64. Alpha Ltd. has D0=6, expected growth 4%, required return 12%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q65. Alpha Ltd. has D0=8, expected growth 6%, required return 14%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q66. Delta Motors has D0=10, expected growth 5%, required return 13%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q67. Krypton Plastics has D0=9, expected growth 6%, required return 15%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q68. Indus Breweries has D0=6, expected growth 4%, required return 12%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q69. Gemini Retail has D0=8, expected growth 6%, required return 14%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q70. Jupiter Tools has D0=10, expected growth 5%, required return 13%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q71. Lunar Ceramics has D0=9, expected growth 6%, required return 15%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q72. Lunar Ceramics has D0=6, expected growth 4%, required return 12%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q73. Jupiter Tools has D0=8, expected growth 6%, required return 14%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q74. Gemini Retail has D0=10, expected growth 5%, required return 13%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q75. Helios Electronics has D0=9, expected growth 6%, required return 15%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q76. Indus Breweries has D0=6, expected growth 4%, required return 12%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q77. Epsilon Pharma has D0=8, expected growth 6%, required return 14%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 60.57 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q78. Jupiter Tools has D0=10, expected growth 5%, required return 13%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 131.25 (B) 125.0

(C) 80.77 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q79. Beta Foods Pvt. Ltd. has D0=9, expected growth 6%, required return 15%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 106.0 (B) 100.0

(C) 63.6 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

Q80. Helios Electronics has D0=6, expected growth 4%, required return 12%. P0 under Gordon model is:

Type: Case | Topic: Gordon | Difficulty: Moderate | Trend: High

(A) 78.0 (B) 75.0

(C) 52.0 (D) Cannot compute

Answer: (A) **Hint:** Use D1 and (k–g).

CA Dreamers

Ch-8 Working Capital Management — MCQ Bank (100)

ICAI-style A–D options with inline **Answer & Hint**. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

Q1. Compute CCC for ICP=60, RCP=45, PDP=30.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 75 days (B) 135 days

(C) 15 days (D) 30 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q2. Compute CCC for ICP=50, RCP=40, PDP=25.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 65 days (B) 115 days

(C) 15 days (D) 25 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q3. Compute CCC for ICP=70, RCP=50, PDP=20.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 100 days (B) 140 days

(C) 0 days (D) 50 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q4. Compute CCC for ICP=45, RCP=35, PDP=30.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 50 days (B) 110 days

(C) 20 days (D) 15 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q5. Compute CCC for ICP=80, RCP=30, PDP=25.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 135 days

(C) -25 days (D) 55 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q6. Compute CCC for ICP=55, RCP=50, PDP=20.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 125 days

(C) 15 days (D) 35 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q7. Compute CCC for ICP=60, RCP=45, PDP=30.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 75 days (B) 135 days

(C) 15 days (D) 30 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q8. Compute CCC for ICP=50, RCP=40, PDP=25.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 65 days (B) 115 days

(C) 15 days (D) 25 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q9. Compute CCC for ICP=70, RCP=50, PDP=20.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 100 days (B) 140 days

(C) 0 days (D) 50 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q10. Compute CCC for ICP=45, RCP=35, PDP=30.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 50 days (B) 110 days

(C) 20 days (D) 15 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q11. Compute CCC for ICP=80, RCP=30, PDP=25.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 135 days

(C) -25 days (D) 55 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q12. Compute CCC for ICP=55, RCP=50, PDP=20.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 125 days

(C) 15 days (D) 35 days

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q13. Credit sales Rs. 3,650,000; ACP 30 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 300,000 (B) Rs. 240,000

(C) Rs. 360,000 (D) Rs. 450,000

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q14. Credit sales Rs. 4,200,000; ACP 36 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 414,247 (B) Rs. 331,397

(C) Rs. 497,096 (D) Rs. 621,370

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q15. Credit sales Rs. 6,000,000; ACP 45 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 739,726 (B) Rs. 591,780

(C) Rs. 887,671 (D) Rs. 1,109,589

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q16. Credit sales Rs. 2,400,000; ACP 60 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 394,521 (B) Rs. 315,616

(C) Rs. 473,425 (D) Rs. 591,781

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q17. Credit sales Rs. 9,150,000; ACP 50 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 1,253,425 (B) Rs. 1,002,740

(C) Rs. 1,504,110 (D) Rs. 1,880,137

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q18. Credit sales Rs. 4,800,000; ACP 40 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 526,027 (B) Rs. 420,821

(C) Rs. 631,232 (D) Rs. 789,040

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q19. Credit sales Rs. 3,650,000; ACP 30 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 300,000 (B) Rs. 240,000

(C) Rs. 360,000 (D) Rs. 450,000

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q20. Credit sales Rs. 4,200,000; ACP 36 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 414,247 (B) Rs. 331,397

(C) Rs. 497,096 (D) Rs. 621,370

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q21. Credit sales Rs. 6,000,000; ACP 45 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 739,726
(B) Rs. 591,780
(C) Rs. 887,671
(D) Rs. 1,109,589

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q22. Credit sales Rs. 2,400,000; ACP 60 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 394,521
(B) Rs. 315,616
(C) Rs. 473,425
(D) Rs. 591,781

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q23. Credit sales Rs. 9,150,000; ACP 50 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 1,253,425
(B) Rs. 1,002,740
(C) Rs. 1,504,110
(D) Rs. 1,880,137

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q24. Credit sales Rs. 4,800,000; ACP 40 days. Estimate Debtors.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 526,027
(B) Rs. 420,821
(C) Rs. 631,232
(D) Rs. 789,040

Answer: (A) **Hint:** Debtors ≈ Sales × ACP/365.

Q25. EOQ with A=24000, O=Rs. 400/order, C=Rs. 8/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1519 units
(B) 1549 units
(C) 1599 units
(D) 1669 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q26. EOQ with A=36000, O=Rs. 300/order, C=Rs. 6/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1867 units
(B) 1897 units
(C) 1947 units
(D) 2017 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q27. EOQ with A=18000, O=Rs. 500/order, C=Rs. 9/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1384 units
(B) 1414 units
(C) 1464 units
(D) 1534 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q28. EOQ with A=48000, O=Rs. 200/order, C=Rs. 12/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1235 units (B) 1265 units

(C) 1315 units (D) 1385 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q29. EOQ with A=30000, O=Rs. 450/order, C=Rs. 10/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1613 units (B) 1643 units

(C) 1693 units (D) 1763 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q30. EOQ with A=24000, O=Rs. 400/order, C=Rs. 8/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1519 units (B) 1549 units

(C) 1599 units (D) 1669 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q31. EOQ with A=36000, O=Rs. 300/order, C=Rs. 6/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1867 units (B) 1897 units

(C) 1947 units (D) 2017 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q32. EOQ with A=18000, O=Rs. 500/order, C=Rs. 9/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1384 units (B) 1414 units

(C) 1464 units (D) 1534 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q33. EOQ with A=48000, O=Rs. 200/order, C=Rs. 12/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1235 units (B) 1265 units

(C) 1315 units (D) 1385 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q34. EOQ with A=30000, O=Rs. 450/order, C=Rs. 10/unit-year.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1613 units (B) 1643 units

(C) 1693 units (D) 1763 units

Answer: (B) **Hint:** EOQ=√(2AO/C).

Q35. ROP with variability: d=500, LT=6, σ_L=200, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 3330 (B) 3000

(C) 3000 (D) 3495

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q36. ROP with variability: d=400, LT=5, σ_L=150, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2248 (B) 2000

(C) 2000 (D) 2371

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q37. ROP with variability: d=600, LT=4, σ_L=180, z=1.28.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2630 (B) 2400

(C) 2399 (D) 2745

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q38. ROP with variability: d=350, LT=7, σ_L=140, z=1.96.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2724 (B) 2450

(C) 2449 (D) 2861

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q39. ROP with variability: d=450, LT=5, σ_L=160, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2514 (B) 2250

(C) 2250 (D) 2646

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q40. ROP with variability: d=500, LT=6, σ_L=200, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 3330 (B) 3000

(C) 3000 (D) 3495

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q41. ROP with variability: d=400, LT=5, σ_L=150, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2248 (B) 2000

(C) 2000 (D) 2371

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q42. ROP with variability: d=600, LT=4, σ_L=180, z=1.28.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2630 (B) 2400

(C) 2399 (D) 2745

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q43. ROP with variability: d=350, LT=7, σ_L=140, z=1.96.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2724 (B) 2450

(C) 2449 (D) 2861

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q44. ROP with variability: d=450, LT=5, σ_L=160, z=1.65.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2514 (B) 2250

(C) 2250 (D) 2646

Answer: (A) **Hint:** ROP=d×LT+zσ_L.

Q45. Interest charged on:

Type: Twist | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Advance portion (B) Full invoice

(C) Commission (D) Residual only

Answer: (A) **Hint:** On advance during collection period.

Q46. Reducing PDP does what to CCC?

Type: Twist | Topic: CCC | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Makes negative

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q47. Safety stock buffers:

Type: Twist | Topic: Safety | Difficulty: Moderate | Trend: High

(A) Uncertainty (B) Average demand

(C) MOQ (D) Seasonality only

Answer: (A) **Hint:** Buffers variability.

Q48. EOQ minimizes:

Type: Twist | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) Ordering+carrying cost (B) Purchase price

(C) Only ordering (D) Only carrying

Answer: (A) **Hint:** Price excluded unless discounts.

Q49. Closing=Opening+Receipts−Payments

Type: Twist | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) True (B) False

(C) Depends (D) Only in accruals

Answer: (A) **Hint:** Identity for cash budget.

Q50. Interest charged on:

Type: Twist | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Advance portion (B) Full invoice

(C) Commission (D) Residual only

Answer: (A) **Hint:** On advance during collection period.

Q51. Reducing PDP does what to CCC?

Type: Twist | Topic: CCC | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Makes negative

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q52. Safety stock buffers:

Type: Twist | Topic: Safety | Difficulty: Moderate | Trend: High

(A) Uncertainty (B) Average demand

(C) MOQ (D) Seasonality only

Answer: (A) **Hint:** Buffers variability.

Q53. EOQ minimizes:

Type: Twist | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) Ordering+carrying cost (B) Purchase price

(C) Only ordering (D) Only carrying

Answer: (A) **Hint:** Price excluded unless discounts.

Q54. Closing=Opening+Receipts−Payments

Type: Twist | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) True (B) False

(C) Depends (D) Only in accruals

Answer: (A) **Hint:** Identity for cash budget.

Q55. Interest charged on:

Type: Twist | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Advance portion (B) Full invoice

(C) Commission (D) Residual only

Answer: (A) **Hint:** On advance during collection period.

Q56. Reducing PDP does what to CCC?

Type: Twist | Topic: CCC | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Makes negative

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q57. Safety stock buffers:

Type: Twist | Topic: Safety | Difficulty: Moderate | Trend: High

(A) Uncertainty (B) Average demand

(C) MOQ (D) Seasonality only

Answer: (A) **Hint:** Buffers variability.

Q58. EOQ minimizes:

Type: Twist | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) Ordering+carrying cost (B) Purchase price

(C) Only ordering (D) Only carrying

Answer: (A) **Hint:** Price excluded unless discounts.

Q59. Closing=Opening+Receipts−Payments

Type: Twist | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) True (B) False

(C) Depends (D) Only in accruals

Answer: (A) **Hint:** Identity for cash budget.

Q60. Interest charged on:

Type: Twist | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Advance portion (B) Full invoice

(C) Commission (D) Residual only

Answer: (A) **Hint:** On advance during collection period.

Q61. Reducing PDP does what to CCC?

Type: Twist | Topic: CCC | Difficulty: Moderate | Trend: High

(A) Increases (B) Decreases

(C) No change (D) Makes negative

Answer: (A) **Hint:** CCC=ICP+RCP−PDP.

Q62. Safety stock buffers:

Type: Twist | Topic: Safety | Difficulty: Moderate | Trend: High

(A) Uncertainty (B) Average demand

(C) MOQ (D) Seasonality only

Answer: (A) **Hint:** Buffers variability.

Q63. EOQ minimizes:

Type: Twist | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) Ordering+carrying cost (B) Purchase price

(C) Only ordering (D) Only carrying

Answer: (A) **Hint:** Price excluded unless discounts.

Q64. Closing=Opening+Receipts−Payments

Type: Twist | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) True (B) False

(C) Depends (D) Only in accruals

Answer: (A) **Hint:** Identity for cash budget.

Q65. Jupiter Tools cash budget: Opening Rs. 20,000, Receipts Rs. 900,000, Payments Rs. 980,000; min cash Rs. 75,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 135,000 (B) Nil

(C) Rs. 130,000 (D) Rs. 140,000

Answer: (A) **Hint:** Top-up to reach minimum.

Q66. Gemini Retail cash budget: Opening Rs. 70,000, Receipts Rs. 320,000, Payments Rs. 310,000; min cash Rs. 40,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q67. Epsilon Pharma cash budget: Opening Rs. 100,000, Receipts Rs. 450,000, Payments Rs. 390,000; min cash Rs. 80,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q68. Indus Breweries cash budget: Opening Rs. 20,000, Receipts Rs. 900,000, Payments Rs. 980,000; min cash Rs. 75,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 135,000 (B) Nil

(C) Rs. 130,000 (D) Rs. 140,000

Answer: (A) **Hint:** Top-up to reach minimum.

Q69. Epsilon Pharma cash budget: Opening Rs. 70,000, Receipts Rs. 320,000, Payments Rs. 310,000; min cash Rs. 40,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q70. Epsilon Pharma cash budget: Opening Rs. 100,000, Receipts Rs. 450,000, Payments Rs. 390,000; min cash Rs. 80,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q71. Helios Electronics cash budget: Opening Rs. 20,000, Receipts Rs. 900,000, Payments Rs. 980,000; min cash Rs. 75,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 135,000 (B) Nil

(C) Rs. 130,000 (D) Rs. 140,000

Answer: (A) **Hint:** Top-up to reach minimum.

Q72. Delta Motors cash budget: Opening Rs. 70,000, Receipts Rs. 320,000, Payments Rs. 310,000; min cash Rs. 40,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q73. Alpha Ltd. cash budget: Opening Rs. 100,000, Receipts Rs. 450,000, Payments Rs. 390,000; min cash Rs. 80,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q74. Jupiter Tools cash budget: Opening Rs. 20,000, Receipts Rs. 900,000, Payments Rs. 980,000; min cash Rs. 75,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 135,000 (B) Nil

(C) Rs. 130,000 (D) Rs. 140,000

Answer: (A) **Hint:** Top-up to reach minimum.

Q75. Helios Electronics cash budget: Opening Rs. 70,000, Receipts Rs. 320,000, Payments Rs. 310,000; min cash Rs. 40,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

Q76. Beta Foods Pvt. Ltd. cash budget: Opening Rs. 100,000, Receipts Rs. 450,000, Payments Rs. 390,000; min cash Rs. 80,000. OD required to meet policy is:

Type: Case | Topic: Cash Budget/OD | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum.

CA Dreamers

Ch-9 MCQ Bank — Working Capital (100 Qs)

ICAI-format MCQs with inline **Answer & Hint** under each question. Tags show Type, Topic, Difficulty, and Trend.

Composition: 60 Normal + 20 Twist + 20 Case-based.

SECTION A — 60 Normal MCQs

Q1. The CFO of Indus Breweries asks you to compute the metric below. Inventory conversion period (ICP) = 60 days; receivables period (RCP) = 45 days; payables period (PDP) = 30 days. Compute the Cash Conversion Cycle (CCC). Select the most appropriate answer.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 75 days (B) 135 days

(C) 15 days (D) 30 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q2. Jupiter Tools is reassessing its operating cycle before sanctioning limits. Inventory conversion period (ICP) = 50 days; receivables period (RCP) = 40 days; payables period (PDP) = 25 days. Compute the Cash Conversion Cycle (CCC). Mark the single best answer.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 65 days (B) 115 days

(C) 15 days (D) 25 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q3. Alpha Ltd. has provided the following; choose the most appropriate answer. Inventory conversion period (ICP) = 70 days; receivables period (RCP) = 50 days; payables period (PDP) = 20 days. Compute the Cash Conversion Cycle (CCC). Tick the correct option.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 100 days (B) 140 days

(C) 0 days (D) 50 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q4. At Cosmo Textiles, the finance team is reviewing working capital metrics. Inventory conversion period (ICP) = 45 days; receivables period (RCP) = 35 days; payables period (PDP) = 30 days. Compute the Cash Conversion Cycle (CCC). Tick the correct option.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 50 days (B) 110 days

(C) 20 days (D) 15 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q5. For Alpha Ltd., assume 365-day year unless stated. Answer the following: Inventory conversion period (ICP) = 80 days; receivables period (RCP) = 30 days; payables period (PDP) = 25 days. Compute the Cash Conversion Cycle (CCC). Choose the correct option (ICAI pattern).

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 135 days

(C) -25 days (D) 55 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q6. At Alpha Ltd., the finance team is reviewing working capital metrics. Inventory conversion period (ICP) = 55 days; receivables period (RCP) = 50 days; payables period (PDP) = 20 days. Compute the Cash Conversion Cycle (CCC). Choose the correct option (ICAI pattern).

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 125 days

(C) 15 days (D) 35 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q7. For Jupiter Tools, assume 365-day year unless stated. Answer the following: Inventory conversion period (ICP) = 60 days; receivables period (RCP) = 45 days; payables period (PDP) = 30 days. Compute the Cash Conversion Cycle (CCC). Tick the correct option.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 75 days (B) 135 days

(C) 15 days (D) 30 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q8. For Falcon Steel, assume 365-day year unless stated. Answer the following: Inventory conversion period (ICP) = 50 days; receivables period (RCP) = 40 days; payables period (PDP) = 25 days. Compute the Cash Conversion Cycle (CCC). Select the most appropriate answer.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 65 days (B) 115 days

(C) 15 days (D) 25 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q9. At Gemini Retail, the finance team is reviewing working capital metrics. Inventory conversion period (ICP) = 70 days; receivables period (RCP) = 50 days; payables period (PDP) = 20 days. Compute the Cash Conversion Cycle (CCC). Choose the correct option (ICAI pattern).

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 100 days (B) 140 days

(C) 0 days (D) 50 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q10. The CFO of Jupiter Tools asks you to compute the metric below. Inventory conversion period (ICP) = 45 days; receivables period (RCP) = 35 days; payables period (PDP) = 30 days. Compute the Cash Conversion Cycle (CCC). Tick the correct option.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 50 days (B) 110 days

(C) 20 days (D) 15 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q11. At Jupiter Tools, the finance team is reviewing working capital metrics. Inventory conversion period (ICP) = 80 days; receivables period (RCP) = 30 days; payables period (PDP) = 25 days. Compute the Cash Conversion Cycle (CCC). Mark the single best answer.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 135 days

(C) -25 days (D) 55 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q12. At Indus Breweries, the finance team is reviewing working capital metrics. Inventory conversion period (ICP) = 55 days; receivables period (RCP) = 50 days; payables period (PDP) = 20 days. Compute the Cash Conversion Cycle (CCC). Tick the correct option.

Type: Normal | Topic: CCC | Difficulty: Easy | Trend: High

(A) 85 days (B) 125 days

(C) 15 days (D) 35 days

Answer: (A) **Hint:** CCC = ICP + RCP – PDP.

Q13. Epsilon Pharma is reassessing its operating cycle before sanctioning limits. Credit sales are Rs. 3,650,000 and the average collection period is 30 days. Estimate closing Debtors. Mark the single best answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 300,000 (B) Rs. 240,000

(C) Rs. 360,000 (D) Rs. 450,000

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q14. The CFO of Epsilon Pharma asks you to compute the metric below. Credit sales are Rs. 4,200,000 and the average collection period is 36 days. Estimate closing Debtors. Select the most appropriate answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 414,247 (B) Rs. 331,397

(C) Rs. 497,096 (D) Rs. 621,370

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q15. Cosmo Textiles is reassessing its operating cycle before sanctioning limits. Credit sales are Rs. 6,000,000 and the average collection period is 45 days. Estimate closing Debtors. Mark the single best answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 739,726
(B) Rs. 591,780
(C) Rs. 887,671
(D) Rs. 1,109,589

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q16. At Beta Foods Pvt. Ltd., the finance team is reviewing working capital metrics. Credit sales are Rs. 2,400,000 and the average collection period is 60 days. Estimate closing Debtors. Tick the correct option.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 394,521
(B) Rs. 315,616
(C) Rs. 473,425
(D) Rs. 591,781

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q17. The CFO of Indus Breweries asks you to compute the metric below. Credit sales are Rs. 9,150,000 and the average collection period is 50 days. Estimate closing Debtors. Choose the correct option (ICAI pattern).

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 1,253,425
(B) Rs. 1,002,740
(C) Rs. 1,504,110
(D) Rs. 1,880,137

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q18. Indus Breweries is reassessing its operating cycle before sanctioning limits. Credit sales are Rs. 4,800,000 and the average collection period is 40 days. Estimate closing Debtors. Tick the correct option.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 526,027
(B) Rs. 420,821
(C) Rs. 631,232
(D) Rs. 789,040

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q19. For Falcon Steel, assume 365-day year unless stated. Answer the following: Credit sales are Rs. 3,650,000 and the average collection period is 30 days. Estimate closing Debtors. Tick the correct option.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 300,000
(B) Rs. 240,000
(C) Rs. 360,000
(D) Rs. 450,000

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q20. For Falcon Steel, assume 365-day year unless stated. Answer the following: Credit sales are Rs. 4,200,000 and the average collection period is 36 days. Estimate closing Debtors. Mark the single best answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 414,247
(B) Rs. 331,397
(C) Rs. 497,096
(D) Rs. 621,370

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q21. At Beta Foods Pvt. Ltd., the finance team is reviewing working capital metrics. Credit sales are Rs. 6,000,000 and the average collection period is 45 days. Estimate closing Debtors. Select the most appropriate answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 739,726
(B) Rs. 591,780
(C) Rs. 887,671
(D) Rs. 1,109,589

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q22. Helios Electronics has provided the following; choose the most appropriate answer. Credit sales are Rs. 2,400,000 and the average collection period is 60 days. Estimate closing Debtors. Mark the single best answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 394,521
(B) Rs. 315,616
(C) Rs. 473,425
(D) Rs. 591,781

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q23. The CFO of Helios Electronics asks you to compute the metric below. Credit sales are Rs. 9,150,000 and the average collection period is 50 days. Estimate closing Debtors. Mark the single best answer.

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 1,253,425
(B) Rs. 1,002,740
(C) Rs. 1,504,110
(D) Rs. 1,880,137

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q24. Cosmo Textiles is reassessing its operating cycle before sanctioning limits. Credit sales are Rs. 4,800,000 and the average collection period is 40 days. Estimate closing Debtors. Choose the correct option (ICAI pattern).

Type: Normal | Topic: Receivables | Difficulty: Easy | Trend: High

(A) Rs. 526,027
(B) Rs. 420,821
(C) Rs. 631,232
(D) Rs. 789,040

Answer: (A) **Hint:** Debtors ≈ Sales × ACP / 365.

Q25. The CFO of Indus Breweries asks you to compute the metric below. Annual demand A=24000 units; ordering cost O=Rs. 400 per order; carrying cost C=Rs. 8 per unit per year. Compute EOQ. Tick the correct option.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1519 units (B) 1549 units

(C) 1599 units (D) 1669 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q26. Delta Motors is reassessing its operating cycle before sanctioning limits. Annual demand A=36000 units; ordering cost O=Rs. 300 per order; carrying cost C=Rs. 6 per unit per year. Compute EOQ. Tick the correct option.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1867 units (B) 1897 units

(C) 1947 units (D) 2017 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q27. Falcon Steel has provided the following; choose the most appropriate answer. Annual demand A=18000 units; ordering cost O=Rs. 500 per order; carrying cost C=Rs. 9 per unit per year. Compute EOQ. Mark the single best answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1384 units (B) 1414 units

(C) 1464 units (D) 1534 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q28. Indus Breweries has provided the following; choose the most appropriate answer. Annual demand A=48000 units; ordering cost O=Rs. 200 per order; carrying cost C=Rs. 12 per unit per year. Compute EOQ. Tick the correct option.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1235 units (B) 1265 units

(C) 1315 units (D) 1385 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q29. Epsilon Pharma has provided the following; choose the most appropriate answer. Annual demand A=30000 units; ordering cost O=Rs. 450 per order; carrying cost C=Rs. 10 per unit per year. Compute EOQ. Mark the single best answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1613 units (B) 1643 units

(C) 1693 units (D) 1763 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q30. For Epsilon Pharma, assume 365-day year unless stated. Answer the following: Annual demand A=24000 units; ordering cost O=Rs. 400 per order; carrying cost C=Rs. 8 per unit per year. Compute EOQ. Choose the correct option (ICAI pattern).

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1519 units (B) 1549 units

(C) 1599 units (D) 1669 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q31. The CFO of Cosmo Textiles asks you to compute the metric below. Annual demand A=36000 units; ordering cost O=Rs. 300 per order; carrying cost C=Rs. 6 per unit per year. Compute EOQ. Mark the single best answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1867 units (B) 1897 units

(C) 1947 units (D) 2017 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q32. Alpha Ltd. is reassessing its operating cycle before sanctioning limits. Annual demand A=18000 units; ordering cost O=Rs. 500 per order; carrying cost C=Rs. 9 per unit per year. Compute EOQ. Select the most appropriate answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1384 units (B) 1414 units

(C) 1464 units (D) 1534 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q33. For Falcon Steel, assume 365-day year unless stated. Answer the following: Annual demand A=48000 units; ordering cost O=Rs. 200 per order; carrying cost C=Rs. 12 per unit per year. Compute EOQ. Select the most appropriate answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1235 units (B) 1265 units

(C) 1315 units (D) 1385 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q34. For Jupiter Tools, assume 365-day year unless stated. Answer the following: Annual demand A=30000 units; ordering cost O=Rs. 450 per order; carrying cost C=Rs. 10 per unit per year. Compute EOQ. Mark the single best answer.

Type: Normal | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) 1613 units (B) 1643 units

(C) 1693 units (D) 1763 units

Answer: (B) **Hint:** EOQ = √(2AO/C).

Q35. For Gemini Retail, assume 365-day year unless stated. Answer the following: Average daily demand d=500 units; lead time LT=6 days; σ_L=200; z=1.65. Compute the Reorder Point (ROP) with variability. Select the most appropriate answer.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 3330 (B) 3000

(C) 3000 (D) 3495

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q36. At Helios Electronics, the finance team is reviewing working capital metrics. Average daily demand d=400 units; lead time LT=5 days; σ_L=150; z=1.65. Compute the Reorder Point (ROP) with variability. Choose the correct option (ICAI pattern).

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2248 (B) 2000

(C) 2000 (D) 2371

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q37. Jupiter Tools has provided the following; choose the most appropriate answer. Average daily demand d=600 units; lead time LT=4 days; σ_L=180; z=1.28. Compute the Reorder Point (ROP) with variability. Mark the single best answer.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2630 (B) 2400

(C) 2399 (D) 2745

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q38. Epsilon Pharma has provided the following; choose the most appropriate answer. Average daily demand d=350 units; lead time LT=7 days; σ_L=140; z=1.96. Compute the Reorder Point (ROP) with variability. Choose the correct option (ICAI pattern).

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2724 (B) 2450

(C) 2449 (D) 2861

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q39. Cosmo Textiles has provided the following; choose the most appropriate answer. Average daily demand d=450 units; lead time LT=5 days; σ_L=160; z=1.65. Compute the Reorder Point (ROP) with variability. Select the most appropriate answer.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2514 (B) 2250

(C) 2250 (D) 2646

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q40. At Falcon Steel, the finance team is reviewing working capital metrics. Average daily demand d=500 units; lead time LT=6 days; σ_L=200; z=1.65. Compute the Reorder Point (ROP) with variability. Choose the correct option (ICAI pattern).

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 3330 (B) 3000

(C) 3000 (D) 3495

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q41. For Gemini Retail, assume 365-day year unless stated. Answer the following: Average daily demand d=400 units; lead time LT=5 days; σ_L=150; z=1.65. Compute the Reorder Point (ROP) with variability. Tick the correct option.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2248 (B) 2000

(C) 2000 (D) 2371

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q42. Alpha Ltd. is reassessing its operating cycle before sanctioning limits. Average daily demand d=600 units; lead time LT=4 days; σ_L=180; z=1.28. Compute the Reorder Point (ROP) with variability. Tick the correct option.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2630 (B) 2400

(C) 2399 (D) 2745

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q43. Beta Foods Pvt. Ltd. has provided the following; choose the most appropriate answer. Average daily demand d=350 units; lead time LT=7 days; σ_L=140; z=1.96. Compute the Reorder Point (ROP) with variability. Choose the correct option (ICAI pattern).

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2724 (B) 2450

(C) 2449 (D) 2861

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q44. The CFO of Epsilon Pharma asks you to compute the metric below. Average daily demand d=450 units; lead time LT=5 days; σ_L=160; z=1.65. Compute the Reorder Point (ROP) with variability. Select the most appropriate answer.

Type: Normal | Topic: ROP | Difficulty: Moderate | Trend: High

(A) 2514 (B) 2250

(C) 2250 (D) 2646

Answer: (A) **Hint:** ROP = d×LT + zσ_L.

Q45. The CFO of Falcon Steel asks you to compute the metric below. Opening cash Rs. 50,000; receipts Rs. 300,000; payments Rs. 280,000. Select the most appropriate answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 70,000 (B) Rs. 80,000

(C) Rs. 60,000 (D) Rs. 90,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q46. Helios Electronics has provided the following; choose the most appropriate answer. Opening cash Rs. 70,000; receipts Rs. 320,000; payments Rs. 310,000. Select the most appropriate answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 80,000 (B) Rs. 90,000

(C) Rs. 70,000 (D) Rs. 100,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q47. Falcon Steel has provided the following; choose the most appropriate answer. Opening cash Rs. 100,000; receipts Rs. 900,000; payments Rs. 980,000. Tick the correct option.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 20,000 (B) Rs. 30,000

(C) Rs. 10,000 (D) Rs. 40,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q48. Jupiter Tools is reassessing its operating cycle before sanctioning limits. Opening cash Rs. 20,000; receipts Rs. 1,050,000; payments Rs. 1,000,000. Select the most appropriate answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 70,000 (B) Rs. 80,000

(C) Rs. 60,000 (D) Rs. 90,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q49. The CFO of Delta Motors asks you to compute the metric below. Opening cash Rs. 80,000; receipts Rs. 450,000; payments Rs. 390,000. Tick the correct option.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 140,000 (B) Rs. 150,000

(C) Rs. 130,000 (D) Rs. 160,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q50. At Gemini Retail, the finance team is reviewing working capital metrics. Opening cash Rs. 50,000; receipts Rs. 300,000; payments Rs. 280,000. Choose the correct option (ICAI pattern).

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 70,000 (B) Rs. 80,000

(C) Rs. 60,000 (D) Rs. 90,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q51. Delta Motors has provided the following; choose the most appropriate answer. Opening cash Rs. 70,000; receipts Rs. 320,000; payments Rs. 310,000. Select the most appropriate answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 80,000 (B) Rs. 90,000

(C) Rs. 70,000 (D) Rs. 100,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q52. Beta Foods Pvt. Ltd. has provided the following; choose the most appropriate answer. Opening cash Rs. 100,000; receipts Rs. 900,000; payments Rs. 980,000. Select the most appropriate answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 20,000 (B) Rs. 30,000

(C) Rs. 10,000 (D) Rs. 40,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q53. Cosmo Textiles is reassessing its operating cycle before sanctioning limits. Opening cash Rs. 20,000; receipts Rs. 1,050,000; payments Rs. 1,000,000. Mark the single best answer.

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 70,000 (B) Rs. 80,000

(C) Rs. 60,000 (D) Rs. 90,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q54. For Alpha Ltd., assume 365-day year unless stated. Answer the following: Opening cash Rs. 80,000; receipts Rs. 450,000; payments Rs. 390,000. Choose the correct option (ICAI pattern).

Type: Normal | Topic: Cash Budget | Difficulty: Easy | Trend: High

(A) Closing cash = Rs. 140,000 (B) Rs. 150,000

(C) Rs. 130,000 (D) Rs. 160,000

Answer: (A) **Hint:** Closing = Opening + Receipts – Payments.

Q55. For Falcon Steel, assume 365-day year unless stated. Answer the following: In factoring without recourse, the primary credit risk of non-payment lies with: Mark the single best answer.

Type: Normal | Topic: Factoring | Difficulty: Easy | Trend: High

(A) The factor (B) The client

(C) Always the bank (D) Always the customer

Answer: (A) **Hint:** Without recourse → risk with factor.

Q56. For Delta Motors, assume 365-day year unless stated. Answer the following: Commission 2% on {co}'s factored sales of Rs. 60,00,000 equals: Mark the single best answer.

Type: Normal | Topic: Factoring | Difficulty: Easy | Trend: High

(A) Rs. 1,20,000 (B) Rs. 2,40,000

(C) Rs. 60,000 (D) Rs. 3,00,000

Answer: (A) **Hint:** 2%×60,00,000.

Q57. For Cosmo Textiles, assume 365-day year unless stated. Answer the following: Advance is 80%; ACP 45 days; interest 12% p.a. Approximate interest cost on Rs. 60,00,000 sales: Choose the correct option (ICAI pattern).

Type: Normal | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Rs. 71,000
(B) Rs. 96,000
(C) Rs. 1,20,000
(D) Rs. 48,000

Answer: (A) **Hint:** 0.8×60,00,000×12%×45/365 ≈ 71k.

Q58. For Delta Motors, assume 365-day year unless stated. Answer the following: Extending credit by 30 days (no volume change) tends to: Choose the correct option (ICAI pattern).

Type: Normal | Topic: Credit Policy | Difficulty: Moderate | Trend: High

(A) Increase profit via higher sales
(B) Reduce profit via capital cost on extra debtors
(C) No impact
(D) Reduce payables

Answer: (B) **Hint:** Capital cost and bad-debt risk rise.

Q59. Cosmo Textiles has provided the following; choose the most appropriate answer. For 95% service level, the z-value is about: Select the most appropriate answer.

Type: Normal | Topic: Inventory | Difficulty: Easy | Trend: Medium

(A) 1.28
(B) 1.65
(C) 1.96
(D) 2.33

Answer: (B) **Hint:** Standard z-table value.

Q60. Jupiter Tools is reassessing its operating cycle before sanctioning limits. In cash credit (CC), interest is usually charged on: Mark the single best answer.

Type: Normal | Topic: WC Finance | Difficulty: Easy | Trend: Medium

(A) Sanctioned limit
(B) Daily utilized balance
(C) Monthly peak balance
(D) Quarterly average only

Answer: (B) **Hint:** Utilization-based charging.

SECTION B — 20 MCQs with Twists (common pitfalls)

Q62. The CFO of Cosmo Textiles asks you to compute the metric below. If payables period (PDP) decreases while ICP and RCP remain same, CCC will: Tick the correct option.

Type: Twist | Topic: CCC | Difficulty: Moderate | Trend: High

(A) Increase
(B) Decrease
(C) No change
(D) Be negative

Answer: (A) **Hint:** CCC = ICP + RCP – PDP; lower PDP → higher CCC.

Q63. The CFO of Delta Motors asks you to compute the metric below. Inventory days should be computed with which base unless specified? Select the most appropriate answer.

Type: Twist | Topic: Inventory | Difficulty: Moderate | Trend: High

(A) Average sales/day
(B) Average COGS/day
(C) Closing stock/day
(D) Average purchases/day

Answer: (B) **Hint:** Use COGS/day.

Q64. The CFO of Gemini Retail asks you to compute the metric below. For 12% p.a. over 45 days, the interest factor is: Select the most appropriate answer.

Type: Twist | Topic: Interest | Difficulty: Moderate | Trend: High

(A) 12%×45/365
(B) 12%×45/360
(C) 12%×45/30
(D) 12%×12/365

Answer: (A) **Hint:** Use 365 unless stated.

Q65. The CFO of Gemini Retail asks you to compute the metric below. Interest in factoring applies on: Select the most appropriate answer.

Type: Twist | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Advance portion
(B) Full invoice
(C) Commission
(D) Residual only

Answer: (A) **Hint:** On advance, for ACP.

Q66. The CFO of Helios Electronics asks you to compute the metric below. With price discounts, choose: Select the most appropriate answer.

Type: Twist | Topic: EOQ | Difficulty: Moderate | Trend: High

(A) Smallest EOQ
(B) Largest EOQ
(C) Order size with minimum total cost
(D) Always discounted tier

Answer: (C) **Hint:** Compare total cost at feasible tiers.

Q67. Gemini Retail has provided the following; choose the most appropriate answer. Safety stock buffers: Select the most appropriate answer.

Type: Twist | Topic: Safety Stock | Difficulty: Moderate | Trend: High

(A) Average demand
(B) Uncertainty in demand/lead time
(C) MOQ
(D) Seasonality only

Answer: (B) **Hint:** SS covers uncertainty.

Q68. At Helios Electronics, the finance team is reviewing working capital metrics. In ROP = d×LT + zσ_L, 'd' equals: Choose the correct option (ICAI pattern).

Type: Twist | Topic: ROP | Difficulty: Moderate | Trend: High

(A) Max daily demand
(B) Average daily demand
(C) Min daily demand
(D) Reorder qty

Answer: (B) **Hint:** Use average demand.

Q69. For Alpha Ltd., assume 365-day year unless stated. Answer the following: Incremental profit test uses capital charge on: Tick the correct option.

Type: Twist | Topic: Credit Policy | Difficulty: Moderate | Trend: High

(A) Debtors at SP
(B) Debtors at VC
(C) Debtors at full cost
(D) No capital charge

Answer: (B) **Hint:** Tie-up at variable cost.

Q70. Jupiter Tools is reassessing its operating cycle before sanctioning limits. Closing before minimum is Rs. 72,000; minimum is Rs. 75,000. OD required: Select the most appropriate answer.

Type: Twist | Topic: OD | Difficulty: Moderate | Trend: High

(A) Rs. 3,000
(B) Nil
(C) Rs. 72,000
(D) Rs. 75,000

Answer: (A) **Hint:** Top-up to minimum.

Q71. At Cosmo Textiles, the finance team is reviewing working capital metrics. For ~90% service level, z ≈: Tick the correct option.

Type: Twist | Topic: z-value | Difficulty: Moderate | Trend: High

(A) 1.28
(B) 1.65
(C) 1.96
(D) 0.90

Answer: (A) **Hint:** z≈1.28.

Q72. The CFO of Jupiter Tools asks you to compute the metric below. When computing cost with flotation, use: Select the most appropriate answer.

Type: Twist | Topic: Flotation | Difficulty: Moderate | Trend: High

(A) Market price
(B) Net proceeds
(C) Face value
(D) Book value

Answer: (B) **Hint:** Use net proceeds.

Q73. At Indus Breweries, the finance team is reviewing working capital metrics. ICAI sometimes uses ACP/RCP interchangeably for: Mark the single best answer.

Type: Twist | Topic: Terminology | Difficulty: Moderate | Trend: High

(A) Payables
(B) Receivables
(C) Inventory
(D) Cash

Answer: (B) **Hint:** Receivables period.

Q74. For Cosmo Textiles, assume 365-day year unless stated. Answer the following: If Inventory Turnover = 8, DIO ≈: Tick the correct option.

Type: Twist | Topic: ITR | Difficulty: Moderate | Trend: High

(A) 30 days
(B) 45 days
(C) 365/8 days
(D) 60 days

Answer: (C) **Hint:** DIO=365/ITR.

Q75. Falcon Steel has provided the following; choose the most appropriate answer. EOQ minimizes: Tick the correct option.

Type: Twist | Topic: EOQ focus | Difficulty: Moderate | Trend: High

(A) Purchase price
(B) Ordering + carrying cost
(C) Only ordering
(D) Only carrying

Answer: (B) **Hint:** Purchase price separate unless discounts.

Q76. At Gemini Retail, the finance team is reviewing working capital metrics. Shifting net period 30→45 (discount same) likely: Choose the correct option (ICAI pattern).

Type: Twist | Topic: Terms | Difficulty: Moderate | Trend: High

(A) Reduce RCP
(B) Increase RCP
(C) Increase ICP
(D) Reduce PDP

Answer: (B) **Hint:** Longer net → longer RCP.

Q77. Beta Foods Pvt. Ltd. is reassessing its operating cycle before sanctioning limits. Baumol model assumes: Select the most appropriate answer.

Type: Twist | Topic: Baumol | Difficulty: Moderate | Trend: High

(A) Random cash flows
(B) Deterministic steady usage
(C) Zero transaction cost
(D) Infinite OD

Answer: (B) **Hint:** Deterministic; Miller–Orr is random.

Q78. For Jupiter Tools, assume 365-day year unless stated. Answer the following: Target balance equals: Select the most appropriate answer.

Type: Twist | Topic: Miller–Orr | Difficulty: Moderate | Trend: High

(A) Lower limit
(B) Upper limit
(C) Lower + Spread/3
(D) Upper − Spread

Answer: (C) **Hint:** Target = L + S/3.

Q79. At Beta Foods Pvt. Ltd., the finance team is reviewing working capital metrics. With-recourse factoring: risk stays with: Mark the single best answer.

Type: Twist | Topic: Recourse | Difficulty: Moderate | Trend: High

(A) Factor
(B) Client
(C) Customer
(D) Bank

Answer: (B) **Hint:** Recourse → client bears risk.

Q80. The CFO of Cosmo Textiles asks you to compute the metric below. OD interest is commonly on: Select the most appropriate answer.

Type: Twist | Topic: OD basis | Difficulty: Moderate | Trend: High

(A) Sanctioned limit
(B) Daily drawn balance
(C) Monthly average
(D) Quarterly average

Answer: (B) **Hint:** Daily drawn.

Q81. Jupiter Tools has provided the following; choose the most appropriate answer. Which maximizes wealth directly? Mark the single best answer.

Type: Twist | Topic: NPV vs DPP | Difficulty: Moderate | Trend: High

(A) NPV
(B) DPP
(C) Both
(D) Neither

Answer: (A) **Hint:** NPV.

CA Dreamers

SECTION C — 20 Case-based MCQs

Q82. Indus Breweries experiences seasonality: ICP is 75 days in peak season and 45 days off-season (equal halves). Receivables 50 days; payables 35 days. Approximate CCC using average ICP:

Type: Case | Topic: CCC | Difficulty: Moderate | Trend: High

(A) 70 days (B) 75 days

(C) 80 days (D) 85 days

Answer: (B) **Hint:** CCC ≈ (avg ICP) + RCP – PDP.

Q83. Gemini Retail experiences seasonality: ICP is 60 days in peak season and 40 days off-season (equal halves). Receivables 45 days; payables 30 days. Approximate CCC using average ICP:

Type: Case | Topic: CCC | Difficulty: Moderate | Trend: High

(A) 60 days (B) 65 days

(C) 70 days (D) 75 days

Answer: (B) **Hint:** CCC ≈ (avg ICP) + RCP – PDP.

Q84. Delta Motors experiences seasonality: ICP is 70 days in peak season and 50 days off-season (equal halves). Receivables 40 days; payables 25 days. Approximate CCC using average ICP:

Type: Case | Topic: CCC | Difficulty: Moderate | Trend: High

(A) 70 days (B) 75 days

(C) 80 days (D) 85 days

Answer: (B) **Hint:** CCC ≈ (avg ICP) + RCP – PDP.

Q85. Alpha Ltd. experiences seasonality: ICP is 65 days in peak season and 35 days off-season (equal halves). Receivables 55 days; payables 30 days. Approximate CCC using average ICP:

Type: Case | Topic: CCC | Difficulty: Moderate | Trend: High

(A) 70 days (B) 75 days

(C) 80 days (D) 85 days

Answer: (B) **Hint:** CCC ≈ (avg ICP) + RCP – PDP.

Q86. Indus Breweries experiences seasonality: ICP is 80 days in peak season and 40 days off-season (equal halves). Receivables 45 days; payables 30 days. Approximate CCC using average ICP:

Type: Case | Topic: CCC | Difficulty: Moderate | Trend: High

(A) 70 days (B) 75 days

(C) 80 days (D) 85 days

Answer: (B) **Hint:** CCC ≈ (avg ICP) + RCP – PDP.

Q87. Indus Breweries projects Opening cash Rs. 20,000, Receipts Rs. 900,000, Payments Rs. 980,000. Policy: maintain minimum cash Rs. 75,000. OD needed to meet the policy is:

Type: Case | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) Rs. 135,000 (B) Nil

(C) Rs. 130,000 (D) Rs. 140,000

Answer: (A) **Hint:** Top-up to reach minimum balance.

Q88. Alpha Ltd. projects Opening cash Rs. 70,000, Receipts Rs. 320,000, Payments Rs. 310,000. Policy: maintain minimum cash Rs. 40,000. OD needed to meet the policy is:

Type: Case | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum balance.

Q89. Beta Foods Pvt. Ltd. projects Opening cash Rs. 100,000, Receipts Rs. 450,000, Payments Rs. 390,000. Policy: maintain minimum cash Rs. 80,000. OD needed to meet the policy is:

Type: Case | Topic: Cash Budget | Difficulty: Moderate | Trend: High

(A) Rs. 0 (B) Nil

(C) Rs. 0 (D) Rs. 5,000

Answer: (B) **Hint:** Top-up to reach minimum balance.

Q90. Jupiter Tools considers extending credit by 30 days. Annual sales Rs. 12,000,000; SP:VC = 100:70. Required return 12% p.a.; bad debts +1%. No volume change. Approximate net profit impact is:

Type: Case | Topic: Credit Policy | Difficulty: Hard | Trend: High

(A) Rs. -203,000 (B) Rs. -183,000

(C) Rs. -223,000 (D) Rs. -253,000

Answer: (A) **Hint:** ΔProfit ≈ –[k×ΔDebtors@VC + ΔBad debts].

Q91. Gemini Retail considers extending credit by 20 days. Annual sales Rs. 9,000,000; SP:VC = 100:65. Required return 12% p.a.; bad debts +0%. No volume change. Approximate net profit impact is:

Type: Case | Topic: Credit Policy | Difficulty: Hard | Trend: High

(A) Rs. -110,000 (B) Rs. -90,000

(C) Rs. -130,000 (D) Rs. -160,000

Answer: (A) **Hint:** ΔProfit ≈ –[k×ΔDebtors@VC + ΔBad debts].

Q92. Epsilon Pharma faces price tiers: <1000 units @ Rs.50; ≥1000 units @ Rs.49.5. A=24000; O=Rs. 400; carrying=10% of price. Choose the optimal order policy:

Type: Case | Topic: EOQ (Discounts) | Difficulty: Hard | Trend: Medium

(A) Order EOQ ≈ 1960 at Rs.50 (B) Order ≈ 1969 at Rs.49.5

(C) Order exactly 1000 units at Rs.49.5 (D) Insufficient data

Answer: (B) **Hint:** Compare total cost at EOQ/tier minima.

Q93. Epsilon Pharma faces price tiers: <1500 units @ Rs.60; ≥1500 units @ Rs.59. A=30000; O=Rs. 300; carrying=12% of price. Choose the optimal order policy:

Type: Case | Topic: EOQ (Discounts) | Difficulty: Hard | Trend: Medium

(A) Order EOQ ≈ 1581 at Rs.60 (B) Order ≈ 1594 at Rs.59

(C) Order exactly 1500 units at Rs.59 (D) Insufficient data

Answer: (B) **Hint:** Compare total cost at EOQ/tier minima.

Q94. Beta Foods Pvt. Ltd. considers factoring. Savings: bad debts 2% + admin 1%; Commission 2%; Advance 80% @ 12% for 45 days on sales Rs. 6,000,000. Net benefit (approx.) is:

Type: Case | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Rs. -11,000
(B) Rs. 9,000
(C) Rs. -31,000
(D) Rs. 39,000

Answer: (A) **Hint:** Net = Savings – (Commission + Interest).

Q95. Gemini Retail considers factoring. Savings: bad debts 1% + admin 0%; Commission 2%; Advance 80% @ 12% for 60 days on sales Rs. 9,000,000. Net benefit (approx.) is:

Type: Case | Topic: Factoring | Difficulty: Moderate | Trend: High

(A) Rs. -115,000
(B) Rs. -95,000
(C) Rs. -135,000
(D) Rs. -65,000

Answer: (A) **Hint:** Net = Savings – (Commission + Interest).

Q96. Cosmo Textiles faces uncertain demand ~ N(500/day, σ=120) with lead time 6 days; target service z=1.65. Pick the correct pair (Safety stock, ROP):

Type: Case | Topic: Safety Stock & ROP | Difficulty: Hard | Trend: Medium

(A) (485, 3198)
(B) (242, 3198)
(C) (485, 3000)
(D) (585, 3398)

Answer: (A) **Hint:** SS=zσ√LT; ROP=d×LT + zσ_L.

Q97. Epsilon Pharma faces uncertain demand ~ N(400/day, σ=150) with lead time 5 days; target service z=1.28. Pick the correct pair (Safety stock, ROP):

Type: Case | Topic: Safety Stock & ROP | Difficulty: Hard | Trend: Medium

(A) (429, 2192)
(B) (214, 2192)
(C) (429, 2000)
(D) (529, 2392)

Answer: (A) **Hint:** SS=zσ√LT; ROP=d×LT + zσ_L.

Q98. Beta Foods Pvt. Ltd. expects average utilization Rs. 4,000,000. CC rate 13%; WCDL 12% (full year). Cheaper option is:

Type: Case | Topic: WC Finance | Difficulty: Moderate | Trend: Medium

(A) Cash Credit
(B) WCDL
(C) Both same
(D) Cannot say

Answer: (B) **Hint:** Compare annual interest outgo.

Q99. Beta Foods Pvt. Ltd. expects average utilization Rs. 3,000,000. CC rate 12%; WCDL 12% (full year). Cheaper option is:

Type: Case | Topic: WC Finance | Difficulty: Moderate | Trend: Medium

(A) Cash Credit
(B) WCDL
(C) Both same
(D) Cannot say

Answer: (C) **Hint:** Compare annual interest outgo.