

**B. P. COLLEGE OF BUSINESS ADMINISTRATION**

(Constituent College of Kadi Sarva Vishwavidyalaya)

BBA SEM – IV**MCQ TEST – February 2014****SUB: Financial Management – II (BBA 23)****Date: 17/02/14****Total Marks: 60****Day: Monday****Duration: 40 minutes****Instructions:**

- All questions are compulsory.
- All questions carry 2 marks each.

Read the following information and answer question number 1 to 17:

Number of Units Manufactured	90,000	Raw Material Duration	28 days
Number of Working Days during year	360	Work in Process Duration (50% labour & 40% overheads)	14 days
Cost Structure(Per Unit):	Rs.	Finished Goods Duration	21 days
Raw Material	50	Debtors are given credit of	35 days
Labour Charges	40	Cash balance is maintained at	40 % of Liabilities
Overhead Charges	30	Creditors give credit of	42 days
Total Cost	120	Wages are paid after delay of	14 days
		Overheads are paid after delay of	28 days

1. What is Inventory Conversion Period?
a. 60 days b. 70 days c. 63 days d. 65 days
2. What is Gross Operating Cycle?
a. 98 days b. 90 days c. 93 days d. 105 days
3. What is Net Operating Cycle?
a. 60 days b. 56 days c. 66 days d. 55 days
4. What is the number of cycles during a year?
a. 6 b. 7 c. 6.43 d. 6.5
5. What is average investment in Raw Material Inventory?
a. Rs. 3,50,000 b. Rs. 4,50,000 c. Rs. 3,55,556 d. Rs. 4,56,667
6. What is average investment in Work in Process Inventory?
a. Rs. 3,87,000 b. Rs. 2,87,000 c. Rs. 3,87,878 d. Rs. 2,87,878
7. What is average investment in Finished Goods Inventory?
a. Rs. 6,50,000 b. Rs. 9,50,000 c. Rs. 3,60,000 d. Rs. 6,30,000
8. What is total investment in Inventories of all types on an average?
a. Rs. 16,87,000 b. Rs. 13,87,000 c. Rs. 12,67,000 d. Rs. 11,04,545
9. What is average debtors balance?
a. Rs. 10,50,000 b. Rs. 9,50,000 c. Rs. 13,50,550 d. Rs. 14,60,600
10. What is average creditors balance?
a. Rs. 5,50,000 b. Rs. 5,25,000 c. Rs. 6,50,000 d. Rs. 5,52,000
11. How much wages are outstanding on an average?
a. Rs. 4,60,600 b. Rs. 1,50,000 c. Rs. 1,40,000 d. Rs. 3,50,500
12. How much overhead charges are outstanding on an average?
a. Rs. 2,10,000 b. Rs. 2,50,000 c. Rs. 1,50,500 d. Rs. 1,60,600
13. What is the total liabilities amount?
a. Rs. 9,40,000 b. Rs. 8,75,000 c. Rs. 10,10,000 d. Rs. 11,73,200
14. What is the cash balance required?
a. Rs. 4,60,600 b. Rs. 3,84,000 c. Rs. 4,40,000 d. Rs. 3,50,000
15. Find out gross working capital?
a. Rs. 40,60,600 b. Rs. 13,84,000 c. Rs. 26,67,000 d. Rs. 23,40,000

16. Determine net working capital?
 a. Rs. 17,92,000 b. Rs. 13,68,000 c. Rs. 14,40,000 d. Rs. 13,50,000
17. If the policy is to keep 10% safety margin on net working capital, what is the total estimated working capital required?
 a. Rs. 15,04,800 b. Rs. 19,71,200 c. Rs. 15,84,000 d. Rs. 14,85,000

From the following information answer question number 18 to 20:

Cheques collected per day	25	Rent of lock box per month	3000
Average cheque size	20,000	Bank Charge for lock box per year	60000
Days saved by lock box	3	Interest rate	12%

18. What is the annual cost of lockbox?
 a. Rs. 24,000 b. Rs. 63,000 c. Rs. 96,000 d. Rs. 57,000
19. What is the annual interest expense saving due to lockbox?
 a. Rs. 1,80,000 b. Rs. 1,20,000 c. Rs. 90,000 d. Rs. 75,000
20. What is the net gain or loss due to lockbox?
 a. Rs. 60,000 loss b. Rs. 84,000 gain c. Rs. 60,000 gain d. Rs. 84,000 loss

Annual Requirement of cash for a firm is Rs. 24,00,000. The cost of converting securities into cash is Rs. 4,000 per transaction. The rate of interest applicable to the firm is 12% p.a.

21. What is Economic Lot Size (ELS) according to Baumol's Model?
 a. Rs. 40,000 b. Rs. 3,20,000 c. Rs. 4,00,000 d. Rs. 5,00,000
22. How many transactions will be effected during a year?
 a. 60 b. 8 c. 5 d. 6

A firm has a credit policy of '2/10 net 30'.

23. What is the percentage of discount?
 a. 0.2 b. 2 c. 10 d. 20
24. What is the maximum duration for availing the benefit of discount?
 a. 20 days b. 30 days c. 10 days d. 28 days
25. What is the total credit duration given by the firm?
 a. 30 days b. 28 days c. 30 days d. 10 days
26. Liberal credit standards will increase which of the following?
 a. Sales b. cost of collection c. investment in receivables d. all of them
27. A rigorous collection program will **not** have one of the following effects on business:
 a. Decrease sales b. Decrease bad debt percentage
 c. Increase collection expenses d. Long average collection period
28. The 5 C's of Traditional Credit Analysis **do not** include:
 a. Capacity b. Capital c. Cost of living d. Condition
29. Which of the following mode of payment is often seen in Overseas Business?
 a. Cash on Delivery b. Letter of Credit c. Open Account d. Bill of Exchange
30. When a good customer is misclassified as a poor credit risk, it is called:
 a. Type – I Error b. Type – II Error c. Type – III Error d. Type – IV Error