INDIAN SCHOOL AL WADI AL KABIR

Class: XII Business Studies	Department: Commerce
Worksheet No: 1	Topic: FINANCIAL MANAGEMENT

1. Financial management is concerned with managerial activities relating to
   (*a*) Planning
   (*b*) Procurement and administration of funds
   (*c*) Optimum utilization of funds
   (*d*) All of the above
2. Which of the following factors affect financial decision?
   (*a*) Cost
   (*b*) Risk
   (*c*) Cash flow position
   (*d*) All of the above
3. __________ refers to planning regarding financial needs of the enterprise various sources of raising funds and their optimum utilization.
   (*a*) Financial planning
   (*b*) Capital structure
   (*c*) Financial management

4. Which of the following is not a feature of a financial plan?
   (*a*) Simplicity
   (*b*) Cost
   (*c*) Flexibility
   (*d*) Foresight
5. ______ is the decision related to composition of capital structure & also depends upon ability of the business to generate cash.
   (*a*) Market condition
   (*b*) Flexibility
   (*c*) Cash flow ability
   (*d*) Control
6. Which of the factors affect dividend decisions?
   (*a*) Preference of shareholders
   (*b*) Earning
   (*c*) Stability of dividend
   (*d*) All of the above

7. _____ refers to the structure of total capital funds raised by the company.

(*a*) Fixed capital

(*b*) Capital structure

(*c*) Capital requirements

(*d*) Under capitalization

8. Which one of the following is related to planning, organising, directing and controlling of financial activities?

(a) Financial decision

(b) Capital structure

(c) Investment decision

(d) Financial management

9. Wealth maximization depends on

a. market price per share.

b. market price of finished good

c. market price of inventory.

d. market price of fixed assets.

10. Investment decision involves

a. investment in fixed assets.

b. investment in current assets.

c. investment in fixed and current assets.

d. investment in Government securities.

11. If dividend portion of total earnings is high, portion of retained earnings will be

a. high

b. low

c. moderate.

d. equal.

12Financial procedures are determined by

a. financial planning.

b. financial leverage.

c. financial decisions.

d. capital structure.

12. Capital structure shows

a. Debtor-creditor ratio.

b. Fixed assets-current assets ratio.

c. Debt-equity ratio.

d. Interest coverage ratio.

13. Fixed capital requirements are determined by

a. nature of business.

b. nature of business environment.

c. nature of Government control.

d. nature of marketing efforts.

14. Working capital requirements are low when an organisation has
   a. high technology.
   b. high debtors.
   c. high inventory.
   d. high creditors
15. ____________ is concerned with optimum procurement as well as usage of finance.
   a. Financial Analysis
   b. Financial Planning
   c. Financial Management
   d. Budgeting
16. ___________ represents investment in current assets required for day-to-day operations of the business.
   a. Long-term capital
   b. Working capital
   c. Capital Budgeting
   d. Medium-term capital
17. ______________ involves increasing the proportion of debt and preference shares in total capital.
   a. Trading on equity
   b. Capital Budgeting
   c. Financing decision
   d. Financial Analysis
18. ______________ is the time span between acquisition of goods and realization of sale proceeds.
   a. Working capital
   b. Payback Period
   c. Operating Cycle
   d. Account Receivables Period
19. The Board of directors of Medex Pharma Ltd. decided to issue debentures worth ₹40 lakhs in order to finance a major Research and Development project. This would increase the Debt Equity ratio from 1:1 to 2:1. However, at the same time it would increase the Earnings per share. The reason that will justify the above situation is:
   a) Unfavorable financial leverage, as the financial risk will be higher.
   b) Unfavorable financial leverage, as return on investment is lower than the cost of debt.
   c) Favorable financial leverage as debt is easily available
   d) Favorable financial leverage, as return on investment is higher than cost of debt