

Professional Online Academy Vu Topper RM



MGT-201 Financial Management
Update MCQ'S Mid Term
By Vu Topper RM



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Question No:1

(Marks:1)

Vu-Topper RM

Higher the frequency of compounding of a rate of interest in a year, higher will be the _____ and lesser will be the _____ of an investment.

- A. Maturity period; Future value
- B. Future value; Present value**
- C. Present value; Future value
- D. Present value; Maturity period

Question No:2

(Marks:1)

Vu-Topper RM

The process of computing the present value of a future amount using compound interest method is called:

- A. Net present value
- B. Discounting**
- C. Rounding
- D. Compounding

Question No:3

(Marks:1)

Vu-Topper RM

With the help of cash budget, a finance manager can estimate:

- A. Sources of cash inflows and outflows
- B. Cash balance surplus or deficit in the future period
- C. Cash balances at the beginning of a period
- D. All of the given options are correct**

Question No:4

(Marks:1)

Vu-Topper RM

Which one of the following functions is not performed by the State Bank of Pakistan?

- A. Banker to the government
- B. Protector of depositor's interest**
- C. Custodian of cash reserves

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D. Overdraft facility

Question No:5

(Marks:1)

Vu-Topper RM

If we expect to receive Rs. 5,000 annually at the rate of 8% per year for forever, the present value of perpetuity will be:

A. Rs. 40,000

B. Rs. 62,500

C. Rs. 32,500

D. Rs. 20,500

Question No:6

(Marks:1)

Vu-Topper RM

The institution which is involved in collecting taxes, making regulations for taxes and charging duties on the behalf of the government of Pakistan is:

A. Securities and Exchange Commission of Pakistan

B. Federal Board of Revenue

C. State Bank of Pakistan

D. Pakistan Stock Exchange

Question No:7

(Marks:1)

Vu-Topper RM

Investing activities of a business include(s):

A. Investment in long term and short term assets

B. Investment in shares of other companies

C. All of the given options are correct

D. Investment in short term securities of other companies

Question No:8

(Marks:1)

Vu-Topper RM

Among various functions performed by Securities and Exchange Commission of Pakistan, one is to supervise the chartered accounts.

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- A. True
B. Flase

Question No:9 (Marks:1) **Vu-Topper RM**
If Rs. 100 is continuously compounded at the rate of 5% for 5 years, then future value of Rs. 100 will be:

- A. Rs.120
B. Rs.128.4
C. Rs.105.7
D. Rs.127.6

Question No:10 (Marks:1) **Vu-Topper RM**
While making an amortization schedule, the amount of interest keeps on decreasing with time because:

- A. Amount of installment considerably vary with time
B. All of the given options are correct
C. Outstanding loan amount balance decreases due to principal repayment
D. Interest rate starts falling with the payment of outstanding loan

Question No:11 (Marks:1) **Vu-Topper RM**
The amount invested for one year at the simple interest rate of 10% per year has the future value of Rs. 132,000. The present value will be:

- A. Rs. 120,000**
B. Rs. 130,000
C. Rs. 110,000
D. Rs. 112,000

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Question No:12

(Marks:1)

Vu-Topper RM

What will be the Effective Rate of Interest (ERI), if the nominal interest rate of 10% is compounded quarterly?

- A. 10.25%
- B. 10.44%
- C. 10.38%**
- D. 2.50%

Question No:13

(Marks:1)

Vu-Topper RM

What will be the future value of Rs. 2,000 invested at the rate of 5% compounded annually for the period of 2 years?

- A. Rs. 2,200
- B. Rs. 2,205**
- C. Rs. 2,250
- D. Rs. 2,025

Question No:14

(Marks:1)

Vu-Topper RM

The formula to calculate present value interest factor is (where r is interest rate and n is number of compounding period):

- A. Discounting factor = $1 \times (1 + r)^n$
- B. Discounting factor = $1/(1 + r)^n$**
- C. Compounding factor = $1/(1 + r)^n$
- D. Discounting factor = $1/(1 - r)^n$

Question No:15

(Marks:1)

Vu-Topper RM

The future value of an investment is:

- A. None of the given options is correct
- B. Product of Interest earned on the present value and present value of an investment

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C. Difference of Interest earned on the present value and present value of an investment

D. Sum of Interest earned on the present value and present value of an investment

Question No:16

(Marks:1)

Vu-Topper RM

The formula to calculate present value of perpetuity is:

A. Present Value= Installment amount/Interest rate

B. Present Value = Interest rate/installment amount

C. Present Value = Installment amount + interest

D. Present Value = Installment amount – interest rate

Question No:17

(Marks:1)

Vu-Topper RM

The installment of Rs. 5,000 is paid at the end of each year for 4 years.

What will be the present value given that 5% interest rate is paid annually? PVIFA for this interest rate and time period is 3.546

A. Rs. 35,460

B. Rs. 70,920

C. Rs. 15,530

D. Rs. 17,730

Question No:18

(Marks:1)

Vu-Topper RM

If interest rate is applied more than once in a year on future value of an investment, the present value will:

A. Increase

B. Decrease

C. Not vary significantly

D. Remain same

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Question No:19

(Marks:1)

Vu-Topper RM

Which of the following information is required to make a sinking fund?

- A. The future amount required
- B. The time period and amount of each installment
- C. All of the given options are correct**
- D. The rate of interest

Question No:20

(Marks:1)

Vu-Topper RM

The future value of an investment can be calculated through:

- A. Neither simple interest nor compound interest
- B. Both simple and compound interest**
- C. Compound interest only
- D. Simple interest only

Question No:21

(Marks:1)

Vu-Topper RM

If Rs. 10,000 are paid at the end of each year for 5 years and FVIFA for this period at the rate of 4% is 5.416, the future value of an ordinary annuity will be:

- A. Rs. 54,160**
- B. Rs. 40,000
- C. Rs. 12,166
- D. Rs. 108,320

Question No:22

(Marks:1)

Vu-Topper RM

Financial analysis include (s):

- A. Risk analysis
- B. All of the given options**
- C. Ratio analysis
- D. Cost, Volume and Profit Analysis

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Question No:23

(Marks:1)

Vu-Topper RM

The formula to compute future value of an investment with continuous compounding is:

- A. Future Value = Present value * $e^{(\text{interest rate}/\text{time in years})}$
- B. Future Value = Present value / $e^{(\text{interest rate} * \text{time in years})}$
- C. Future Value = Present value $^{(\text{interest rate} * \text{time in years})}$
- D. Future Value = Present value * $e^{(\text{interest rate} * \text{time in years})}$**

Question No:24

(Marks:1)

Vu-Topper RM

A _____ is created to set aside some amount on regular basis for replacement of assets in future.

- A. Current account
- B. Loan amortization schedule
- C. Sinking fund**
- D. All of the given options are correct

Question No:25

(Marks:1)

Vu-Topper RM

Which one of the following statements best describes the mixed cash flows?

- A. Combination of two or more annuities
- B. All of the given options are correct
- C. Different amount of cash flows
- D. Combination of annuity and different amounts of cash flows**

Question No:26

(Marks:1)

Vu-Topper RM

We expect to get Rs. 100,000 after 2 years, given that the interest rate is 8%. If the same amount will be received after 4 years rather than 2 years, then:

- A. The present value of Rs. 100,000 will increase
- B. The present value of Rs. 100,000 will decrease**

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- C. The present value cannot be determined
- D. The present value of Rs. 100,000 will remain same

Question No:27 (Marks:1) **Vu-Topper RM**

The future value of perpetuity is infinite because:

- A. All of the given options are correct
- B. Time period is infinite**
- C. Number of installments is finite
- D. Interest rate is infinite

Question No:28 (Marks:1) **Vu-Topper RM**

In receivable management of a business, a financial manager has to:

- A. All of the given options are correct**
- B. Design a credit policy by comparing time period of receivables and payables
- C. Offer cash discounts for early recovery of receivables
- D. Extend the credit period to promote sales

Question No:29 (Marks:1) **Vu-Topper RM**

What will be the effect of increase in compounding period on the present value of a future amount?

- A. The present value will remain unchanged
- B. The present value will decrease**
- C. The present value will increase
- D. The present value cannot be determined

Question No:30 (Marks:1) **Vu-Topper RM**

The last cash flow received at maturity needs to be compounded further to get the future value of total cash flow.

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A. False

B. True

Question No:31

(Marks:1)

Vu-Topper RM

The formula to compute present value of an investment with continuous compounding is:

A. Present Value = Future value $\times e^{(\text{interest rate} / \text{time in years})}$

B. Present Value = Future value $\times e^{-(\text{interest rate} \times \text{time in years})}$

C. Present Value = Future value $/ e^{-(\text{interest rate} \times \text{time in years})}$

D. Present Value = Future value $\times e^{(\text{interest rate} \times \text{time in years})}$

Question No:32

(Marks:1)

Vu-Topper RM

A series of payments received or paid at the end of each period is called:

A. Future value of an annuity

B. Present value of an annuity

C. Ordinary annuity

D. Annuity due

Question No:33

(Marks:1)

Vu-Topper RM

The amount of Rs. 20,000 is invested for 2 years at the rate of 5% per year. The amount of simple interest earned after 2 years will be:

A. Rs.1,000

B. Rs.2,500

C. Rs.2,000

D. Rs.5,00

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Question No:34

(Marks:1)

Vu-Topper RM

The rate of interest which is not adjusted for shorter period of compounding is called:

- A. Effective rate of interest
- B. Nominal rate of interest**
- C. Real rate of interest
- D. All of the given options are correct

Question No:35

(Marks:1)

Vu-Topper RM

The nominal interest rate is 8% and it is to be applied on semi-annual basis. What will be the equivalent rate of interest?

- A. 3.92%
- B. 4%
- C. 8.32%**
- D. 4.28%

Question No:36

(Marks:1)

Vu-Topper RM

_____ is distribution of profit.

- A. Dividend**
- B. Interest
- C. None of the given options
- D. Bonus

Question No:37

(Marks:1)

Vu-Topper RM

What will be the Effective Rate of Interest (ERI), if the nominal interest rate of 8% is compounded semi-annually?

- A. 8.16%**
- B. 8.32%
- C. 8.08%
- D. 4.00%

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Question No:38

(Marks:1)

Vu-Topper RM

Working capital is the part of company's investment which is made in:

- A. Current assets**
- B. Intangible assets
- C. Long term assets
- D. Fixed assets

Question No:39

(Marks:1)

Vu-Topper RM

If interest rate is 7% compounded annually and time period is 4 years, the future value interest factor will be:

- A. 1.31**
- B. 1.41
- C. 1.14
- D. 1.28

Question No:40

(Marks:1)

Vu-Topper RM

Financial analysis of a company shows:

- A. Risk factor is uncertain and cannot be measured
- B. Comparative analysis can only be done within industry
- C. None of the given options is correct**
- D. Absolute analysis is better than relative analysis

Question No:41

(Marks:1)

Vu-Topper RM

Equity is generated through issuance of _____.

- A. Bonds
- B. All of the given options
- C. Debentures
- D. Common shares**

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Question No:42

(Marks:1)

Vu-Topper RM

The annuity that never ends or ends at infinity is called:

- A. Deferred annuity
- B. Annuity due
- C. Ordinary annuity
- D. Perpetuity**

Question No:43

(Marks:1)

Vu-Topper RM

Which one of the following statements best describes the simple interest?

- A. Interest that gradually grows with time
- B. Interest charged only on bank loans
- C. Interest that remains stagnant in first period
- D. Interest applied on the principal amount**

Question No:44

(Marks:1)

Vu-Topper RM

One of the disadvantages faced by local banks due to presence of foreign banks in a country is:

- A. Decreased control of local banks in an economy**
- B. Provision of diverse financial services in an economy
- C. All of the given options
- D. Easier access to international capital markets for local banks

Question No:45

(Marks:1)

Vu-Topper RM

Which one of the following factors will change the future value of an investment?

- A. Increase in time period
- B. Decrease in principal amount
- C. All of the given options are correct**
- D. Increase in interest rate

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Question No:46

(Marks:1)

Vu-Topper RM

What will be the present value, if we get Rs. 5,250 after one year, given that the interest rate is 5% per year?

- A. Rs. 5,150
- B. Rs. 5,000**
- C. Rs. 4,500
- D. Rs. 4,850

Question No:47

(Marks:1)

Vu-Topper RM

The formula to calculate Simple Interest is:

- A. Simple interest = Principal amount x interest rate x time**
- B. Simple interest = Principal amount + interest rate + time
- C. Simple interest = Principal amount x (interest rate + time)
- D. Simple interest = Principal amount + (interest rate x time)

Question No:48

(Marks:1)

Vu-Topper RM

What will be the effect on the future value of an investment, if interest rate increases by 10% but other factors remain constant?

- A. Future value of an investment will decrease
- B. Future value of an investment will increase**
- C. None of the given option is correct
- D. Future value of an investment will remain same

Question No:49

(Marks:1)

Vu-Topper RM

An Islamic banking instrument in which one party buys an asset and sells to another party at a higher price, while sale proceeds are received on an installment basis is called:

- A. Musharaka
- B. Ijara
- C. Modaraba

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D. Murabaha

Question No:50

(Marks:1)

Vu-Topper RM

Which of the following players in financial environment is responsible for managing supply of money in an economy and acts as an advisor to the Government?

A. Federal Bureau of Revenue

B. State Bank of Pakistan

C. Securities and Exchange Commission of Pakistan

D. Pakistan Stock Exchange

Question No:51

(Marks:1)

Vu-Topper RM

The institutions that provide services which may include but not limited to extending loan for social and community benefits, getting involved in joint ventures, providing factoring service and arranging crowd funding are called:

A. Non-Banking Financial Companies

B. Stock Exchange

C. Federal Board of Revenue

D. Central Banks

Question No:52

(Marks:1)

Vu-Topper RM

The factor that differentiates the net working capital from gross working capital is:

A. Fixed assets

B. Current liabilities

C. Cash and cash equivalents

D. Current assets

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Question No:53

(Marks:1)

Vu-Topper RM

Which of the following is not part of gross working capital of a company?

- A. Cash and cash equivalents
- B. Receivables
- C. Payables**
- D. Inventory

Question No:54

(Marks:1)

Vu-Topper RM

Issuance of _____ give ownership rights.

- A. All of the given options
- B. Debentures
- C. Bonds
- D. Common shares**

Question No:55

(Marks:1)

Vu-Topper RM

The role of Development Finance Institutions is to provide funds:

- A. For non commercial use
- B. All of the given options are correct
- C. For the development of emerging economies
- D. To support economic development of countries**

Question No:56

(Marks:1)

Vu-Topper RM

Arranging funds from different available sources for smooth operation of a business is linked with:

- A. Operating activities
- B. Financing activities**
- C. None of the given options is correct
- D. Investing activities

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Question No:57

(Marks:1)

Vu-Topper RM

Which one of the following players is responsible for regulating the business organizations in Pakistan?

- A. Federal Bureau of Revenue
- B. State Bank of Pakistan
- C. Pakistan Stock Exchange

D. Securities and Exchange Commission of Pakistan

Question No:58

(Marks:1)

Vu-Topper RM

Which one of the following institutions is responsible for registration and licensing of business organizations?

- A. Securities and Exchange Commission of Pakistan
- B. Pakistan Stock Exchange
- C. State Bank of Pakistan

D. Federal Bureau of Revenue

Question No:59

(Marks:1)

Vu-Topper RM

Which of the following claims about equity financing is correct?

- A. Profit earned by a business is an internal source of equity financing
- B. Preferred shareholders provide more funds than common shareholders to a business**
- C. Equity financing can only be obtained through external sources of financing
- D. Dividend rate for both preferred and common shares is same

Question No:60

(Marks:1)

Vu-Topper RM

The use of debt in capital structure is known as:

- A. Financial leverage**
- B. Factoring
- C. Capital rationing

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D. Financial solvency

Question No:61

(Marks:1)

Vu-Topper RM

An Islamic banking instrument in which one party contributes financially, while the other party participates by skills and effort is called:

- A. Musharaka
- B. Modaraba
- C. Murabaha**
- D. Ijara

Question No:62

(Marks:1)

Vu-Topper RM

The advantage(s) of having foreign banks in a country is/are:

- A. All of the given options are correct**
- B. It brings in foreign investment in a country
- C. It promotes efficiency in local banks performance
- D. It provides sophisticated financial services

Question No:63

(Marks:1)

Vu-Topper RM

_____ is an Islamic form of leasing where an asset is given by a party as a financing to another party and against that fixed amount of rent is charged.

- A. Ijara**
- B. Musharaka
- C. Modaraba
- D. Murabaha

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Question No:64

(Marks:1)

Vu-Topper RM

Which one of the following is not the part of working capital of a business?

- A. Inventories
- B. Accounts receivable
- C. Stores and spares
- D. Fixed assets**

Question No:65

(Marks:1)

Vu-Topper RM

_____ are the asset of a company.

- A. Payables
- B. Receivables
- C. Bonds
- D. Shares**

Question No:66

(Marks:1)

Vu-Topper RM

An Islamic banking instrument in which two parties invest money and profit or loss is shared based upon a stipulated ratio is called:

- A. Musharaka**
- B. Modaraba
- C. Murabaha

Question No:67

(Marks:1)

Vu-Topper RM

Federal Board of Revenue performs all of the following functions, Except:

- A. Designing fiscal policy for Pakistan
- B. Acts as appellate tribunal for tax payers
- C. Levy and collection of direct and indirect taxes
- D. Controlling money supply in Pakistan.**

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Question No:68

(Marks:1)

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All of the following are included in credit policy of receivable management, Except:

- A. Extend the credit period if it promotes sales.
- B. Offering cash discounts for early recovery of receivable
- C. Managing the collection cost of receivable.

D. Stretching the receivable collection period if payable period is less.

Question No:69

(Marks:1)

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The environment that facilitates and ensures the efficient flow of finances between the users and providers is known as financial environment.

A. True

B. False

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