

Kerala Bank Assistant Manager - Finance & Management - Model Exam 4



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1. **Wealth maximization is also known as -----.**

A Value maximization

B Net present worth maximization

C Both A & B

D Neither A nor B

Solution

- Wealth maximization is one of the modern approaches, which involves latest innovations and improvements in the field of the business concern.
- The term wealth means shareholder wealth or the wealth of the persons those who are involved in the business concern.
- Wealth maximization is also known as value maximization or net present worth maximization.
- This objective is an universally accepted concept in the field of business.

2. ----- is also called as statement of retained earnings.

A Income Statement

B Position Statement

C Statement of Changes in Owner's Equity

D Statement of Changes in Financial Position

Solution

Statement of Changes in Owner's Equity

- It is also called as statement of retained earnings.
- This statement provides information about the changes or position of owner's equity in the company.
- How the retained earnings are employed in the business concern.
- Nowadays, preparation of this statement is not popular and nobody is going to prepare the separate statement of changes in owner's equity.

3. Which of the following analysis is used to understand the operational performances of each and every department and unit of the business concern?

A External Analysis

B Vertical Analysis

C Internal Analysis

D Horizontal Analysis

Solution

Internal Analysis

- The company itself does disclose some of the valuable informations to the business concern in this type of analysis.
- This analysis is used to understand the operational performances of each and every department and unit of the business concern.
- Internal analysis helps to take decisions regarding achieving the goals of the business concern.

4. Which of the following does not include in Short-term sources of financing?

A Public Deposits

B Money Market Instruments

C Fixed Deposits

D Trade Credit

Solution

Short-term sources:

- Apart from the long-term source of finance, firms can generate finance with the help of short-term sources like loans and advances from commercial banks, moneylenders, etc.
- Short-term source of finance needs to meet the operational expenditure of the business concern.

Short-term source of finance include:

- Bank Credit
- Customer Advances
- Trade Credit

- Factoring
- Public Deposits
- Money Market Instruments

5. ----- shares have right to claim dividends for those years which have no profits.

A Redeemable preference shares

B Non-cumulative preference shares

C Cumulative preference shares

D None of the above

Solution

Cumulative preference shares:

- Cumulative preference shares have right to claim dividends for those years which have no profits.
- If the company is unable to earn profit in any one or more years, Cumulative preference Shares are unable to get any dividend but they have right to get the comparative dividend for the previous years if the company earned profit.

6. ----- are the two major parts of the Creditorship Securities.

A Debenture

B Bonds

C Both A & B

D Neither A & B

Solution

CREDITORSHIP SECURITIES

- Creditorship Securities also known as debt finance which means the finance is mobilized from the creditors. Debenture and Bonds are the two major parts of the Creditorship Securities.

Debentures

A Debenture is a document issued by the company. It is a certificate issued by the company under its seal acknowledging a debt.

Bonds

Bonds can be defined as the negotiable instrument, issued in relation to borrowing arrangement, that indicates indebtedness. It is an unsecured debt instrument, in which the bond investor extends credit to the issuer,

which in turn commits to repay the loan amount on the specified maturity date, along with interest throughout the life of the bond. The issuer can be the municipal corporation, government or company.

7. A corporation may be ----- when the rate of profit is exceptionally high in the same industry.

A Under capitalization

B Over Capitalization

C Water Capitalization

D None of the above

Solution

Under Capitalization

- Under capitalization is the opposite concept of over capitalization and it will occur when the company's actual capitalization is lower than the capitalization as warranted by its earning capacity.
- Under capitalization is not the so called inadequate capital.
- Under capitalization can be defined by Gerstenberg, "a corporation may be under capitalized when the rate of profit is exceptionally high in the same industry".
- Hoagland defined under capitalization as "an excess of true assets value over the aggregate of stocks and bonds outstanding".

8. A person who deals finance related activities may be called -----.

A Finance representatives

B Finance Managers

C General manager

D Managing Director

Solution

- Finance manager is one of the important role players in the field of finance function.
- He must have entire knowledge in the area of accounting, finance, economics and management.
- His position is highly critical and analytical to solve various problems related to finance.
- A person who deals finance related activities may be called finance manager

9. ----- is also called as static analysis.

A External Analysis

B Internal Analysis

C Horizontal Analysis

D Vertical Analysis

Solution

Vertical Analysis

- Under the vertical analysis, financial statements measure the quantities relationship of the various items in the financial statement on a particular period.
- It is also called as static analysis, because, this analysis helps to determine the relationship with various items appeared in the financial statement.
- For example, a sale is assumed as 100 and other items are converted into sales figures.

10. ----- is also called as statement of sources and uses of funds.

A Trend Analysis

B Common Size Analysis

C Fund Flow Statement

D Cash Flow Statement

Solution

FUNDS FLOW STATEMENT

- Funds flow statement is one of the important tools, which is used in many ways. It helps to understand the changes in the financial position of a business enterprise between the beginning and ending financial statement dates.
- It is also called as statement of sources and uses of funds.
- Institute of Cost and Works Accounts of India, funds flow statement is defined as “a statement prospective or retrospective, setting out the sources and application of the funds of an enterprise.

11. ----- is also called as short-term ratio.

A Liquidity Ratio

B Activity Ratio

C Solvency Ratio

D Profitability Ratio

Solution

Liquidity Ratio

- It is also called as short-term ratio.
- This ratio helps to understand the liquidity in a business which is the potential ability to meet current obligations.
- This ratio expresses the relationship between current assets and current liabilities of the business concern during a particular period.

12. Match the following :

| List 1 | List 2 |
|--------------------------|--------------------------|
| 1 . Security Finance | a . Ordinary shares |
| 2 . Ownership securities | b . Founder shares |
| 3 . Equity Shares | c . Corporate securities |
| 4 . Deferred shares | d . Capital stock |

A 1 - a , 2 - d , 3 - c , 4 - b

B 1 - c , 2 - a , 3 - c , 4 - b

C 1 - d , 2 - c , 3 - a , 4 - b

D 1 - c , 2 - d , 3 - a , 4 - b

Solution

| List 1 | List 2 |
|--------------------------|----------------------|
| 1 . Security Finance | Corporate securities |
| 2 . Ownership securities | Capital stock |
| 3 . Equity Shares | Ordinary shares |

List 1**List 2**

4 . Deferred shares

Founder shares

13. A ----- is an arrangement by which a bank allows his customer to borrow money up to certain limit against the security of the commodity.

A Overdraft

B Loan

C Cash credit

D None of the above

Solution

Short-term Loans

Commercial banks also provide loans to the business concern to meet the short-term financial requirements. When a bank makes an advance in lump sum against some security it is termed as loan. Loan may be in the following form:

(a) Cash credit: A cash credit is an arrangement by which a bank allows his customer to borrow money up to certain limit against the security of the commodity.

(b) Overdraft: Overdraft is an arrangement with a bank by which a current account holder is allowed to withdraw more than the balance to his credit up to a certain limit without any securities.

14. Providing inadequate depreciation to the fixed assets may lead to -----
-.

A Over Capitalization

B Under Capitalization

C Water Capitalization

D None of the above

Solution

Over Capitalization

- Over capitalization refers to the company which possesses an excess of capital in relation to its activity level and requirements.
- In simple means, over capitalization is more capital than actually required and the funds are not properly used.
- According to Bonneville, Dewey and Kelly, over capitalization means, “when a business is unable to earn fair rate on its outstanding securities”.

Causes of Over Capitalization Over capitalization arise due to the following important causes:

- Over issue of capital by the company.

- Borrowing large amount of capital at a higher rate of interest.
- Providing inadequate depreciation to the fixed assets.
- Excessive payment for acquisition of goodwill.
- High rate of taxation.
- Under estimation of capitalization rate.

15. Which of the following is/are not an assumption of Traditional approach ?

1. The investors behave irrationally.
2. The firm has a perpetual life.
3. The firm does not pay any dividend.
4. The total assets are given and do not change

A 1 & 2 only

B 1 & 3 only

C 1 & 4 only

D 1, 2, & 4

Solution

Traditional Approach

- It is the mix of Net Income approach and Net Operating Income approach.
- Hence, it is also called as intermediate approach.
- According to the traditional approach, mix of debt and equity capital can increase the value of the firm by reducing overall cost of capital up to certain level of debt.

Assumptions Capital structure theories are based on certain assumption to analysis in a single and convenient manner:

- There are only two sources of funds used by a firm; debt and shares.
- The firm pays 100% of its earning as dividend.
- The total assets are given and do not change.
- The total finance remains constant.
- The operating profits (EBIT) are not expected to grow.
- The business risk remains constant.
- The firm has a perpetual life.
- The investors behave rationally

16. What is percentage change in the profits resulting from a percentage change in the sales?

A Degree of Operating Leverage

B Degree of Financial Leverage

C Degree of Composite Leverage

D None of the above

Solution

Degree of Operating Leverage

- The degree of operating leverage may be defined as percentage change in the profits resulting from a percentage change in the sales.
- It can be calculated with the help of the following formula:

$$DOL = \frac{\text{Percentage change in profits}}{\text{Percentage change in sales}}$$

17. Cash Dividend is paid out of -----?

A EBIT

B EBT

C EAIT

D None of the above

Solution

Cash Dividend

- If the dividend is paid in the form of cash to the shareholders, it is called cash dividend.
- It is paid periodically out the business concerns EAIT (Earnings after interest and tax).
- Cash dividends are common and popular types followed by majority of the business concerns.

18. Which of the following is the Accept/Reject criteria of Accounting Rate of Return or Average Rate of Return?

A

If the actual accounting rate of return is less than the predetermined required rate of return, the project would be accepted. If not it would be rejected.

B

If the actual accounting rate of return is more than the predetermined required rate of return, the project would be accepted. If not it would be rejected.

C

If the actual accounting rate of return is equal to the predetermined required rate of return, the project would be accepted. If not it would be rejected.

D

None of the above

Solution

Accounting Rate of Return or Average Rate of Return

Average rate of return means the average rate of return or profit taken for considering the project evaluation. This method is one of the traditional methods for evaluating the project proposals:

Merits

1. It is easy to calculate and simple to understand.
2. It is based on the accounting information rather than cash inflow.
3. It is not based on the time value of money.

4. It considers the total benefits associated with the project.

Demerits

1. It ignores the time value of money.
2. It ignores the reinvestment potential of a project.
3. Different methods are used for accounting profit. So, it leads to some difficulties in the calculation of the project.

Accept/Reject criteria

If the actual accounting rate of return is more than the predetermined required rate of return, the project would be accepted. If not it would be rejected.

19. ----- is a rate at which discount cash flows to zero.

A Internal Rate of Return

B Average Rate of Return

C Excess Present Value Index

D None of the above

Solution

Internal Rate of Return

- Internal rate of return is time adjusted technique and covers the disadvantages of the traditional techniques.
- In other words it is a rate at which discount cash flows to zero.

It is expected by the following ratio:

$$\left(\frac{\text{Cash inflow}}{\text{Investment initial}}\right)$$

20. **Gross Working Capital is simply called as the ----- of the concern.**

A Current assets - Current liabilities

B Total current assets

C Total current liabilities

D None of the above

Solution

Gross Working Capital

- Gross Working Capital is the general concept which determines the working capital concept.
- Thus, the gross working capital is the capital invested in total current assets of the business concern.
- Gross Working Capital is simply called as the total current assets of the concern.

$$\mathbf{GWC = CA}$$

21. ----- is the owner of the assets that are being leased.

A Lessor

B Lease

C Lease broker

D None of the above

Solution

- The essential elements of a lease are as follows: Parties- The parties to a lease are the lessor and the lessee.
- The lessor is also called the landlord and the lessee the tenant.
Subject matter of lease- The subject matter of lease must be immovable property.
- Leasing is an arrangement in which the right to use the asset is transferred to another person by the asset owner without transferring the asset's ownership.
- Thus, it means giving the asset on hire or rent for use in simple terms.

22. ----- combines brand awareness, market strength, and positive association of two or more brands to force consumers to pay a higher premium price.

A Co-Branding

B Umbrella Branding

C Ingredient Branding

D Salience Branding

Solution

Co-branding

- Co-branding is a strategy that uses several brand names on a service or good as a part of a strategic alliance.
- Co-branding is also known as brand partnership.
- It combines brand awareness, market strength, and positive association of two or more brands to force consumers to pay a higher premium price.
- For example, Citi AAdvantage cards give you American Airlines miles when a customer spends his money.

23. ----- is a process of classifying the products on the basis of quality , size , shape , colour , weight etc.

A Certification

B Lisencing

C Standardisation

D Grading

Solution

Grading

- Grading is a part of standardisation .
- It is a process of classifying the products on the basis of quality , size , shape , colour , weight etc.
- Grading helps to determine the value of the product as the best grade commands the highest price .
- Grading is the process of sorting individual units of a product into well-defined classes or grades of quality.
- It is the division of products into different categories on the basis of units possessing similar features.
- It helps in fixing different prices for different categories of the product.

24. Which concept of marketing focuses on manufacturing the product , and then take maximum efforts to sell it in the target market?

A Product Concept

B Production concept

C Sales concept

D None of the above

Solution

CONCEPTS / ORIENTATIONS

1. Production Concept

- This concept focuses on reducing costs by way of mass production .
- The firm believes that by attaining economies of scale the business can maximise profits and reduce costs .

2. Product Concept

- A firm following this concept tries to introduce the best product , based on quality and features believes that customers can be better influenced by designing utilizes the continuous improvement product

- The concern for the improvement of the product precedes other factors of marketing .

3 . Sales Concept

- The focus of this concept is to manufacture the product , and then take maximum efforts to sell it in the target market
- The concept holds the view that sales volume cannot be increased by introducing a superior product
- Aggressive sales efforts by means of effective distribution channels and advertisements are highly essential to increase sales volume
- Firms which uphold this concept concentrate on intense sales promotion efforts .

25. ----- comprises the consumers in the target market who have purchased the product offered by the firm .

A Potential Market

B Qualified Market

C Penetrated market

D Available Market

Solution

Potential Market - It is defined as the class of total population who are interested in purchasing the product offered by the firm .

Available Market - It refers to the people in potential market who have the purchasing power to buy the product .

Qualified Available Market - It comprises consumers in the available market who are legally permitted to purchase the product .

Target Market - It comprises the portion of the qualified available market that the firm has decided to offer products .

Penetrated market - It comprises the consumers in the target market who have purchased the product offered by the firm .

26. ----- is a process of selecting the target market from the entire market.

A Target market

B Target marketing

C Market targeting

D None of the above

Solution

- Market targeting is a process of selecting the target market from the entire market.
- Target market consists of group/groups of buyers to whom the company wants to satisfy or for whom product is manufactured, price is set, promotion efforts are made, and distribution network is prepared.
- It involves basically two actions – evaluation of segments and selection of the appropriate market segments.
- In this relation, market targeting can be defined as: Market targeting is an act of evaluating and selecting market segments.
- Finally, we define market targeting as: Market targeting consists of dividing the total market into segments, evaluating these segments, and selecting the appropriate segments as the target market.

27. ----- is the part of an organization that is in charge of finding, screening, recruiting, and training job applicants, and administering employee-benefit programs.

A Marketing

B Operations

C Finance

D Human Resource

Solution

Marketing functions generate revenues for an organization by selling products and encouraging or stimulating purchases. The marketing function helps in generating revenue for the organization as it encourages the customers to buy the products which increases sales and hence increase the revenue and overall profitability.

Operations in management are mainly concerned with planning, organizing, and supervising in the contexts of production, manufacturing, or the provision of services. As such, it is delivery-focused, ensuring that an organization successfully turns inputs into outputs in an efficient manner.

Finance represents money management and the process of acquiring needed funds by investing, borrowing, lending, budgeting, saving and forecasting

Human resources is the part of an organization that is in charge of finding, screening, recruiting, and training job applicants, and administering employee-benefit programs.

28. ----- is the process of aiding employees to gain effectiveness in their present and future work.

A Knowledge

B Motivation

C Training

D Education

Solution

MEANING DEFINITIONS OF TRAINING

- Training may be viewed as a systematic and planned process which has its organisational purpose to impart and provide learning experiences , that will bring about improvement in an goals and objectives of an organisation .
- Training is an organised procedure for increasing the knowledge and skill of people for a specific purpose .
- The trainees acquire new skill , technical knowledge , problem - solving ability . etc.
- It also gives an awareness the rules and procedures to guide their behaviour .

- Training improves the performance of employees on present jobs and prepares them for taking up new assignments in future .

Definitions

According to Edwin B. Flippo , " Training is the act of increasing the knowledge and skill of an employee for doing a particular job"

According to Michael J. Jucius , " The term training is used here to indicate only process by which the aptitudes , skills and abilities of employees to perform specific jobs are increased . "

According to Richard P. Calhoun , " The function of training is the process of aiding employees to gain effectiveness in their present and future work . "

According to Dales S. Beach , " Training is an organised procedure by which people learn knowledge and / or skills for a definite purpose . "

According to Michael Armstrong , " Training is the systematic development of the knowledge , skills and attitudes required by an individual to perform adequately a given task or job . " According to *Mathis and Jackson , "*

29. The ----- should frame and authorise the basic training policy.

A Top management

B Personnel department

C Line supervisor

D Employees

Solution

DESIGNING A TRAINING PROGRAMME

- Once training objectives and policy are decided , an appropriate training programme can be designed and conducted .

(a) The Top Management . should frame and authorise the basic training policy , review and approve the training plans and programmes and approve training budgets .

(b) The Personnel Department . should plan , establish and evaluate instructional programmes .

(c) The Line Supervisor . should implement and apply various developmental plans .

(d) The Employees . should provide feedback , revision and suggestions for improvements in the programme .

30. In ----- educational institutions and business firms have a joint program of training

A Classroom training

B Role playing

C Programmed learning

D Internship training

Solution

Internship Training

- In internship training , educational institutions and business firms have a joint programme of training .
- Selected candidates carry on regular studies for the prescribed period .
- They also work in some factory or office to acquire practical knowledge and skills .
- This method helps to provide a good balance between theory and practice .
- But it involves a long time period due to slow process .
- Internship training is used in professional courses e.g. MBBS , C.A. , ICWA etc. presentation



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