

Question 1: Which of the following is a non-cash item?

- Tax
- Depreciation
- Account Receivables
- All of the given

Question 2: Standard deviations for Investment A and Investment B are 25% and 12% respectively. This indicates that :

- Investment A is less volatile than Investment B
- Investment B is equally volatile to Investment A
- Investment A is more volatile than Investment B
- Investment B is more volatile than Investment A

Question 3: Suppose that Pearson Corporation has a capital structure which consists of both equity and debt. It had issued two million worth of bonds at 6.5 % p.a. The tax rate is 40%. Its EBIT is one million. The present value of tax shield for Pearson corporation would be

- Rs.1,000,000
- Rs.1,200,000
- Rs800,000
- Rs.1,400,000

Question 4: Which of the following statement is TRUE regarding debt?

- Debt is an ownership interest in the firm.
- Unpaid debt can result in bankruptcy or financial failure.
- Debt provides the voting rights to the bondholders.
- Corporation's payment of interest on debt is fully taxable.

Question 5: _____ is the market in which already issued securities are traded among investors.

- Primary market
- Secondary market
- Financial market
- Capital market

Question 6: Which of the following cash flow activities are reported in the Cash Flow Statement and Income Statement?

- Operating Activities
- Investing Activities
- Financing Activities