



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Relevant cost analysis or relevant costing is used for various managerial decisions, like _____.	Make or buy decision	Accepting or rejecting a special order	Both 1 and 2	Deciding sale quantity
2	Average Rate of Return (ARR) =	(Average Annual Profit after Tax/Average Investment) x 100	(Average Annual Profit after Tax/Opening Investment) x 100	(Average Annual Profit before Tax/Average Investment) x 100	(Average Annual Profit after Tax/Net Sales) x 100
3	A project with an initial investment of Rs.50 Lakh and life of 10 years, generates CFAT of Rs.10 Lakh per annum. Calculate the Payback Reciprocal.	10%	20%	100%	None of these
4	A project requires an initial investment of Rs.3,00,000. It yields annual cash inflow of Rs.60,000 for 8 years. You are required to find out the pay-back period of the project.	8 years	1 year	5 years	2 months
5	A project requires an initial investment of Rs.5,00,000. It yields annual cash inflow of Rs.1,00,000 for 8 years. You are required to find out the pay-back profitability of the project.	Rs.3,00,000	Rs.1,20,000	Rs.8,00,000	Rs.40,00,000
6	NPV at discounting rate of 10% = Rs.1250 and NPV at discounting rate of 11% = Rs. (-) 200. The IRR of the proposal is _____.	11.86%	10.86%	9.87%	11.96%
7	The Profitability Index of a project is 1.28 and its cost of investment is Rs. 2,50,000. The NPV of the project is _____.	Rs. 75,000	Rs. 80,000	Rs. 70,000	Rs. 65,000
8	The IRR of a project is 10%. If the annual cash flow after tax is Rs.1,30,000 and project duration is 4 years, what is the initial investment in the project?	Rs.4,10,000	Rs. 4,12,100	Rs. 3,90,000	Rs. 4,05,000
9	Which of the following statements is/are true?	NPV is not useful for evaluating mutually exclusive projects.	The result of the NPV technique is not effected by the discount rate used.	Benefit-cost ratio helps in evaluating the projects which differ in initial outlays.	The advantage of NPV criteria is that it remains the same for all possible reinvestment rates of intermediate cash flows.



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10	Terminal value of the projects' cash inflows means_____	The sum of the future cash flows after a particular period of time	The present value of the projects' future cash inflows	The sum of the reinvested values of the cash inflows up to the end of the project life	The sum of the reinvested values of the cash inflows up to the end of the project life minus initial outlay
11	IRR can be viewed as _____	Desired rate of return for the investment proposed	Rate of return earned on the initial investment	The discount rate at which the capital is procured	Rate of return earned on the intermediate cash flows of the project
12	At IRR, NPV is _____.	0	1	100	-1
13	When NPV is zero, PI is _____.	0	1	100	-1
14	Requirement of Social Cost Benefit Analysis is/are_____.	Monetary Cost Benefit Analysis fails to consider the external effects of a project, which may be positive like development of infrastructure or negative like pollution and imbalance in environment.	Taxes and subsidies are monetary costs and gains, but these are only transfer payments from social point of view and therefore irrelevant.	Market prices used to measure costs and benefits in project analysis, do not represent social values due to imperfections in market.	All of these
15	Which of the following techniques is the most suitable, when NPV and IRR lead to inconsistent ranking due to life disparity between two or more projects?	Modified Net Present Value.	Modified Internal Rate of Return.	Uniform Annual Equivalent Cost/Benefit.	Discounted Payback Period.
16	The _____ analyses investment opportunities involving a sequence of decisions over time.	Decision-tree Method	Normal Probability Distribution	Social Cost Benefit Analysis	None of these
17	Given, Investment Rs.1,00,000, Life 3 years, Annual Cash Inflows Rs.2,00,000, Annual Cash Outflows Rs.1,50,000, Appropriate Discount Rate 10%. Calculate NPV .	Rs.24,300	Rs.23,400	Rs.15,000	Rs.60,000
18	Coefficient of variation _____	Is an absolute measure of risk	Is a relative measure of risk	Is given by mean expected return by standard deviation	Is given by the product of mean expected return and standard deviation



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19	If nominal discounting rate is 15%, inflation rate is 5%, then real discounting rate will be _____.	9.52%	9.25%	10.25%	10.52%
20	If expected NPV = Rs.1,20,000 and S.D = Rs.30,000, then coefficient of variation will be _____.	25%	20%	30.00%	50%
21	Given, expected value of profit without perfect information = Rs.1,600 and expected value of perfect information = Rs.300, then expected value of profit with perfect information will be _____.	Rs.1,300	Rs.1,900	Rs.950	None of these
22	If project cost = Rs.12,000, Annual cash flow = Rs.4,500 Cost of capital = 14%, life = 4 years, PVIFA (14%, 4) = 2.9137, then the sensitivity with respect to the project cost is _____.	9.27%	10.27%	9.72%	10.72%
23	_____ is an imitation of a real-world system using a mathematical model that captures the characteristic features of the system as it encounters random events in time.	Simulation	Scenario analysis	Sensitivity analysis	None of these
24	Limitations of Leasing are _____.	The lessor generally imposes certain restrictions on the leased assets. The Lessee may not be permitted to make additions on alterations to suit his needs.	A Financial Lease may entail a higher pay out obligation, if the equipment is not found useful subsequently, and the lessee opts for premature termination of the Lease arrangement.	In most circumstances, the Lessee does not become the owner of the asset, and is thus deprived of the residual value of the asset.	All of these
25	The major advantage of leasing is that it _____.				
26	A finance lease is an agreement between an owner of an asset and a user of that asset wherein the:	usual risks and benefits of ownership are transferred to the user;	legal title to property is transferred to the lessee when the first lease payment is made;	ownership passes to the lessor on inception date of the lease;	substantially all of the risks and benefits of ownership remain with the lessor.



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27	A way to analyse whether debt or lease financing would be preferable is to:	compare the net present values under each alternative, using the cost of capital as the discount rate.	compare the net present values under each alternative, using the after-tax cost of borrowing as the discount rate.	compare the payback periods for each alternative.	compare the effective interest costs involved for each alternative.
28	Which of following clearly define the Leasing services?	One party agrees to rent property owned by another party	It guarantees the lessee, also known as the tenant, use of the asset	It guarantees the lessor, regular payments from the lease	All of the above
29	The type of lease that includes a third party, a lender, is called as which of the following?	Sale and leaseback	Leveraged Lease	Direct leasing arrangement	Operating lease
30	As per _____ plan, the periodic lease rent will go on decreasing with a specified rate of decrease.	Stepped-up Plan	Stepped-down Plan	Deferred Payment Plan	Equal Periodic Plan
31	As per _____ plan, the periodic lease rent payable in the initial period would be less, fixed up in such a way to meet the nominal amount comparative to the cost of investment, the rest of the amount is payable in lump sum during the ending periods of the lease.	Balloon Payment Plan	Stepped-down Plan	Deferred Payment Plan	Equal Periodic Plan
32	Which of the following is limitation of Leasing?	Sale and Leaseback	No Dilution of Ownership	Source of Financing	High Pay-out
33	Which of the following is/are the objective/s of Cross Border Leasing?	reduction of overall cost of financing through utilization of tax depreciation allowances by the lessor in order to reduce its taxable income.	Depending on the structure, in some countries, the lessor can utilize very favourable "Leveraged Lease" Financial Accounting treatment for the overall transaction.	The lessor is often able to utilize non-recourse debt to finance a substantial portion of the equipment cost.	All of the above
34	A financial institution securitizes part of its balance sheet for _____ main reasons.	3	4	2	1



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35	Securitization is beneficial from the view point of investors also. The potential attractions includes which of the following?	Ability to diversify into sectors of exposure that might not be available in the regular bond markets (for example, residential mortgages or project finance loans)	Access to different (and sometimes superior) risk-reward profiles	Access to sectors that are otherwise not open to them	All of the above
36	Which of the following parties is/are not involved in Securitisation?	Originator	Arranger	Investee	Special Purpose Vehicle
37	In securitization who is the issuer of securities?	SPV	Underwriter	Depositer	Insurer
38	The concept of securitisation is associated with _____.	Capital market	Money market.	Debt market.	Foreign exchange market.
39	Under “securitisation process”, original borrower is known as _____.	SPV	Obligor	Originator	Credit enhancer
40	_____ certificate under securitisation have multiple maturity structure.	Pass through certificate	Pay through certificate	Preferred stock certificate	Interest only certificate
41	Fundamental Analysis necessitates which of the following?	Economic Analysis	Economic Analysis Industry Analysis	Content Analysis	Both 1 and 2
42	_____ is the study and analysis of Security Price movements on the following assumptions: 1. There is a basic trend in the share price movements. 2. Such trend is repetitive. 3. Share prices have little relationship with Intrinsic Value and are based more on investor psychology and perception.	Fundamental Analysis	Technical Analysis	Economic Analysis Industry Analysis	Company Analysis
43	_____ is a measure of a country's economic activity and is defined as the total amount of goods and services produced in a country in a year	Gross Domestic Product	Business Cycles	Growth Stocks	Value Stocks
44	The major components of GDP are _____.	Consumption Spending	Government Budget and expenditure	Consumption in the Process of Imports Distribution	All of these



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45	Balance of payment can be grouped into three broad accounts, which are _____.	Trade account balance, Compulsory account balances and Capital account balance	Total account balance, Current account balances and Capital account balance	Trade account balance, Current account balances and Assets account balance	Trade account balance, Current account balances and Capital account balance
46	Which of the following techniques are not used in Economic Analysis?	Anticipatory Surveys	Indicator Approach	Economic Model Building Approach	International Product Analysis
47	Which of the following factors are most sensitive to a firm's earnings to the business cycle?	Sensitivity of sales	Combined Leverage	Financial Leverage	Both 1 and 3
48	P/E =	Stock Price / EPS	Share Price / Book Value per Share	Dividend / Net Income	None of these
49	Which of the following techniques are used in Company Analysis?	Correlation & Regression Analysis	Time Series and Trend Analysis	Decision Tree Analysis	All of these
50	SWOT analysis involves an examination of a firm's strengths, weaknesses, opportunities and _____	turnovers	threats	scopes	objectives
51	Inventory Turnover Ratio	Returns from Operations / Average inventory	Revenue from Operations / Average Net Fixed Assets	Current Assets / Current Liabilities	None of these
52	The stock price in the stock market	Hovers around the support level or resistance level	Moves between the same support and resistance levels	Moves between the changing support and resistance level	Both (a) and (b)
53	A company has an ROE of 0.24 and book value of Rs.25.38. the EPS for this company is _____.	6.09	7.25	6.94	6.13
54	In the bull market _____	The stock prices are increasing	Each peak is higher than the previous peak	Each bottom is higher than the previous bottom	Both 2 and 3
55	If ROA is 0.195 and the leverage factor of 1.38, the ROE of the company is _____.	0.279	0.283	0.254	0.269
56	MN Limited is expected to grow at the rate of 8% per annum, which currently pays Rs.10 as dividend. For investments at this risk level, investor requires a return of 15% a year, what is the estimated value of the stock?	Rs.10.80	Rs.154.29	Rs.166.63	None of these



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57	A company's share is currently traded for Rs.80 per share. It is expected that a dividend of Rs.4 per share after one year will grow at 8% indefinitely. What is the expected return?	8%	13%	5%	80%
58	_____ bond is issued at a discount and repaid at face value. No periodic interest is paid.	Bearer Bonds	Puttable Bonds	Zero Coupon Bond	Registered Bonds
59	_____ bonds refer to the ability of the issuer to pay off a debt obligation prior to its maturity at the option of the issuer of debt.	Puttable Bonds	Term Bonds	Perpetual Bonds	Callable Bonds
60	Consider a 10 year, 12% coupon bond with a par value of Rs.10,000. Assume that the required yield on this bond is 13%. Find out the value of the bond.	Rs.3,601.10	Rs.651.10	Rs. 2,950	None of these
61	A bond with a face value of Rs.1,000 provides 12% annual return and pays Rs.1,050 at the time of maturity, which is 10 years from now. If the investor required rate of return 13%, at which price should the company issue the bond?	Rs.651.12	Rs.309.75	Rs.960.87	Rs.970
62	Face value of a bond Rs.1,000, coupon rate 6%, Current market price Rs.900. Current Yield?	6%	6.67%	10%	90%
63	Default risk is nil in _____	Treasury bills	IDBI bonds	ICICI bonds	Reliance bonds
64	Value of the bond depends on _____	Coupon rate	Expected yield to maturity	Years to maturity	All of the above
65	By investing in bonds, a trader is subjecting himself to the following risks _____	Interest rate risk	Default risk	Reinvestment risk	All of the above
66	The current dividend, market price and the annual dividend growth rate of a company are Rs.2.50 per share, Rs.50 per share and 5%, respectively. The capitalization rate of the equity will be _____	0.0526	0.10	0.1050	0.1025
67	A company with PAT of Rs.40 Lakh, tax rate of 50%, RONW of 100%, reserves of Rs.30 lakh and a par value Rs.5 will have pre-tax EPS of _____	Rs. 4.00	Rs. 40.00	Rs. 36.00	Rs. 42.00
68	A stock with a dividend pay-out ratio of 45%, required rate of return is 15% and a constant growth rate of 10% will have a P/E ratio of _____	3 times	9 times	8 times	7.5 times



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69	The current price is Rs.100, the required rate of return is 20% and the dividend paid Rs.3.00 on a share of Rs.10 face value. What is the expected growth rate?	15%	16%	18%	17%
70	According to the constant growth model, the next year's dividend is Rs.2.00, required rate of return is 15% and the growth rate is 10%, the market price would be	Rs. 50	Rs. 45	Rs. 40	Rs. 48
71	A Ltd. has 1 million AAA rated 12% bonds outstanding, maturity in 7 years from now. If the market interest rate is 14%, the price of the bond is (assume FV Rs.100) and coupons are payable annually	90.00	91.46	93.00	94
72	You just purchased a 10-year maturity, semi-annual coupon bond for Rs.1,148.77 (face value Rs.1,000), a coupon rate of 8% and a yield to maturity 6%. The bond is callable in four years at Rs.1,080. what is the yield to call?	5.60%	6.0%	7.2%	8.00%
73	A 20-year maturity bond with a par value Rs.1,000 makes semi-annual payments at a coupon rate of 8%. The YTM is 9%. How much should you pay for the bond?	Rs.1,080	Rs.1,000	Rs.908	Rs.966
74	A closed-end fund has a portfolio currently worth Rs.350 million. The fund has liabilities of Rs.5 million and 17 million units outstanding. What is the net asset value of the fund?	Rs.20.28	Rs.20.29	Rs.20.59	Rs.29.17
75	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	3,25,000 units	2,75,000 units	3,75,000 units	2,50,000 units
76	The important role while establishing the mutual fund scheme is played by the _____	AMC	Trustees	Sponsors	Custodians
77	Settlement are done at the instance of the _____	Custodian	AMC	Trustees	Sponsors
78	Balanced funds have the following characteristics _____	They consist of equity and bonds in equal proportion	They have moderate risk component	They have above average growth potential	None of the above
79	Which among the following increases the NAV of a mutual fund scheme?	Value of investments	Receivables	Accrued income	All of 1,2 and 3



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80	Which of the following benefits is not usually conferred by mutual funds?	Diversified investment portfolio	Professional stock selection and asset management	Tax benefits	Assured returns
81	The mutual funds are likely to perform better in the market than a small investor because they _____	Depend on the technical analysis tools and have the expertise to use them	Depend on the fundamental analysis which ensures the long-term performance of the fund	Have access to better information, ability and infrastructure to utilize it	None of the above
82	Identify the statement that applies to open-end mutual funds _____	They do not redeem or issue shares	Shares of such funds are traded on organized exchanges	Their price can't fall below the NAV	Exit from such funds involves selling shares to other investors.
83	How much money would you need to purchase 400 shares of a mutual fund with a NAV of Rs. 55 per share and a 3% load?	Rs.22,000	Rs.21,450	Rs.23,200	Rs.22,660
84	A mutual fund had average daily assets of Rs.500 million in the past year. During the year, the fund sold Rs.60 million of stock X and purchased Rs.90 million of stock Y. What was the fund's turnover ratio?	12%	15%	18%	30%
85	If opening units 10,000 Units subscribe 3000, Units redeem 1000 then Closing units?	10,000 units	13,000 units	12,000 units	14,000 units
86	For a scheme to be defined as an equal fund, it must have a minimum _____	65% in Indian equities	65% in equities	51% Indian equities	35% in Indian equities
87	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	3,25,000 units	2,75,000 units	3,75,000 units	2,50,000 units
88	For a scheme to be defined as an equal fund, it must have a minimum _____	65% in Indian equities	65% in equities	51% Indian equities	35% in Indian equities



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89	A portfolio having two risky securities can be turned risk less if _____	The securities are completely positively correlated	If the correlation ranges between zero and one	The securities are completely negatively correlated	d. None of the above
90	Total risk includes _____	Systematic risk only	Unsystematic risk only	Both a and b above	Only diversifiable risks
91	Risk of two securities with different expected return can be compared with _____	Coefficient of variation	Standard deviation of securities	Variance of securities	None of the above
92	A portfolio comprises two securities and the expected return on them is 12% and 16% respectively. Determine return of portfolio if first security constitutes 40% of total portfolio.	12.40%	13.40%	14.40%	15.40%
93	Mr. A invested Rs.10,000 in a shares of XYZ Company 10 years ago, and that is shares (including reinvested dividends) are currently worth Rs.23,8000. Using this information, calculate total investment return of Mr. A	100%	38%	138%	238%
94	What is the annualized return of Mr. A based on the data of the above question?	8%	9.06%	10%	11%
95	Mr. X invested Rs.10,000 in shares of XYZ Company 20 years ago, and that his shares (including reinvested dividends) are currently worth Rs.18,800. Using this information, calculate total investment return of Mr. A.	100%	38%	58%	88%
96	Covariance between a stock and a market index and the variance of the market index were found to be 33.56 and 19.15 respectively. The beta of the stock is:	1.55	1.75	1.85	2.05
97	Consider the information given below: Rate of inflation = 5.1% Real rate of return = 4.2% and 12.6% The risk premium for the above security will be-	2.50%	2.65%	2.805%	2.95%



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98	The security market line's first point is riskless asset with a beta of zero and the second point on the line is beta of _____	1	1.5	2.0	0.5
99	Arbitrage portfolio _____	Offers profit potential with an amount of additional investment and risk.	Offers profit potential without an amount of additional investment and risk.	Is the most diversified portfolio.	Is the most undiversified portfolio.
100	In contrast to the CAPM, arbitrage pricing theory:	Requires that markets be in equilibrium	Uses risk premiums based on micro variables	Specifies the number and identifies specific factors that determine expected returns.	Does not require the restrictive assumptions concerning the market portfolio.
101	The feature of the general version of the arbitrage pricing theory (APT) that offers the greatest potential advantage over the simple CAPM is the:	Identification of anticipated changes in production, inflation, and term structure of interest rates as key factors explaining the risk return relationship.	Superior measurement of the risk free rate of return over historical time periods.	Variability of coefficients of sensitivity to the APT factors for a given asset over time.	Use of several factors instead of a single market-index to explain the risk-return relationship.
102	Which of the following is a valid comparison between the APT and CAPM?	The CAPM applies to only well-diversified portfolios.	The CAPM dominates the APT and econometric concerns appear to favor it	The APT gets us to the expected return-beta relationship without requiring many of the unrealistic assumptions of the CAPM.	Both theories differ on the expected return-beta relationship.
103	The sum of an asset's systematic variance and its non-systematic variance of returns is equal to the asset's:	Beta.	Total risk.	Total variance.	None
104	The portfolio's risk premium is 12% and the standard deviation of market and the portfolio are 4 and 3, respectively. The fund's beta value is 1.5. The Treynor index is _____	3.0	8.0	4.0	12



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105	A portfolio manager realized an average annual return of 12%. The beta of the portfolio is 1.1 and the standard deviation of returns is 30%. The average annual return for the market index is 10% and the standard deviation of the market returns is 25%. The rf is 5%. Calculate Jensen's alpha for the portfolio.	0.50%	- 0.5%	1.50%	- 1.5%
106	A portfolio manager realized an average annual return of 15%. The beta of the portfolio is 1.2 and the standard deviation of return is 25%. The average annual return for the market index was 11% and the standard deviation of the market returns is 20%. The risk-free rate is 4%. Calculate the Sharpe ratio for the portfolio.	0.16	0.44	0.55	0.64
107	Sharpe's measure of the portfolio performance is based on _____	Systematic risk of the portfolio	Unsystematic risk of the portfolio	Total risk of the portfolio	Market risk of the portfolio
108	Which of the following is the more appropriate measure of portfolio performance if you have only one mutual fund in your investment portfolio?	Jensen measure	Sharpe measure	Treynor measure	Information ratio
109	Sharpe measure is best applicable when _____	Evaluating a portfolio to be mixed with a position in the passive benchmark portfolio	Choosing among portfolios competing as the optional risky position	Comparing with the desired performance based on a benchmark portfolio with actual performance	Ranking many portfolios that will be mixed to form the optional risky portfolio
110	Which of the following statement defines an efficient market?	Information is fully reflected in the stock prices	The stock exchange is fully automated	The stock exchange is fully automated	Free entry and exit of investors
111	In a weakly efficient market, the stock price reflects _____	The company's financial performance	The past price of the scrip	The demand for the scrip	The past price and traded volume
112	In the strong form of efficient market _____ -	All available information is reflected in prices	All published information is reflected in prices	Stock price reflects past price	All information including insider information is reflected in prices
113	If markets are efficient, the security price provides _____	Inadequate return for taking up risk	Normal return for the level of risk taken	High return for the level of risk taken	Both 2 and 3
114	A run in the stock price is _____	A sequence of either a fall or rise in stock prices	An uninterrupted sequence of either a rise or fall in stock prices	An alternate sequence of stock price and volume movements	A sequence of fall in price



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115	The efficient market hypothesis suggests that investors should _____	Adopt an active portfolio management strategy	Adopt a passive portfolio management strategy	Use technical analysis as the basis for investment decisions	Use fundamental analysis as the basis for investment decisions
116	Risk management is the process which includes –	Risk identification	Risk assessment	Risk measurement	All of the above
117	Which of the following is not a part of Financial Risk?	Operational Risk	Market Risk	Credit Risk	Liquidity Risk
118	Which of the following is not a part of Market Risk?	Equity risk	Inflation Risk	Downgrade Risk	Interest Rate Risk
119	Which of the following is not a part of Credit Risk?	Default risk	Downgrade risk	Concentration risk	Liquidity risk
120	Responses to risk includes –	Risk avoidance	Risk reduction	Risk transfer	All of the above
121	There are _____-primary types of credit risk:	2	3	4	5
122	_____ is the risk of uncertain movements and adverse fluctuations in the financial market variables like security prices, commodity prices, interest rates and exchange rates.	Market risk or price risk	Credit Risk	Liquidity Risk	None of these
123	Responses to risk generally fall into which of the following categories?	Risk avoidance, Risk reduction, Risk escaping and Risk acceptance	Risk avoidance, Risk reduction, Risk sharing or transfer and Risk acceptance	Risk avoidance, Risk reduction, Risk intolerance and Risk acceptance	Risk avoidance, Risk reduction, Risk creation and Risk acceptance
124	_____ is the risk of change in the inflation rates changes the purchasing power.	Inflation Rate Risk	Currency Risk	Commodities Risk	None of these
125	Downgrade Risk _____	Is the chance that the spread between the risky bond and risk-free securities will vary after purchase.	Is a chance that a rating agency will lower its rating on the issuer or the probability of loss from a fall in issuers rating because of deterioration in its financial condition.	The risk of loss arising from sovereign state freezing foreign currency payments (transfer/ conversion risk) or when it defaults on its obligations .	Is the chance of failing of an issuer to meet its obligations.
126	An investor writes a three-month put on the stock of an oil company at an exercise price of Rs.275 per share at a premium of Rs.34. If the expiration date price is Rs.280, calculate the gain/loss of put writer.	Rs. 5	-Rs.5	Rs. 34	None of these
127	An investor buys 100 shares of a sugar mill at Rs.210 per share and at the same time writes a September Rs.250 call at a premium of Rs.20 per share. If the expiration date price is Rs.280, calculate the net gain/loss.	Rs.20	Rs.40	Rs.60	None of these



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128	If the share of BA Ltd. (F. V. Rs.10) quotes Rs.920 on NSE, and the 3 months futures price quotes at Rs.950, and the borrowing rate is given as 8% and the expected annual dividend yield is 15% p.a. payable before expiry, then the price of 3-month BA Ltd. futures would be _____.	Rs.948.40	Rs.939.90	Rs. 938.50	Rs.936.90
129	The stock of ABC Ltd. sells for Rs.240. The present value of exercise price and the value of call option are Rs.217.40 and Rs.9.60 respectively. What is the value of put option?	Rs.16.50	Rs.22.00	Rs.17.00	Rs.18.00
130	In June 2022, a six month Call on Ritz Ltd.'s stock with an exercise price of Rs.25 sold for Rs.5. The stock price was Rs.20. The risk-free interest rate was 5% per annum. How much would you be willing to pay for a Put Option on Ritz Ltd.'s stock with same maturity and exercise price? [Given: PVIF (5%, 1/2 year) = 0.9756]	Rs. 6.39	Rs.9.39	Rs. 2.39	None of these
131	A buyer of forward contract will make profit if _____.	Future price is lower than the forward price	Future price is higher than the forward price	Future price is equal to the forward price	Both 1 and 3
132	Which of the following is/are underlying instrument(s) in a Forward Rate Agreement?	Interest rate	Exchange rate	Inflation rate	Both 1 and 3
133	The market in which the futures price is greater than the spot price is referred to as _____.	Basis	Contango	Backwardation	Reverse Cash and carry arbitrage market
134	Buying and selling call or put option with the same strike price but different expiration dates is called _____.	Long hedge	Short hedge	Horizontal option spread	None of the above.
135	Maintenance margins deposited by an investor in a futures contract is _____.	Greater than or equal to the initial margin	Less than or equal to the initial margin	Greater than the initial margin	Less than the initial margin
136	Backwardation occurs when _____.	Current spot price = futures price	Current spot price < futures	Futures price < current spot price	Futures price > current spot price
137	American options are those _____.	Options which are traded on New York Stock Exchange	That can be exercised at any time during a specified period	That can be exercised only at the specified period	That can be exercised even after the specified period
138	The writer of the option is also known as a _____.	Buyer of the option	Holder of the option	Seller of the option	Mediator of the option
139	Covered Call Writing means _____.	Buying a stock and a put option and writing a call option on the asset already owned	Buying a call option and stock and writing a put option	Buying a call option and writing a put option	Selling a call option and purchasing a stock



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STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
140	Plain vanilla interest rate swaps involved _____.	Fixed to fixed rate swap	Fixed to floating rate swap	Floating to floating rate swap	Currency swap
141	Which of the following bonds are denominated in Yen?	Yankee	Samurai	Shibosai	Both 2 and 3
142	_____ are underwritten and have a maturity of up to one year.	Note issuance facilities	Medium-term notes	Commercial paper	ADRs
143	_____ is a private arrangement between lending banks and a borrower.	Club loan	Multiple component facility	Syndicated Euro credit	All of the above
144	A Yankee bond is _____	A dollar dominated bond issued for global market by a non-US entity	A dollar denominated bond issued in the US by a non-US entity	A dollar denominated bond issued by a US resident to a non-US investor	A dollar denominated bond issued in US by a US resident
145	Shibosai bond is a bond _____	Denominated in ¥ and issued outside Japan	Denominated in a currency other than ¥ and issued in Japan	Denominated in Japanese ¥ and issued under private placement in Japan	Denominated in ¥ and issued by a overseas corporate to the public in Japan
146	Which of the following is/are advantage/s of ADRs ?	Access to Large Capital	Access to Foreign Exchange	No Change in the Shareholding / voting pattern	All of the above
147	Which of the following is/are feature/s of GDRs ?	Underlying Shares	Globally Marketed	Not negotiable	Both 1 and 2
148	An Indian company is planning to invest in US. The US inflation rate is expected to be 3% and that of India is expected to be 8% annually. If the spot rate currently is Rs.45/US \$, what spot rate can you expect after 5 years?	Rs.56.09/US \$	Rs.57.00/US \$	Rs.57.04/US \$	Rs.57.13/US\$
149	The spot and 6 months forward rates of £ in relation to the rupee (Rs./£): are Rs.77.9542/ 78.1255 and Rs.78.8550/9650 respectively. What will be the annualised forward margin (Premium with respect to Ask Price)?	2.31%	2.15%	1.80%	1.59%
150	The United States Dollar is selling in India at Rs.45.20. If the interest rate for a 6-months borrowing in India is 10% and the corresponding rate in USA is 4%, what would be the rate of forward premium/(discount)?	5.93 %	5.88 %	(5.17%)	(5.52%)
151	The sterling is trading at \$1.6400 today. Inflation U.K. is 3.8% and that in U.S.A. is 2.9%. What would be the spot rate (\$/£) after 2 years?	\$1.6117	\$1.615	\$1.625	None of the above
152	Components of digital infrastructure includes which of the following?	Data centers and networks	Enterprise portals, platforms, systems, and software	Cloud services	All of these



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
153	Which of the following is not a potential benefit of Central Bank Digital Currencies ?	Technological efficiency in storing and transacting with reduced cost	Scope committing illegal activities like money laundering, tax evasion, terror financing	Keeping track of transactions, exact location of money	Providing a digital record of every transaction
154	_____ is unique. Non- fungible tokens can digitally represent any asset, including online-only assets like digital artwork and real assets such as real estate.	Non-Fungible Tokens	Cryptocurrency	Central Bank Digital Currencies	None of these
155	Which of the following is not a component of Digital Finance Ecosystem?	Digital Infrastructure	Digital Money	Digital Liabilities	Digital Financial Services
156	NFT stands for _____.	Non-Fungible Token	Non-Fuel Token	C. Non-Fractional Token	D. Non-Fundamental Token
157	Digital Finance Cube has _____ dimensions.	6	4	3	2
158	In India, all payments are regulated by _____.	RBI Act, 1934	Banking Regulation Act, 1949	Payment and Settlement Systems Act, 2007	SBI Act, 1955
159	UPI stands for _____.	United Payment Interface	Unified Payment Interface	Unique Payment Interface	Utility Payment Interface
160	The price of Reliance stock on 31st December 2024 was Rs.220, and the futures price for March 2025 on the same date was ₹230. Other relevant details are as follows: Time to expiration: 3 months (0.25 year) Borrowing rate: 15% p.a. Annual dividend on the stock: 25% of face value, payable before 31st March 2025 Face value of the stock: Rs.10 Calculate the futures price of Reliance stock on 31st December 2024.	Rs.220.09	Rs.217.59	Rs.225.75	Rs.227.75
161	The 6-months forward price of a security is Rs.220.41. The borrowing rate is 5% per annum payable with monthly rests. What should be the spot price?	Rs.212	Rs.215	Rs.217	Rs.210



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
162	The current price of OLA stock (Face Value Rs.10) on NSE is Rs.125. A 3-month futures contract on OLA is quoted at Rs.135. The expected annual dividend on the stock is 28% of the face value, payable before the contract expiry. The borrowing rate is 10% per annum.	Rs.125.33	Rs.124.5	Rs.127	Rs.126
163	The current market price of a share of NLC Ltd is Rs.330. Over the next 3 months, the share price is expected to fluctuate between a maximum of Rs.400 and a minimum of Rs.300. The risk-free interest rate is 8% per annum. Using the risk-neutral method, calculate the value of a 3-month call option with a strike price of Rs.350. Given: $e^{0.02} = 1.0202$	Rs.16.5	Rs.17	Rs.17.95	Rs.18.5
164	A trader sells a call option. What is the maximum possible profit he can earn?	Unlimited	Limited to the premium received	Strike price minus the premium received	No profit possible, since the loss potential is unlimited
165	A company wants to hedge its equity portfolio worth Rs.225 million using index futures. The contract size is 100 times the index, and the index is currently quoted at 6500. The portfolio has a beta of 0.5, while the beta of the index is considered as 1. How many index futures contracts should be traded to achieve the hedge?	225	346	173	450
166	A company's share is currently trading at Rs.440. After 6 months, the share price will either increase to Rs.450 with probability 0.70 or decrease to Rs.420 with probability 0.30. A European call option exists with an exercise price of Rs.430. What will be the expected value of the call option at maturity?	Rs.10	Rs.14	Rs.16	Rs.12
167	You are given the following information about a stock: Strike Price: Rs.200 Current Stock Price : Rs.172 Risk-free Interest Rate (r): 5% p.a. Time to Maturity: 6 months (0.5 years) What is the theoretical minimum price of a European put option?	Rs.27.5	Rs.29.2	Rs.23.1	Rs.28.05
168	A stock is currently trading at Rs.150. A European put option with a strike price of Rs.190 is selling in the market at a premium of Rs.30. What will be the time value of this put option?	Rs.0	Rs.10	Rs.5	Rs.15



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
169	Sandhya is bearish about the market index. The Spot Nifty is currently at Rs.1,420. She decides to buy five three-month Nifty put option contracts, each with a market lot of 200 units, at a strike price of Rs.1,530 for a premium of Rs.40 per unit. At the end of three months, the Nifty closes at Rs.1,480. What will be Sandhy's net payoff on this position?	Rs.10000	Rs.8000	Rs.12000	Rs.1480
170	Imran is bearish on the market and sells one January Nifty futures contract on January 15 for Rs.5,25,000. For this, he deposits an initial margin of Rs.36,250 with his broker. Each Nifty futures contract represents 200 Nifties. On January 25, the Nifty index closes at Rs.2,750. What is Imran's profit/loss on this position?	Profit of Rs.20,000	Loss of Rs.25,000	Profit of Rs.25,000	Loss of Rs.20,000
171	In the futures market, when are call options and put options said to be 'out of the money'?	Call options and put options are never out of the money; they are only in the money or at the money.	A call option is out of the money when the spot price > strike price, and a put option is out of the money when the spot price < strike price.	Both call and put options are out of the money when the spot price = strike price.	A call option is out of the money when the spot price < strike price, and a put option is out of the money when the spot price > strike price.
172	CNX Nifty is currently trading at 4300. An investor purchases a May futures contract at 4500. Each lot consists of 25 units, and the initial margin requirement is 6%. What amount must the investor deposit as the initial margin? To what level must the Nifty futures rise to achieve a 5% gain on the initial margin?	Initial Margin = Rs.6,750; Target Futures Price = 4513.5	Initial Margin = Rs.7,500; Target Futures Price = 4525	Initial Margin = Rs.6,500; Target Futures Price = 4510	Initial Margin = Rs.6,750; Target Futures Price = 4520
173	A project requires an initial investment of Rs.40 lakhs. The expected annual cash inflows are Rs.8.5 lakhs for 10 years. The cost of capital is 12%, and the annuity factor for 12% for 10 years is 5.6502. What is the Profitability Index (PI) of the project?	1.1	1.3	1.2	1.25



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4										
174	The probability distribution of a project's NPV is given below: <table border="0"> <tr> <td>NPV (₹)</td> <td>Probability</td> </tr> <tr> <td>25,000</td> <td>0.1</td> </tr> <tr> <td>50,000</td> <td>0.3</td> </tr> <tr> <td>1,00,000</td> <td>0.4</td> </tr> <tr> <td>1,20,000</td> <td>0.2</td> </tr> </table> <p>If the initial cost of the project is ₹2,00,000, the Profitability Index (PI) of the project is:</p>	NPV (₹)	Probability	25,000	0.1	50,000	0.3	1,00,000	0.4	1,20,000	0.2	1.27	1.41	1.33	1.5
NPV (₹)	Probability														
25,000	0.1														
50,000	0.3														
1,00,000	0.4														
1,20,000	0.2														
175	A project has the following details: Annual cash inflow: Rs.50,000 Useful life: 4 years Payback period: 2.305 years Calculate the cost of the project.	Rs.100000	Rs.110000	Rs.115250	Rs.120500										
176	A 5-year project has a Net Present Value (NPV) of Rs.550 lakh. The Present Value Interest Factor of Annuity (PVIFA) at 15% for 5 years is 3.352. Calculate the Equivalent Annual Benefit (EAB) of the project.	Rs.150 lakh per year	Rs.160 lakh per year	Rs.164 lakh per year	Rs.170 lakh per year										
177	The following information is available for an investment proposal: NPV at a discount rate of 8% = ₹1,550 lakh NPV at a discount rate of 9% = ₹(-) 300 lakh The Internal Rate of Return (IRR) of the proposal is:	8.84%	8.50%	9.00%	9.20%										
178	A project has an expected Net Present Value (NPV) of Rs.2,30,000 and a standard deviation of Rs.69,000. Calculate the Coefficient of Variation (CV) of the project.	0.25	0.3	0.35	0.4										
179	A company wishes to earn a real rate of return of 18% from its project, while the inflation rate is 9%. The normal (nominal) rate of return the company should target is:	25.20%	27.00%	28.60%	30.00%										
180	Depreciation is included as a cost in which of the following capital budgeting techniques?	Payback Period Method	Accounting Rate of Return (ARR) Method	Net Present Value (NPV) Method	Internal Rate of Return (IRR) Method										
181	When two alternative proposals are such that the acceptance of one automatically excludes the possibility of accepting the other, the decision-making is referred to as:	Mutually exclusive decisions	Accept-Reject Decisions	Contingent decisions	None of the above										



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
182	The following information is extracted from HDDD Mutual Fund Scheme: NAV on 01-11-2024 = Rs.88.25 Annualized return = 25% Distributions of income and capital gains during the month = Rs.0.40 and Rs.0.20 per unit respectively What will be the NAV on 30-11-2024?	Rs.88.95	Rs.89.05	Rs.89.49	Rs.90
183	A certain mutual fund scheme has the following details: Portfolio return = 25% Standard deviation = 4.2% Sharpe Ratio = 5 What is the risk-free rate of return?	3.00%	3.50%	4.00%	4.50%
184	The following information is available for a mutual fund scheme: Portfolio Return (Rp) = 22% Risk (Standard Deviation, σ) = 25% Beta (β) = 0.80 Risk-free Rate (Rf) = 19% What is the Treynor's Ratio of the mutual fund?	0.025	0.03	0.0375	0.04
185	A mutual fund had a Net Asset Value (NAV) of Rs.25 at the beginning of a month. During the month, it distributed an income of Rs.0.0456 per share and a capital gain of Rs.0.04 per share. At the end of the month, the NAV was Rs.25.05. What is the monthly return of the fund?	0.42%	0.54%	0.64%	0.75%
186	TVD Plan, a hedge fund, currently has assets of Rs.20 crore. CMA Vivek, the manager of the fund, charges: A management fee of 0.10% of portfolio assets, and An incentive fee of 2%, linked to the gross return each year in excess of the portfolio's maximum value since inception. The maximum value the fund has achieved since inception was Rs.21 crore. If the fund earns a return of 8% during the year, compute the total fee payable to CMA Vivek.	Rs.200000	Rs.280000	Rs.320000	Rs.360000



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4								
187	<p>Mr. Umapada can earn a return of 25% by investing in equity shares on his own. He is now considering a recently announced equity-based mutual fund scheme in which:</p> <p>Initial expenses: 8.22%</p> <p>Annual recurring expenses: 2.1%</p> <p>How much must the mutual fund earn before expenses to provide Mr. Umapada with a net return of 25%?</p>	27.15%	29.53%	30.10%	28.42%								
188	Which of the following is not a derivative instrument?	Futures	Options	Swaps	Mutual funds								
189	Which of the following is true about options?	Buyer has right, seller has obligation	Both buyer and seller have right	Only buyer has right and obligation	Both buyer and seller have obligation								
190	The initial margin is required in:	Forward contract	Futures contract	Option contract	Swap contract								
191	Hedging using derivatives aims to:	Maximize speculative gain	Eliminate risk	Increase leverage	Avoid taxes								
192	<p>A company enters into an interest rate swap with a notional principal of \$2 million. Under the swap:</p> <p>The company pays a fixed rate of 7% per annum</p> <p>The company receives a floating rate equal to LIBOR of 6% per annum</p> <p>What is the net cash flow for the company for the year?</p>	\$20,000	\$14,000	\$7,000	\$2,000								
193	<p>The probability distribution of security N is given below:</p> <table border="1"> <tr> <td>Probability</td> <td>Return</td> </tr> <tr> <td>0.167</td> <td>60</td> </tr> <tr> <td>0.333</td> <td>30</td> </tr> <tr> <td>0.500</td> <td>20</td> </tr> </table> <p>The risk (standard deviation) of the return of the security is approximately:</p>	Probability	Return	0.167	60	0.333	30	0.500	20	10	12	14	16
Probability	Return												
0.167	60												
0.333	30												
0.500	20												



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
194	<p>An investor has the following two-security portfolio:</p> <p>Security A: Expected Return = 12% Standard Deviation = 18%</p> <p>Security B: Expected Return = 8% Standard Deviation = 10%</p> <p>The correlation coefficient between A and B is 0.30. The investor invests Rs.60,000 in Security A and Rs.40,000 in Security B.</p> <p>What will be the expected return and standard deviation (risk) of the portfolio?</p>	Expected Return = 10.4%, Portfolio Risk = 13.7%	Expected Return = 11.2%, Portfolio Risk = 14.5%	Expected Return = 11.0%, Portfolio Risk = 13.2%	Expected Return = 10.4%, Portfolio Risk = 12.6%
195	<p>An investor allocates 70% of wealth in Security A (Expected Return = 15%) and 30% in Security B (Expected Return = 9%). What is the expected portfolio return?</p>	13.20%	14.20%	12.60%	11.20%
196	<p>Security A: $\sigma = 12\%$, Weight = 0.5 Security B: $\sigma = 8\%$, Weight = 0.5 Correlation = 0. Portfolio Risk = ?</p>	10.8%	7.2%	6.3%	9.8%
197	<p>A ($\sigma = 20\%$, weight = 0.6), B ($\sigma = 10\%$, weight = 0.4), correlation = 0.5. Find portfolio σ.</p>	17.00%	15.50%	16.00%	14.42%
198	<p>A (ER = 10%, w = 0.4), B (ER = 12%, w = 0.6). Portfolio ER = ?</p>	11.20%	12%	11.60%	10.80%
199	<p>Portfolio return = 14%, risk-free = 6%, portfolio $\sigma = 12\%$. Sharpe Ratio = ?</p>	0.67	0.75	0.5	0.9
200	<p>Rf = 5%, $\beta = 1.2$, Rm = 14%. Find expected return.</p>	15.80%	16.80%	14.50%	13.80%
201	<p>$\sigma_A = 10\%$, $\sigma_B = 20\%$, $\rho = -1$. Weight of A for zero-risk = ?</p>	0.33	0.5	0.67	0.25
202	<p>Portfolio return = 13%, risk-free = 6%, $\beta = 1.1$. Treyner Ratio = ?</p>	6.36%	5.80%	7.45%	4.87%
203	<p>Portfolio return = 15%, Rf = 5%, $\beta = 1.2$, Rm = 12%. Alpha = ?</p>	1.60%	2.40%	0%	-1%



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
204	Which of the following can reduce unsystematic risk?	Investing in more stocks	Investing in only one industry	Increasing leverage	Investing in derivatives
205	Liquidity risk in a portfolio refers to:	Price volatility	Difficulty in quickly converting assets into cash	Systematic market risk	Credit risk of companies
206	Which of the following is considered a "reward-to-volatility" measure?	Beta	Alpha	Sharpe Ratio	Correlation coefficient
207	A company is considering leasing a machine costing Rs.20,00,000 for 3 years. The lease rentals are Rs.6,00,000 per year payable at the end of each year. If the cost of debt is 10%, what is the Present Value (PV) of lease payments?	Rs.1492200	Rs.1482200	Rs.1200000	Rs.1500000
208	A company has an option to lease equipment for Rs.4,00,000 per year for 4 years or purchase it for Rs.12,00,000 financed by 12% debt repayable in 4 equal instalments. Assuming no taxes, which is cheaper?	Lease	Buy	Both are equal	Depends on salvage value
209	Asset cost = Rs.12,00,000. Lease term = 5 years. Tax = 30%. Discount rate = 10%. What annual lease rental (before tax) makes the lessee indifferent?	Rs.400000	Rs.350000	Rs.310000	Rs.280000
210	Lease rental = Rs.7,00,000 per year for 4 years. Asset cost = Rs.24,00,000. Tax = 35%. Discount rate = 12%. Should the company lease?	Yes	No	Indifferent	None of the above
211	A machine can be leased at Rs.4,00,000 p.a. for 3 years or Rs.3,00,000 p.a. for 5 years. Discount rate = 10%, tax ignored. Which lease term is cheaper in PV terms?	3 years	5 years	Both	None of the above
212	EPS = Rs.30, P/E = 12. Find intrinsic price.	Rs.250	Rs.275	Rs.300	Rs.360
213	Face Value = Rs.5,000, maturity 5 yrs, YTM = 9%. Price of the bond = ?	Rs.3249	Rs.4565	Rs.3600	Rs.4345
214	If a stock has expected return = 15%, $\beta = 1.5$, $R_f = 5\%$, Market premium = 8%, is the stock overvalued or undervalued?	Overvalued	Undervalued	Fairly valued	None of the above
215	A stock has a beta (β) of 0.75. What does this indicate about the stock's volatility relative to the market?	Less volatile than market	More volatile than market	No correlation with market	Market neutral
216	Market risk premium = 10%, $\beta = 1.8$. What is stock's risk premium?	10%	18%	5%	9%
217	A stock has positive alpha. What does it indicate?	Underpriced	Overpriced	Fairly priced	Market neutral



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
218	<p>The spot and 6-month forward rates of the US dollar against the Indian Rupee are as follows:</p> <p>Spot Rate (Rs./\$): Rs.84.532 / Rs.85.4143</p> <p>6-Month Forward Rate (Rs./\$): Rs.85.1278 / Rs.86.2538</p> <p>Calculate the annualized forward margin with respect to the Ask price.</p>	1.75% p.a.	1.97% p.a.	2.23% p.a.	2.50% p.a.
219	<p>RRR Ltd. is planning to invest in the USA. The annual inflation rates are 5% in India and 2% in the USA. If the current spot rate is Rs.85.5/\$, what spot rate can the company expect after 3 years?</p>	Rs.93.3	Rs.82.65	Rs.95.2	Rs.87.87
220	<p>You are a forex dealer in India. The prevailing international market rates are:</p> <p>1Rs. = US \$0.0117647</p> <p>1 £ = US \$1.341032</p> <p>What will be your direct quote for £ (pound) in terms of Rs.(rupees) to your customer?</p>	₹108.25/£	₹113.99/£	₹118.50/£	₹120.75/£
221	<p>ABC Ltd., a valued customer engaged in import business, needs to remit EURO 1 million to its European exporter. The following spot rates are available:</p> <p>₹/US\$ = ₹85.47/85.57</p> <p>US\$/€ = \$0.8501/0.8505</p> <p>If the bank charges a margin of 0.50%, what rate will the banker quote to ABC Ltd.?</p>	73.14/Euro	75/Euro	75.65/Euro	77.34/Euro
222	<p>An Indian company plans to make an investment in the United States. The expected annual inflation rates are 6% in India and 2% in the USA. If the current spot rate is Rs.85.2 per US dollar, what is the expected spot rate after 5 years, assuming the inflation rates remain constant over this period?"</p>	Rs.103.26	Rs.101.5	Rs.105	Rs.99.99
223	<p>In the foreign exchange market, if the spot rate of USD/INR is Rs.85.20 and the 3-month forward rate is quoted at Rs.85.80, what does this indicate?</p>	The Rupee is at a forward premium against the Dollar	The Dollar is at a forward premium against the Rupee	The Rupee is appreciating in the forward market	There is no difference between spot and forward rate



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224	In the foreign exchange market, the direct quote method expresses	Foreign currency in terms of domestic currency	Domestic currency in terms of foreign currency	Exchange rate including interest rate parity	Only forward exchange rate
225	If the USD appreciates against the INR, what will be the impact on Indian importers?	They will have to pay more in INR for the same USD payment	They will have to pay less in INR for the same USD payment	There will be no impact	They will gain from the currency appreciation.
226	Cross rate refers to:	An exchange rate derived from two other currency pairs	An exchange rate quoted directly by the central bank	A spot rate adjusted for interest parity	A forward rate adjusted for inflation
227	A currency option gives the holder the right to:	Fix interest rates for deposits.	Participate in inter-bank lending.	An obligation to buy currency in the forward market	Buy or sell foreign currency at a predetermined rate
228	Which of the following is an example of operational risk?	Fluctuations in crude oil prices	Increase in interest rates	Human errors in processing transactions	Currency depreciation
229	Which type of risk cannot be eliminated through diversification?	Unsystematic risk	Business risk	Systematic risk	Credit risk
230	Which of the following best defines currency risk?	Risk of inflation increasing the cost of production	Risk of loss due to adverse movement in exchange rates	Risk of a borrower defaulting	Risk of policy changes by the government
231	Which type of digital currency is issued and regulated by a central bank?	Bitcoin	Stablecoin	Central Bank Digital Currency	okenized Gold
232	Which technology allows digital finance companies to predict customer behavior and creditworthiness?	Machine Learning and AI	Physical audits	Manual bookkeeping	Blockchain mining
233	Stablecoins are designed to:	Fluctuate rapidly in value	Replace physical banknotes	Be immune to regulation	Maintain a fixed value relative to a fiat currency
234	The Net Asset Value (NAV) of a mutual fund represents:	Total profit of the fund	Market value of fund assets minus liabilities per unit	Total number of units issued	Manager's commission
235	Which type of mutual fund invests primarily in debt instruments?	Equity fund	Debt fund	Balanced fund	Money market fund
236	Load in mutual funds refers to:	The fund manager's salary	Entry or exit fees charged by the fund	Total assets under management	Government tax on dividends
237	Which of the following is an example of a hybrid mutual fund strategy?	60% equity, 40% debt allocation	100% cash allocation	Only corporate bonds	Only sector-specific stocks
238	Systematic Withdrawal Plan (SWP) allows investors to:	Withdraw a fixed amount periodically from their mutual fund investment	Invest in new units automatically	Avoid all taxes	Only withdraw principal
239	The beta of a mutual fund indicates:	Volatility of the fund relative to the market	Fund manager's experience	Total NAV	Dividend yield



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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
1	Relevant cost analysis or relevant costing is used for various managerial decisions, like _____.	Both 1 and 2
2	Average Rate of Return (ARR) =	(Average Annual Profit after Tax/Closing Investment) x 100
3	A project with an initial investment of Rs.50 Lakh and life of 10 years, generates CFAT of Rs.10 Lakh per annum. Calculate the Payback Reciprocal.	20%
4	A project requires an initial investment of Rs.3,00,000. It yields annual cash inflow of Rs.60,000 for 8 years. You are required to find out the pay-back period of the project.	5 years
5	A project requires an initial investment of Rs.5,00,000. It yields annual cash inflow of Rs.1,00,000 for 8 years. You are required to find out the pay-back profitability of the project.	Rs.3,00,000
6	NPV at discounting rate of 10% = Rs.1250 and NPV at discounting rate of 11% = Rs. (-) 200. The IRR of the proposal is _____.	10.86%
7	The Profitability Index of a project is 1.28 and its cost of investment is Rs. 2,50,000. The NPV of the project is _____.	Rs. 70,000
8	The IRR of a project is 10%. If the annual cash flow after tax is Rs.1,30,000 and project duration is 4 years, what is the initial investment in the project?	Rs. 4,12,100
9	Which of the following statements is/are true?	Benefit-cost ratio helps in evaluating the projects which differ in initial outlays.
10	Terminal value of the projects' cash inflows means _____	The sum of the reinvested values of the cash inflows up to the end of the project life
11	IRR can be viewed as _____	Rate of return earned on the initial investment
12	At IRR, NPV is _____.	0
13	When NPV is zero, PI is _____.	1
14	Requirement of Social Cost Benefit Analysis is/are _____.	All of these
15	Which of the following techniques is the most suitable, when NPV and IRR lead to inconsistent ranking due to life disparity between two or more projects?	Uniform Annual Equivalent Cost/Benefit.
16	The _____ analyses investment opportunities involving a sequence of decisions over time.	Decision-tree Method
17	Given, Investment Rs.1,00,000, Life 3 years, Annual Cash Inflows Rs.2,00,000, Annual Cash Outflows Rs.1,50,000, Appropriate Discount Rate 10%. Calculate NPV .	Rs.24,300
18	Coefficient of variation _____	Is given by the product of mean expected return and standard deviation
19	If nominal discounting rate is 15%, inflation rate is 5%, then real discounting rate will be _____.	9.52%
20	If expected NPV = Rs.1,20,000 and S.D = Rs.30,000, then coefficient of variation will be _____.	25%



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21	Given, expected value of profit without perfect information = Rs.1,600 and expected value of perfect information = Rs.300, then expected value of profit with perfect information will be _____.	Rs.1,900
22	If project cost = Rs.12,000, Annual cash flow = Rs.4,500 Cost of capital = 14%, life = 4 years, PVIFA (14%, 4) = 2.9137, then the sensitivity with respect to the project cost is _____.	9.27%
23	_____ is an imitation of a real-world system using a mathematical model that captures the characteristic features of the system as it encounters random events in time.	Simulation
24	Limitations of Leasing are _____.	All of these
25	The major advantage of leasing is that it _____.	All of the above
26	A finance lease is an agreement between an owner of an asset and a user of that asset wherein the:	usual risks and benefits of ownership are transferred to the user;
27	A way to analyse whether debt or lease financing would be preferable is to:	compare the net present values under each alternative, using the after-tax cost of borrowing as the discount rate.
28	Which of following clearly define the Leasing services?	All of the above
29	The type of lease that includes a third party, a lender, is called as which of the following?	Leveraged Lease
30	As per _____ plan, the periodic lease rent will go on decreasing with a specified rate of decrease.	Stepped-down Plan
31	As per _____ plan, the periodic lease rent payable in the initial period would be less, fixed up in such a way to meet the nominal amount comparative to the cost of investment, the rest of the amount is payable in lump sum during the ending periods of the lease.	Balloon Payment Plan
32	Which of the following is limitation of Leasing?	High Pay-out
33	Which of the following is/are the objective/s of Cross Border Leasing?	All of the above
34	A financial institution securitizes part of its balance sheet for _____ main reasons.	3
35	Securitization is beneficial from the view point of investors also. The potential attractions includes which of the following?	All of the above
36	Which of the following parties is/are not involved in Securitisation?	Investee
37	In securitization who is the issuer of securities?	SPV
38	The concept of securitisation is associated with _____.	Debt market.
39	Under "securitisation process", original borrower is known as _____.	Obligor
40	_____ certificate under securitisation have multiple maturity structure.	Pay through certificate
41	Fundamental Analysis necessitates which of the following?	Both 1 and 2
42	_____ is the study and analysis of Security Price movements on the following assumptions: 1. There is a basic trend in the share price movements. 2. Such trend is repetitive. 3. Share prices have little relationship with Intrinsic Value and are based more on investor psychology and perception.	Technical Analysis



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43	_____ is a measure of a country's economic activity and is defined as the total amount of goods and services produced in a country in a year	Gross Domestic Product
44	The major components of GDP are _____.	All of these
45	Balance of payment can be grouped into three broad accounts, which are _____.	Trade account balance, Current account balances and Capital account balance
46	Which of the following techniques are not used in Economic Analysis?	International Product Analysis
47	Which of the following factors are most sensitive to a firm's earnings to the business cycle?	Both 1 and 3
48	P/E =	Stock Price / EPS
49	Which of the following techniques are used in Company Analysis?	All of these
50	SWOT analysis involves an examination of a firm's strengths, weaknesses, opportunities and _____.	threats
51	Inventory Turnover Ratio	Returns from Operations / Average inventory
52	The stock price in the stock market	Moves between the changing support and resistance level
53	A company has an ROE of 0.24 and book value of Rs.25.38. the EPS for this company is _____.	6.09
54	In the bull market _____.	Both 2 and 3
55	If ROA is 0.195 and the leverage factor of 1.38, the ROE of the company is _____.	0.269
56	MN Limited is expected to grow at the rate of 8% per annum, which currently pays Rs.10 as dividend. For investments at this risk level, investor requires a return of 15% a year, what is the estimated value of the stock?	Rs.154.29
57	A company's share is currently traded for Rs.80 per share. It is expected that a dividend of Rs.4 per share after one year will grow at 8% indefinitely. What is the expected return?	13%
58	_____ bond is issued at a discount and repaid at face value. No periodic interest is paid.	Zero Coupon Bond
59	_____ bonds refer to the ability of the issuer to pay off a debt obligation prior to its maturity at the option of the issuer of debt.	Callable Bonds
60	Consider a 10 year, 12% coupon bond with a par value of Rs.10,000. Assume that the required yield on this bond is 13%. Find out the value of the bond.	Rs.3,601.10
61	A bond with a face value of Rs.1,000 provides 12% annual return and pays Rs.1,050 at the time of maturity, which is 10 years from now. If the investor required rate of return 13%, at which price should the company issue the bond?	Rs.960.87
62	Face value of a bond Rs.1,000, coupon rate 6%, Current market price Rs.900. Current Yield?	6.67%
63	Default risk is nil in _____.	Treasury bills
64	Value of the bond depends on _____.	All of the above
65	By investing in bonds, a trader is subjecting himself to the following risks _____.	All of the above
66	The current dividend, market price and the annual dividend growth rate of a company are Rs.2.50 per share, Rs.50 per share and 5%, respectively. The capitalization rate of the equity will be _____.	0.1025



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67	A company with PAT of Rs.40 Lakh, tax rate of 50%, RONW of 100%, reserves of Rs.30 lakh and a par value Rs.5 will have pre-tax EPS of _____	Rs. 40.00
68	A stock with a dividend pay-out ratio of 45%, required rate of return is 15% and a constant growth rate of 10% will have a P/E ratio of _____	9 times
69	The current price is Rs.100, the required rate of return is 20% and the dividend paid Rs.3.00 on a share of Rs.10 face value. What is the expected growth rate?	17%
70	According to the constant growth model, the next year's dividend is Rs.2.00, required rate of return is 15% and the growth rate is 10%, the market price would be	Rs. 40
71	A Ltd. has 1 million AAA rated 12% bonds outstanding, maturity in 7 years from now. If the market interest rate is 14%, the price of the bond is (assume FV Rs.100) and coupons are payable annually	91.46
72	You just purchased a 10-year maturity, semi-annual coupon bond for Rs.1,148.77 (face value Rs.1,000), a coupon rate of 8% and a yield to maturity 6%. The bond is callable in four years at Rs.1,080. what is the yield to call?	8.00%
73	A 20-year maturity bond with a par value Rs.1,000 makes semi-annual payments at a coupon rate of 8%. The YTM is 9%. How much should you pay for the bond?	Rs.908
74	A closed-end fund has a portfolio currently worth Rs.350 million. The fund has liabilities of Rs.5 million and 17 million units outstanding. What is the net asset value of the fund?	Rs.20.29
75	If opening units 1,25,000 Units subscribe 2,00,000, Units redeem 50,000 then Closing units?	2,75,000 units
76	The important role while establishing the mutual fund scheme is played by the _____	Sponsors
77	Settlement are done at the instance of the _____	AMC
78	Balanced funds have the following characteristics _____	They have moderate risk component
79	Which among the following increases the NAV of a mutual fund scheme?	All of 1,2 and 3
80	Which of the following benefits is not usually conferred by mutual funds?	Assured returns
81	The mutual funds are likely to perform better in the market than a small investor because they _____	None of the above
82	Identify the statement that applies to open-end mutual funds _____	Shares of such funds are traded on organized exchanges
83	How much money would you need to purchase 400 shares of a mutual fund with a NAV of Rs. 55 per share and a 3% load?	Rs.22,660
84	A mutual fund had average daily assets of Rs.500 million in the past year. During the year, the fund sold Rs.60 million of stock X and purchased Rs.90 million of stock Y. What was the fund's turnover ratio?	12%
85	If opening units 10,000 Units subscribe 3000, Units redeem 1000 then Closing units?	12,000 units



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SL NO	QUESTIONS	CORRECT ANSWER
102	Which of the following is a valid comparison between the APT and CAPM?	The APT gets us to the expected return-beta relationship without requiring many of the unrealistic assumptions of the CAPM.
103	The sum of an asset's systematic variance and its non-systematic variance of returns is equal to the asset's:	Total variance.
104	The portfolio's risk premium is 12% and the standard deviation of market and the portfolio are 4 and 3, respectively. The fund's beta value is 1.5. The Treynor index is _____	8.0
105	A portfolio manager realized an average annual return of 12%. The beta of the portfolio is 1.1 and the standard deviation of returns is 30%. The average annual return for the market index is 10% and the standard deviation of the market returns is 25%. The rf is 5%. Calculate Jensen's alpha for the portfolio.	- 0.5%
106	A portfolio manager realized an average annual return of 15%. The beta of the portfolio is 1.2 and the standard deviation of return is 25%. The average annual return for the market index was 11% and the standard deviation of the market returns is 20%. The risk-free rate is 4%. Calculate the Sharpe ratio for the portfolio.	0.44
107	Sharpe's measure of the portfolio performance is based on _____	Total risk of the portfolio
108	Which of the following is the more appropriate measure of portfolio performance if you have only one mutual fund in your investment portfolio?	Sharpe measure
109	Sharpe measure is best applicable when _____	Choosing among portfolios competing as the optional risky position
110	Which of the following statement defines an efficient market?	Information is fully reflected in the stock prices
111	In a weakly efficient market, the stock price reflects _____	The past price and traded volume
112	In the strong form of efficient market _____ -	All information including insider information is reflected in prices
113	If markets are efficient, the security price provides _____	Normal return for the level of risk taken
114	A run in the stock price is _____	An uninterrupted sequence of either a rise or fall in stock prices
115	The efficient market hypothesis suggests that investors should _____	Adopt a passive portfolio management strategy
116	Risk management is the process which includes –	All of the above
117	Which of the following is not a part of Financial Risk?	Operational Risk
118	Which of the following is not a part of Market Risk?	Downgrade Risk
119	Which of the following is not a part of Credit Risk?	Liquidity risk
120	Responses to risk includes –	All of the above
121	There are _____-primary types of credit risk:	3
122	_____ is the risk of uncertain movements and adverse fluctuations in the financial market variables like security prices, commodity prices, interest rates and exchange rates.	Market risk or price risk
123	Responses to risk generally fall into which of the following categories?	Risk avoidance, Risk reduction, Risk sharing or transfer and Risk acceptance
124	_____ is the risk of change in the inflation rates changes the purchasing power.	Inflation Rate Risk
125	Downgrade Risk _____	Is a chance that a rating agency will lower its rating on the issuer or the probability of loss from a fall in issuers rating because of deterioration in its financial condition.



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SL NO	QUESTIONS	CORRECT ANSWER
126	An investor writes a three-month put on the stock of an oil company at an exercise price of Rs.275 per share at a premium of Rs.34. If the expiration date price is Rs.280, calculate the gain/loss of put writer.	Rs. 34
127	An investor buys 100 shares of a sugar mill at Rs.210 per share and at the same time writes a September Rs.250 call at a premium of Rs.20 per share. If the expiration date price is Rs.280, calculate the net gain/loss.	Rs.60
128	If the share of BA Ltd. (F. V. Rs.10) quotes Rs.920 on NSE, and the 3 months futures price quotes at Rs.950, and the borrowing rate is given as 8% and the expected annual dividend yield is 15% p.a. payable before expiry, then the price of 3-month BA Ltd. futures would be _____.	Rs.936.90
129	The stock of ABC Ltd. sells for Rs.240. The present value of exercise price and the value of call option are Rs.217.40 and Rs.9.60 respectively. What is the value of put option?	Rs.17.00
130	In June 2022, a six month Call on Ritz Ltd.'s stock with an exercise price of Rs.25 sold for Rs.5. The stock price was Rs.20. The risk-free interest rate was 5% per annum. How much would you be willing to pay for a Put Option on Ritz Ltd.'s stock with same maturity and exercise price? [Given: PVIF (5%, 1/2 year) = 0.9756]	Rs.9.39
131	A buyer of forward contract will make profit if _____ -	Future price is higher than the forward price
132	Which of the following is/are underlying instrument(s) in a Forward Rate Agreement?	Interest rate
133	The market in which the futures price is greater than the spot price is referred to as _____.	Contango
134	Buying and selling call or put option with the same strike price but different expiration dates is called _____ -	Horizontal option spread
135	Maintenance margins deposited by an investor in a futures contract is _____.	Less than the initial margin
136	Backwardation occurs when _____.	Futures price < current spot price
137	American options are those _____.	That can be exercised at any time during a specified period
138	The writer of the option is also known as a _____.	Seller of the option
139	Covered Call Writing means _____.	Selling a call option and purchasing a stock
140	Plain vanilla interest rate swaps involved _____.	Fixed to floating rate swap
141	Which of the following bonds are denominated in Yen?	Both 2 and 3
142	_____ are underwritten and have a maturity of up to one year.	Note issuance facilities
143	_____ is a private arrangement between lending banks and a borrower.	Club loan
144	A Yankee bond is _____	A dollar denominated bond issued in the US by a non-US entity
145	Shibosai bond is a bond _____	Denominated in Japanese ¥ and issued under private placement in Japan
146	Which of the following is/are advantage/s of ADRs ?	All of the above
147	Which of the following is/are feature/s of GDRs ?	Both 1 and 2
148	An Indian company is planning to invest in US. The US inflation rate is expected to be 3% and that of India is expected to be 8% annually. If the spot rate currently is Rs.45/US \$, what spot rate can you expect after 5 years?	Rs.57.04/US \$
149	The spot and 6 months forward rates of £ in relation to the rupee (Rs./£): are Rs.77.9542/ 78.1255 and Rs.78.8550/9650 respectively. What will be the annualised forward margin (Premium with respect to Ask Price)?	2.15%



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150	The United States Dollar is selling in India at Rs.45.20. If the interest rate for a 6-months borrowing in India is 10% and the corresponding rate in USA is 4%, what would be the rate of forward premium/(discount)?	5.88 %
151	The sterling is trading at \$1.6400 today. Inflation U.K. is 3.8% and that in U.S.A. is 2.9%. What would be the spot rate (\$/£) after 2 years?	\$1.6117
152	Components of digital infrastructure includes which of the following?	All of these
153	Which of the following is not a potential benefit of Central Bank Digital Currencies ?	Scope committing illegal activities like money laundering, tax evasion, terror financing
154	_____ is unique. Non- fungible tokens can digitally represent any asset, including online-only assets like digital artwork and real assets such as real estate.	Non-Fungible Tokens
155	Which of the following is not a component of Digital Finance Ecosystem?	Digital Liabilities
156	NFT stands for _____.	A. Non-Fungible Token
157	Digital Finance Cube has _____ dimensions.	3
158	In India, all payments are regulated by _____.	Payment and Settlement Systems Act, 2007
159	UPI stands for _____.	Unified Payment Interface
160	The price of Reliance stock on 31st December 2024 was Rs.220, and the futures price for March 2025 on the same date was ₹230. Other relevant details are as follows: Time to expiration: 3 months (0.25 year) Borrowing rate: 15% p.a. Annual dividend on the stock: 25% of face value, payable before 31st March 2025 Face value of the stock: Rs.10 Calculate the futures price of Reliance stock on 31st December 2024.	Rs.225.75
161	The 6-months forward price of a security is Rs.220.41. The borrowing rate is 5% per annum payable with monthly rests. What should be the spot price?	Rs.15
162	The current price of OLA stock (Face Value ₹10) on NSE is Rs.125. A 3-month futures contract on OLA is quoted at Rs.135. The expected annual dividend on the stock is 28% of the face value, payable before the contract expiry. The borrowing rate is 10% per annum.	Rs.125.33
163	The current market price of a share of NLC Ltd is Rs.330. Over the next 3 months, the share price is expected to fluctuate between a maximum of Rs.400 and a minimum of Rs.300. The risk-free interest rate is 8% per annum. Using the risk-neutral method, calculate the value of a 3-month call option with a strike price of Rs.350. Given: $e^{0.02} = 1.0202$	Rs.17.95
164	A trader sells a call option. What is the maximum possible profit he can earn?	Limited to the premium received
165	A company wants to hedge its equity portfolio worth Rs.225 million using index futures. The contract size is 100 times the index, and the index is currently quoted at 6500. The portfolio has a beta of 0.5, while the beta of the index is considered as 1. How many index futures contracts should be traded to achieve the hedge?	173



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SL NO	QUESTIONS	CORRECT ANSWER										
166	A company's share is currently trading at Rs.440. After 6 months, the share price will either increase to Rs.450 with probability 0.70 or decrease to Rs.420 with probability 0.30. A European call option exists with an exercise price of Rs.430. What will be the expected value of the call option at maturity?	Rs.14										
167	You are given the following information about a stock: Strike Price: Rs.200 Current Stock Price : Rs.172 Risk-free Interest Rate (r): 5% p.a. Time to Maturity: 6 months (0.5 years) What is the theoretical minimum price of a European put option?	Rs.23.1										
168	A stock is currently trading at Rs.150. A European put option with a strike price of Rs.190 is selling in the market at a premium of Rs.30. What will be the time value of this put option?	₹ 0										
169	Sandhya is bearish about the market index. The Spot Nifty is currently at Rs.1,420. She decides to buy five three-month Nifty put option contracts, each with a market lot of 200 units, at a strike price of Rs.1,530 for a premium of Rs.40 per unit. At the end of three months, the Nifty closes at Rs.1,480. What will be Sandhya's net payoff on this position?	Rs.10000										
170	Imran is bearish on the market and sells one January Nifty futures contract on January 15 for Rs.5,25,000. For this, he deposits an initial margin of Rs.36,250 with his broker. Each Nifty futures contract represents 200 Nifties. On January 25, the Nifty index closes at Rs.2,750. What is Imran's profit/loss on this position?	Loss of Rs.25,000										
171	In the futures market, when are call options and put options said to be 'out of the money'?	A call option is out of the money when the spot price < strike price, and a put option is out of the money when the spot price > strike price.										
172	CNX Nifty is currently trading at 4300. An investor purchases a May futures contract at 4500. Each lot consists of 25 units, and the initial margin requirement is 6%. What amount must the investor deposit as the initial margin? To what level must the Nifty futures rise to achieve a 5% gain on the initial margin?	Initial Margin = Rs.6,750; Target Futures Price = 4513.5										
173	A project requires an initial investment of Rs.40 lakhs. The expected annual cash inflows are Rs.8.5 lakhs for 10 years. The cost of capital is 12%, and the annuity factor for 12% for 10 years is 5.6502. What is the Profitability Index (PI) of the project?	1.2										
174	The probability distribution of a project's NPV is given below: <table style="margin-left: 20px;"> <tr> <td>NPV (₹)</td> <td>Probability</td> </tr> <tr> <td>25,000</td> <td>0.1</td> </tr> <tr> <td>50,000</td> <td>0.3</td> </tr> <tr> <td>1,00,000</td> <td>0.4</td> </tr> <tr> <td>1,20,000</td> <td>0.2</td> </tr> </table> If the initial cost of the project is ₹2,00,000, the Profitability Index (PI) of the project is:	NPV (₹)	Probability	25,000	0.1	50,000	0.3	1,00,000	0.4	1,20,000	0.2	1.41
NPV (₹)	Probability											
25,000	0.1											
50,000	0.3											
1,00,000	0.4											
1,20,000	0.2											
175	A project has the following details: Annual cash inflow: Rs.50,000 Useful life: 4 years Payback period: 2.305 years Calculate the cost of the project.	Rs.115250										



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SL NO	QUESTIONS	CORRECT ANSWER
176	A 5-year project has a Net Present Value (NPV) of Rs.550 lakh. The Present Value Interest Factor of Annuity (PVIFA) at 15% for 5 years is 3.352. Calculate the Equivalent Annual Benefit (EAB) of the project.	Rs.164 lakh per year
177	The following information is available for an investment proposal: NPV at a discount rate of 8% = ₹1,550 lakh NPV at a discount rate of 9% = ₹(-) 300 lakh The Internal Rate of Return (IRR) of the proposal is:	8.84%
178	A project has an expected Net Present Value (NPV) of Rs.2,30,000 and a standard deviation of Rs.69,000. Calculate the Coefficient of Variation (CV) of the project.	0.3
179	A company wishes to earn a real rate of return of 18% from its project, while the inflation rate is 9%. The normal (nominal) rate of return the company should target is:	28.60%
180	Depreciation is included as a cost in which of the following capital budgeting techniques?	Accounting Rate of Return (ARR) Method
181	When two alternative proposals are such that the acceptance of one automatically excludes the possibility of accepting the other, the decision-making is referred to as:	Mutually exclusive decisions
182	The following information is extracted from HDDD Mutual Fund Scheme: NAV on 01-11-2024 = Rs.88.25 Annualized return = 25% Distributions of income and capital gains during the month = Rs.0.40 and Rs.0.20 per unit respectively What will be the NAV on 30-11-2024?	Rs.89.49
183	A certain mutual fund scheme has the following details: Portfolio return = 25% Standard deviation = 4.2% Sharpe Ratio = 5 What is the risk-free rate of return?	4.00%
184	The following information is available for a mutual fund scheme: Portfolio Return (Rp) = 22% Risk (Standard Deviation, σ) = 25% Beta (β) = 0.80 Risk-free Rate (Rf) = 19% What is the Treynor's Ratio of the mutual fund?	0.0375
185	A mutual fund had a Net Asset Value (NAV) of Rs.25 at the beginning of a month. During the month, it distributed an income of Rs.0.0456 per share and a capital gain of Rs.0.04 per share. At the end of the month, the NAV was Rs.25.05. What is the monthly return of the fund?	0.54%
186	TVD Plan, a hedge fund, currently has assets of Rs.20 crore. CMA Vivek, the manager of the fund, charges: A management fee of 0.10% of portfolio assets, and An incentive fee of 2%, linked to the gross return each year in excess of the portfolio's maximum value since inception. The maximum value the fund has achieved since inception was Rs.21 crore. If the fund earns a return of 8% during the year, compute the total fee payable to CMA Vivek.	Rs.320000



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SL NO	QUESTIONS	CORRECT ANSWER
187	Mr. Umapada can earn a return of 25% by investing in equity shares on his own. He is now considering a recently announced equity-based mutual fund scheme in which: Initial expenses: 8.22% Annual recurring expenses: 2.1% How much must the mutual fund earn before expenses to provide Mr. Umapada with a net return of 25%?	29.53%
188	Which of the following is not a derivative instrument?	Mutual funds
189	Which of the following is true about options?	Buyer has right, seller has obligation
190	The initial margin is required in:	Futures contract
191	Hedging using derivatives aims to:	Eliminate risk
192	A company enters into an interest rate swap with a notional principal of \$2 million. Under the swap: The company pays a fixed rate of 7% per annum The company receives a floating rate equal to LIBOR of 6% per annum What is the net cash flow for the company for the year?	\$20,000
193	The probability distribution of security N is given below: Probability Return 0.167 60 0.333 30 0.500 20 The risk (standard deviation) of the return of the security is approximately:	14
194	An investor has the following two-security portfolio: Security A: Expected Return = 12% Standard Deviation = 18% Security B: Expected Return = 8% Standard Deviation = 10% The correlation coefficient between A and B is 0.30. The investor invests Rs.60,000 in Security A and Rs.40,000 in Security B. What will be the expected return and standard deviation (risk) of the portfolio?	Expected Return = 10.4%, Portfolio Risk = 12.6%
195	An investor allocates 70% of wealth in Security A (Expected Return = 15%) and 30% in Security B (Expected Return = 9%). What is the expected portfolio return?	13.20%
196	Security A: $\sigma = 12\%$, Weight = 0.5 Security B: $\sigma = 8\%$, Weight = 0.5 Correlation = 0. Portfolio Risk = ?	7.2%
197	A ($\sigma = 20\%$, weight = 0.6), B ($\sigma = 10\%$, weight = 0.4), correlation = 0.5. Find portfolio σ .	14.42%
198	A (ER = 10%, w = 0.4), B (ER = 12%, w = 0.6). Portfolio ER = ?	11.20%



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

STRATEGIC FINANCIAL MANAGEMENT (PAPER - 14)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
199	Portfolio return = 14%, risk-free = 6%, portfolio σ = 12%. Sharpe Ratio = ?	0.67
200	Rf = 5%, β = 1.2, Rm = 14%. Find expected return.	15.80%
201	σ_A = 10%, σ_B = 20%, ρ = -1. Weight of A for zero-risk = ?	0.67
202	Portfolio return = 13%, risk-free = 6%, β = 1.1. Treyner Ratio = ?	6.36%
203	Portfolio return = 15%, Rf = 5%, β = 1.2, Rm = 12%. Alpha = ?	1.60%
204	Which of the following can reduce unsystematic risk?	Investing in more stocks
205	Liquidity risk in a portfolio refers to:	Difficulty in quickly converting assets into cash
206	Which of the following is considered a "reward-to-volatility" measure?	Sharpe Ratio
207	A company is considering leasing a machine costing Rs.20,00,000 for 3 years. The lease rentals are Rs.6,00,000 per year payable at the end of each year. If the cost of debt is 10%, what is the Present Value (PV) of lease payments?	Rs.1492200
208	A company has an option to lease equipment for Rs.4,00,000 per year for 4 years or purchase it for Rs.12,00,000 financed by 12% debt repayable in 4 equal instalments. Assuming no taxes, which is cheaper?	Buy
209	Asset cost = Rs.12,00,000. Lease term = 5 years. Tax = 30%. Discount rate = 10%. What annual lease rental (before tax) makes the lessee indifferent?	Rs.310000
210	Lease rental = Rs.7,00,000 per year for 4 years. Asset cost = Rs.24,00,000. Tax = 35%. Discount rate = 12%. Should the company lease?	Yes
211	A machine can be leased at Rs.4,00,000 p.a. for 3 years or Rs.3,00,000 p.a. for 5 years. Discount rate = 10%, tax ignored. Which lease term is cheaper in PV terms?	3 years
212	EPS = Rs.30, P/E = 12. Find intrinsic price.	Rs.360
213	Face Value = Rs.5,000, maturity 5 yrs, YTM = 9%. Price of the bond = ?	Rs.3249
214	If a stock has expected return = 15%, β = 1.5, Rf = 5%, Market premium = 8%, is the stock overvalued or undervalued?	Overvalued
215	A stock has a beta (β) of 0.75. What does this indicate about the stock's volatility relative to the market?	Less volatile than market
216	Market risk premium = 10%, β = 1.8. What is stock's risk premium?	18%
217	A stock has positive alpha. What does it indicate?	Underpriced
218	The spot and 6-month forward rates of the US dollar against the Indian Rupee are as follows: Spot Rate (Rs./\$): Rs.84.532 / Rs.85.4143 6-Month Forward Rate (Rs./\$): Rs.85.1278 / Rs.86.2538 Calculate the annualized forward margin with respect to the Ask price.	1.97% p.a.
219	RRR Ltd. is planning to invest in the USA. The annual inflation rates are 5% in India and 2% in the USA. If the current spot rate is Rs.85.5/\$, what spot rate can the company expect after 3 years?	Rs.93.3



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SL NO	QUESTIONS	CORRECT ANSWER
220	You are a forex dealer in India. The prevailing international market rates are: 1Rs. = US \$0.0117647 1 £ = US \$1.341032 What will be your direct quote for £ (pound) in terms of Rs.(rupees) to your customer?	Rs.113.99/£
221	ABC Ltd., a valued customer engaged in import business, needs to remit EURO 1 million to its European exporter. The following spot rates are available: ₹/US\$ = ₹85.47/85.57 US\$/€ = \$0.8501/0.8505 If the bank charges a margin of 0.50%, what rate will the banker quote to ABC Ltd.?	73.14/Euro
222	An Indian company plans to make an investment in the United States. The expected annual inflation rates are 6% in India and 2% in the USA. If the current spot rate is Rs.85.2 per US dollar, what is the expected spot rate after 5 years, assuming the inflation rates remain constant over this period?"	Rs.103.26
223	In the foreign exchange market, if the spot rate of USD/INR is Rs.85.20 and the 3-month forward rate is quoted at Rs.85.80, what does this indicate?	The Dollar is at a forward premium against the Rupee
224	In the foreign exchange market, the direct quote method expresses	Foreign currency in terms of domestic currency
225	If the USD appreciates against the INR, what will be the impact on Indian importers?	They will have to pay more in INR for the same USD payment
226	Cross rate refers to:	An exchange rate derived from two other currency pairs
227	A currency option gives the holder the right to:	Buy or sell foreign currency at a predetermined rate
228	Which of the following is an example of operational risk?	Human errors in processing transactions
229	Which type of risk cannot be eliminated through diversification?	Systematic risk
230	Which of the following best defines currency risk?	Risk of loss due to adverse movement in exchange rates
231	Which type of digital currency is issued and regulated by a central bank?	Central Bank Digital Currency
232	Which technology allows digital finance companies to predict customer behavior and creditworthiness?	Machine Learning and AI
233	Stablecoins are designed to:	Maintain a fixed value relative to a fiat currency
234	The Net Asset Value (NAV) of a mutual fund represents:	Market value of fund assets minus liabilities per unit
235	Which type of mutual fund invests primarily in debt instruments?	Debt fund
236	Load in mutual funds refers to:	Entry or exit fees charged by the fund
237	Which of the following is an example of a hybrid mutual fund strategy?	60% equity, 40% debt allocation
238	Systematic Withdrawal Plan (SWP) allows investors to:	Withdraw a fixed amount periodically from their mutual fund investment
239	The beta of a mutual fund indicates:	Volatility of the fund relative to the market